

恒投证券

HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

Stock Code: 1476

2019

Annual Report

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Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that the content of this report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.

This report has been considered and approved at the sixth meeting of the fourth session of the Board and the sixth meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. No Directors, Supervisors or senior management of the Company declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The financial report for 2019 prepared by the Company, in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises, has been audited by Grant Thornton Hong Kong Limited and Grant Thornton Certified Public Accountants, respectively, each of whom had issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Pang Jiemin (the chairman of the Board), Mr. Niu Zhuang (the president) and Ms. Yang Shufei (the chief financial officer) declared that they undertake the financial statements in this report are true, accurate and complete.

The forward-looking statements including future plans and development strategies involved in this report do not constitute the Company's substantive commitment to investors. The investors are advised to pay attention to investment risks.

Chairman's Statement

In 2019, CSRC formally proposed twelve key tasks for comprehensively deepening the reform of the capital market, thereby the new cycle of market-oriented reform of the capital market being restarted, and the degree of market-oriented reform being constantly enhanced. At the same time, the financial industry continued to strengthen its opening-up efforts with the intensive launch of the new policy and the smooth introduction of the sci-tech innovation board, the adjustment of the policy of merger and reorganization to the market direction, and simultaneous launch of CSI 300, a new index option variety in three major stock exchanges. The high-quality development in the securities industry will be effectively promoted by the comprehensive reform of the capital market and the continuous improvement of the top-level system. In 2019, the domestic securities market performed well on the whole. The SSE Composite Index rose by 22.30%, the SZSE Component Index rose by 44.08%, the SSE SME Component Index and the GEM Index rose by 41.03% and 43.79%, respectively. In 2019, the operating results of the securities industry improved significantly. The Company actively seized market opportunities to promote each business development. The Group's revenue from proprietary businesses, private equity investment businesses and investment banking businesses increased substantially.

In 2020, with the further deepening of capital market reform, the Company will follow the industry trend and external regulatory requirements, seek transformation and upgrading of business structure and profit mode, and accelerate the transformation of brokerage business, asset management business and other businesses, laying a foundation for sustainable and high quality development in the future; the Company will change the status quo of business homogeneity and build a differentiated core competitive advantage. The Company will further strengthen the construction of compliance culture and comprehensive risk management system, thus improving the overall compliance management level and risk prevention and control capacity of the Company; the Company will improve that administrative management level of the back office, and deepen the construction of the communication and cooperation mechanism between the front office and the back office; the Company will optimize the talent structure system, so as to enhance the core competitiveness of human resources; the Company will strengthen information system construction thoroughly to provide guarantee for business development. The Company will unify, forge ahead and strive hard to make progress in all businesses of the Company.

Pang Jiemin

Chairman

Beijing, the PRC

27 March 2020

Section 1 Definitions

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

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191), a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Registrar of Companies in Hong Kong on 27 April 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Funds, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
end of Reporting Period	31 December 2019
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 100% equity interest in Huarong Infrastructure

Section 1 Definitions (Continued)

Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
FOF	Fund of Fund, a fund which specially invests in other securities investment funds
GDP	gross domestic product
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 80% and 20% equity interest of which is held by the Company and Hengtai Capital, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Section 1 Definitions (Continued)

Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huarong Investment	Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司), which holds 90% equity interest in Finance Street Xihuan Properties
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), a shareholder of the Company
Huijin Jiaye	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock on 15 October 2015 Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
MOM	Manager of Managers, which is a fund type whereby a manager chooses managers for an investment program
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company

Section 1 Definitions (Continued)

Ningbo Shike	Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司), which holds 70% equity interest in Qingyun Intercontinental
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Qingyun Intercontinental	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), a substantial shareholder of the Company
Reporting Period	the year ended 31 December 2019
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% equity interest in each of Huarong Investment, Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Hongya	Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司), which holds 99.60% equity interest in Ningbo Shike
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.08% equity interest in Hongzhi Huitong
Shanghai Julu	Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司), which holds 99.47% equity interest in Shenzhen Zhongxin
Shanghai Xishida	Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司), which holds 99.99% equity interest in Huijin Jiaye
Shanghai Yida	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a substantial shareholder of the Company
Shenzhen Zhongxin	Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司), which holds 95% equity interest in Shanghai Xishida

Section 1 Definitions (Continued)

stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 94% equity interest in Hangzhou Ruisi
this report	the 2019 annual report of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company
Zhongchang Hengyuan	Zhongchang Hengyuan Holdings Limited (中昌恒遠控股有限公司), a substantial shareholder of the Company

Section 2 Material Risks

The Company's business is highly dependent on economy and market conditions in China. China's capital market conditions may change suddenly and dramatically, which could materially and adversely affect the Company's business, financial condition and results of operation. Further, the Company's business is also susceptible to changes under relevant PRC government policies, such as monetary policies, fiscal policies, foreign exchange policies, interest rate fluctuation, cost of funding, taxation policies, availability of short-term and long-term market funding sources, and legislation and regulations affecting the finance and securities industries.

The major risks faced by the Company include: strategic risk arising from change of strategic plans and management risk arising from internal operation in response to changes of the macro-economy and the capital markets; credit risk resulting from the failure of a debtor or counterparty to timely perform its contractual obligations; market risk of loss or revenue decline resulting from the overall or partial change of the market, including the risk of price fluctuation in equity-based assets, interest rate risk and exchange rate risk; liquidity risk of the inability to raise funds on a timely basis at a reasonable cost to settle liabilities as they fall due, perform other payment obligations and satisfy other funding demands of normal business development; operation risk of financial loss resulting from the improper operation in transactional processes or the management system; legal and compliance risk resulting from the failure of making timely adjustment to the Company's operation and relevant standards corresponding to the adjustment to laws, regulations and provisions set by regulatory authorities; etc.

In view of the above-mentioned risks, the Company has established internal control and risk management system, compliance management system and risk control indicators monitoring system to prevent and reduce various risks the Company is exposed to in the course of operation.

Section 3 Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. Name of Company

Chinese name: 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD, being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

2. Board of Directors

Executive Directors

Mr. Pang Jiemin (*Chairman*)

Mr. Wu Yigang (*Vice chairman*)

Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Dong Hong

Ms. Gao Liang

Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

Special Committees of the Board

Strategy and Investment Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Yu Lei

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Wu Yigang

Mr. Dai Genyou

Section 3 Company Profile (Continued)

Audit Committee

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Wang Linjing

Dr. Lam Sek Kong

Remuneration and Nomination Committee

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Pang Jiemin

Dr. Lam Sek Kong

3. Supervisory Committee

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)

Mr. Chen Feng

Mr. Wang Hui

4. Legal Representative: Mr. Pang Jiemin

President: Mr. Niu Zhuang

5. Registered capital: RMB2,604,567,412

Net capital: RMB5,506,324,961.78

6. Qualifications for Businesses in China

The Company is qualified for: securities and futures business operation, financial advice business on activities related to security investment, proprietary securities business, foreign exchange business, access to national inter-bank funding business, online securities commission business, entrusted investment management business, proxy sale of open-end investment funds, chief agency broker in the agency system, provision of intermediary services for futures companies, margin financing and securities lending business, chief agency broker on the NEEQ, distribution of financial products, refinancing business, stock pledged repurchase transaction business, online account opening business, stock option brokerage and proprietary business, market-making activities on the NEEQ, lending business for margin and securities refinancing, Southbound Trading under the Shanghai-Hong Kong Stock Connect, pilot over-the-counter (“OTC”) trading, administration of overseas securities investment of qualified domestic institutional investors, trial Internet-based securities services, custodian business for securities investment funds and Southbound Trading under the Shenzhen-Hong Kong Stock Connect.

Section 3 Company Profile (Continued)

7. Head Office in China

Registered address: Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code : 010051)

Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

Website: www.cnht.com.cn

Email: dongban@cnht.com.cn

8. Place of Business in Hong Kong

40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

9. Secretary of the Board

Mr. Zhang Wei

Tel: +86 10 5667 3898

Fax: +86 10 5667 3777

Email: zhangwei@cnht.com.cn

Address: Room 509, Block C, Tongtai Building, No. 33 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

10. Chief Compliance Officer

Mr. Pang Jiemin (acting)

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: pangjiemin@cnht.com.cn

Address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

11. Chief Risk Officer

Ms. Yu Fang

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: yufang@cnht.com.cn

Address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

Section 3 Company Profile (Continued)

12. Joint Company Secretaries

Mr. Zhang Wei, Ms. Leung Wing Han Sharon

13. Authorised Representatives

Mr. Pang Jiemin, Ms. Leung Wing Han Sharon

14. Auditors

International accounting firm: Grant Thornton Hong Kong Limited

Domestic accounting firm: Grant Thornton Certified Public Accountants

15. Hong Kong Legal Advisor

Luk & Partners

In Association with

Morgan, Lewis & Bockius

16. Principal Bankers

China Minsheng Bank, Hohhot Branch

Industrial Bank Co., Ltd. Hohhot Branch

China Construction Bank Corporation, Hulun South Road Branch of Hohhot

17. H Share Registrar

Computershare Hong Kong Investor Services Limited

18. Stock Code (H Shares)

01476

Section 3 Company Profile (Continued)

II. DEVELOPMENT HISTORY

The Company's predecessor is Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司), which was established by Inner Mongolia branch of the People's Bank of China upon the approval of the People's Bank of China in April 1992. In November 1998, the Company was converted into a limited liability company as approved by the CSRC with the Reply on the Approval of Capital Increase and Conversion of Inner Mongolia Autonomous Region Securities Company (Zheng Jian Ji Gou Zi [1998] No.39) (《關於核准內蒙古自治區證券公司增資改制的批覆》(證監機構字[1998]39號)).

On 2 July 2002, upon approval by the CSRC with the Reply on the Approval of the Capital Injection of Inner Mongolia Securities Co., Ltd. (內蒙古證券有限責任公司) (Zheng Jian Ji Gou Zi [2002] No. 194) (《關於核准內蒙古證券有限責任公司增資擴股的批覆》(證監機構字[2002]194號)), Inner Mongolia Securities Co., Ltd. completed the capital increase with its registered capital increased from RMB94,000,000 to RMB655,569,950. On 9 October 2002, upon approval by the Inner Mongolia Administration for Industry and Commerce, the Company was re-named as Hengtai Securities Limited Liability Company (恒泰證券有限責任公司).

On 3 November 2008, upon approval by the CSRC with the Reply on the Approval of Conversion into a Joint Stock Company with Limited Liability and the Change of Registered Capital of Hengtai Securities Limited Liability Company (Zheng Jian Ji Gou Zi [2008] No. 1148) (《關於核准恒泰證券有限責任公司變更為股份有限公司以及變更註冊資本的批覆》(證監機構字[2008]1148號)), Hengtai Securities Limited Liability Company was converted into a joint stock company with limited liability under the name of Hengtai Securities Co., Ltd (恒泰證券股份有限公司), with its registered capital increased to RMB2,006,247,412.

On 10 March 2009, upon approval by the CSRC with the Reply on the Approval of Hengtai Securities Co., Ltd's Acquisition of Changcai Securities Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 223) (《關於核准恒泰證券股份有限公司收購長財證券經紀有限公司的批覆》(證監許可[2009]223號)), the Company acquired Changcai Securities Brokerage Co., Ltd.. The registered capital of the Company was increased to RMB2,194,707,412 and Hengtai Changcai became a wholly-owned subsidiary of the Company upon the completion of the acquisition.

Section 3 Company Profile (Continued)

On 22 May 2009, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in Shanghai Yongda Futures Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 423) (《關於核准上海永大期貨經紀有限公司變更股權的批覆》(證監許可[2009]423號)), the Company acquired Shanghai Yongda Futures Brokerage Co., Ltd., and Shanghai Yongda Futures Brokerage Co., Ltd. became a wholly-owned subsidiary of the Company. Shanghai Yongda Futures Brokerage Co., Ltd. changed its name to Hengtai Futures Brokerage Co., Ltd. in August 2010, and then to Hengtai Futures Co., Ltd. in May 2011. On 30 June 2015, the registered capital of Hengtai Futures was increased from RMB100 million to RMB125 million. Hengtai Capital subscribed for the additional registered capital in a cash consideration of RMB50 million, at the price of RMB2 for RMB1 registered capital. Hengtai Futures was held by the Company and Hengtai Capital as to 80% and 20%, respectively, upon completion of the capital increase. On 16 September 2015, Hengtai Futures was converted into a joint stock company with limited liability as a whole through converting its original net asset value into shares.

On 25 January 2013, the Company established Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司) in Beijing as a wholly-owned subsidiary of the Company, with a registered capital of RMB100 million.

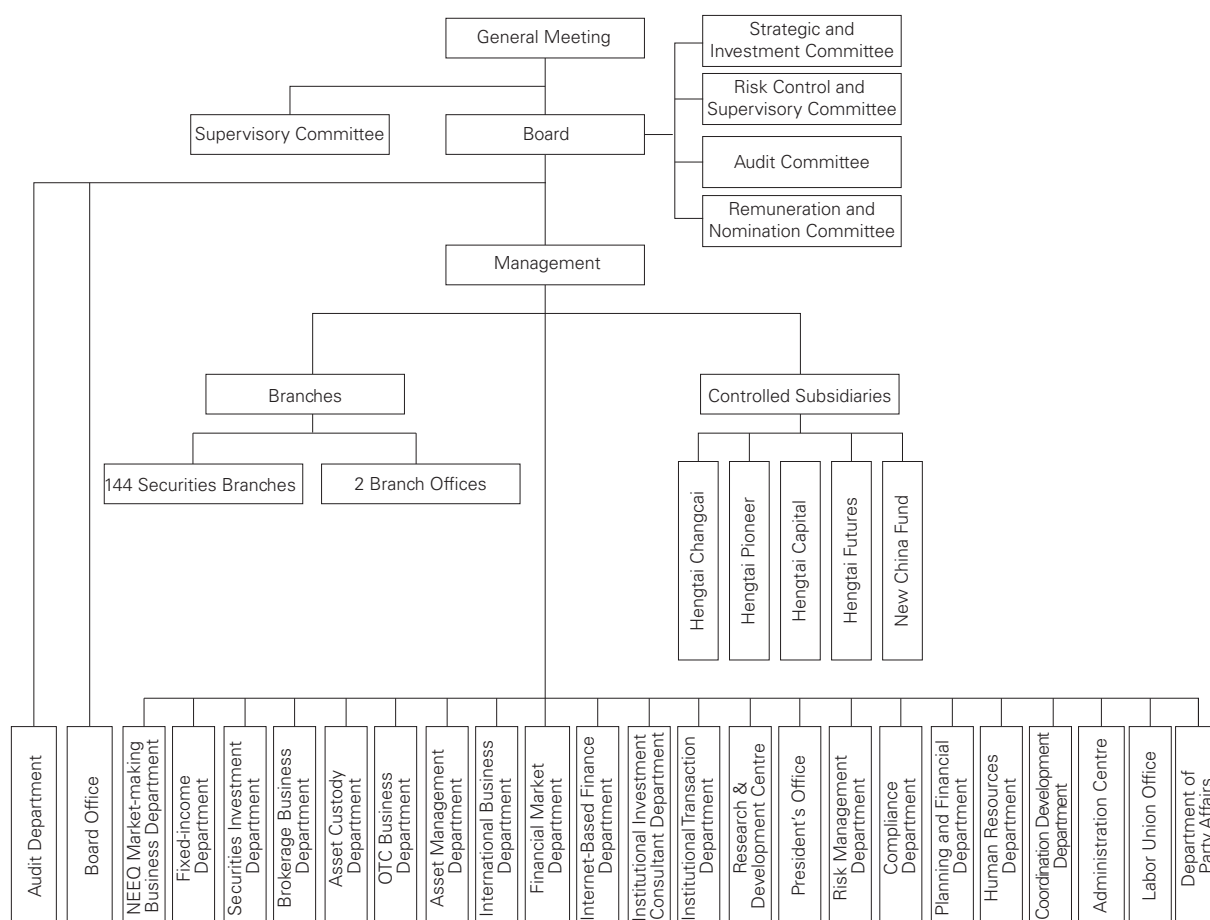
On 3 June 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million. On 29 January 2016, Hengtai Capital increased its registered capital from RMB0.2 billion to RMB1 billion in order to supplement working capital. On 10 November 2016, Hengtai Capital further increased its registered capital from RMB1 billion to RMB1.5 billion in order to supplement working capital. On 22 August 2018, Hengtai Capital changed its registered capital from RMB1.5 billion to RMB1.2 billion. On 11 March 2019, Hengtai Capital changed its registered capital from RMB1.2 billion to RMB0.8 billion.

On 30 October 2013, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2013] No. 1376) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2013]1376號)), the Company acquired 43.75% equity interest in New China Fund Management Co., Ltd. and became the second largest shareholder of New China Fund. On 29 July 2015, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1669) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2015]1669號)), the Company completed the subscription for additional 57,500,000 shares (representing 14.87% equity interest in New China Fund) at a consideration of RMB97,750,000. Upon completion of the capital increase, New China Fund was held by the Company as to 58.62% and became a non-wholly-owned subsidiary of the Company. On 28 September 2015, New China Fund Management Co., Ltd. was converted into a joint stock company with limited liability as a whole by converting its original net asset value into shares.

Section 3 Company Profile (Continued)

On 9 September 2015, the Company received the Reply on the Approval of Issue of Overseas-Listed Foreign-Invested Shares by Hengtai Securities Co., Ltd (Zheng Jian Xu Ke [2015] No. 2089) (《關於核准恒泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]2089號)) from CSRC, which approved the Company to publicly issue the overseas listed foreign-invested shares (H Shares) and the listing of such shares on the Main Board of the Hong Kong Stock Exchange. On 15 October 2015, the overseas-listed shares of the Company were officially listed on the Hong Kong Stock Exchange (stock code: 01476). The Company issued an aggregate of 450,846,000 H Shares (including the portion of reduced state-owned shares) (all being ordinary shares) with a nominal value of RMB1 each. The total share capital of Company was 2,604,567,412 shares upon completion of the issue.

III. ORGANIZATION STRUCTURE



Section 3 Company Profile (Continued)

IV. SUBSIDIARIES

As at 31 December 2019, major subsidiaries of the Company are as follows:

(I) Controlled Subsidiaries

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital (RMB'000)	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司)	Room 717, 719, 720, 721, 723, 725, 7/F, Zone C, Runde Building, No. 3333 Xiantai Street, the north of Weixing Road, the west of Xiantai Street, Economic and Technological Development Zone, Chang Chun, Jilin Province (吉林省長春市經濟技術開發區衛星路以北·仙台大街以西仙台大街3333號潤德大廈C區七層717、719、720、721、723、725室)	Securities underwriting business, securities investment and fund distribution business and securities sponsoring business	10 January 2002	20,000	100%	Zhang Wei (張偉)	010-56673702
2	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司)	Building 5, No. 25 Shuntong Road, Shunyi District, Beijing (北京市順義區順通路25號5幢)	Investment of equity and financial products other than those stated in the List of Securities Investment Products for the Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》) with its own funds	25 January 2013	10,000	100%	Wu Lihui (武麗輝)	010-83270868
3	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司)	Room 201, Block A, 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	Equity investment; equity-related debt investment; funds management; financial information consultation	3 June 2013	80,000	100%	Niu Zhuang (牛壯)	0755-83700311
4	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司) ¹	Unit 201, 2/F, No. 120 Block 91, E'shan Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區峨山路91弄120號2層201單元)	Commodity futures brokerage; financial futures brokerage; advisory services related to futures investment and asset management	20 December 1992	12,500	80%	Fu Lixin (付立新)	021-68405668
5	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)	19/F, Building 2, Lifan Centre, No. 6 Juxiyan Square, Jiangbei District, Chongqing (重慶市江北區聚賢巖廣場6號力帆中心2號辦公樓第19層)	Fund raising, fund distribution, asset management and other business as permitted by the CSRC	9 December 2004	21,750	58.62%	Zhang Zongyou (張宗友)	010-68779666

Note 1: The Company's shareholding percentage in such company is presented as direct shareholding percentage.

Section 3 Company Profile (Continued)

(II) Major Subsidiaries of Hengtai Capital

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital (RMB'000)	Shareholding percentage	Legal representative	Telephone (+86)
1	Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司)	Room 201, Building A, 1 Qianwan Yi Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	Entrusted management of equity investment funds, equity investment, funds management and investment consultation	9 September 2013	2,000	100%	Xin Benhua (辛本華)	0755-83700311
2	Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司)	821, 8/F, Building 1, No.35 Financial Street, Xicheng District, Beijing (北京市西城區金融大街35號1號樓8層821)	Project investment; investment management; asset management; investment consultation; corporate management consulting	8 April 2015	1,000	100%	Xin Benhua (辛本華)	010-57649363

(III) Major Subsidiary of Hengtai Futures

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital (RMB'000)	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Yingwo Asset Management Co., Ltd. (恒泰盈沃資產管理有限公司)	Room 915, No. 857 Laolu Road, Shuyuan Town, Pudong New District, Shanghai (上海市浦東新區書院鎮老蘆公路857號915室)	Asset management, investment management, industrial investment, venture capital investment, investment consulting, corporate management services, financial consulting, planning of corporate asset reorganisation and merger and acquisition, marketing planning, etc.	5 February 2016	5,000	100%	Fu Lixin (付立新)	021-60212780

Section 3 Company Profile (Continued)

(IV) Major Subsidiary of New China Fund

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital (RMB0'000)	Shareholding percentage	Legal representative	Telephone (+86)
1	Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司)	Room 3-01 Building 6, Ronghuiyuan, Airport Economic Core Zone, Shunyi District, Beijing (北京市順義區臨空經濟核心區融慧園6號樓3-01)	Asset management for specific customers and other businesses as approved by CSRC	10 April 2013	30,800	76.62%	Lin Yanfang (林豔芳)	010-58010865

V. BRANCH OFFICES

As at 31 December 2019, the Company had two branch offices in Shenzhen and Changchun, respectively, details of which are as follows:

No.	Name	Address (in China)	Date of establishment	Working capital (RMB0'000)	Person in charge	Telephone (+86)
1	Hengtai Securities Co., Ltd, Shenzhen Branch Office (恒泰證券股份有限公司深圳分公司)	Rooms 2001-2020, Shenzhen Central Business Building, No. 88 Fuhua First Road, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福華一路88號深圳中心商務大廈2001-2020室)	17 August 2009	500	Hu Sanming (胡三明)	0755-82033486
2	Hengtai Securities Co., Ltd, Changchun Branch Office (恒泰證券股份有限公司長春分公司)	Rooms 2501 and 2502, Office Building 11, Weifeng New Ecological City, Jingyue Development Zone, Changchun City, Jilin Province (吉林省長春市淨月開發區偉峰生態新城11#辦公樓2501、2502號房)	27 May 2014	300	Cao Yalou (曹亞樓)	0431-82970822

Section 3 Company Profile (Continued)

VI. DISTRIBUTION OF SECURITIES BRANCHES

As at 31 December 2019, the Company had a total of 144 securities branches (please refer to Appendix to this report). Number and distribution of securities branches of the Company are as follows:

Location (PRC)	Number of securities branches	Location (PRC)	Number of securities branches
Inner Mongolia Autonomous Region	27	Hubei Province	2
Guangdong Province	23	Guangxi Zhuang Autonomous Region	2
Shanghai	20	Shanxi Province	1
Beijing	19	Hebei Province	1
Jilin Province	14	Chongqing	1
Zhejiang Province	13	Shaanxi Province	1
Shandong Province	8	Henan Province	1
Liaoning Province	4	Hunan Province	1
Fujian Province	2	Tianjin	1
Jiangsu Province	2	Sichuan Province	1

Section 4 Summary of Accounting and Business Data

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

(I) Principal Accounting Data and Financial Indexes for the Recent Three Years

Item	2019	2018	Increase/ (decrease) from last period	2017
Operating results (RMB'000)				
Revenue and other income	3,847,104	2,099,654	83.23%	4,234,363
Profit/(loss) before tax	974,950	(820,420)	218.84%	1,012,905
Profit/(loss) for the year-attributable to ordinary shareholders of the Company	740,538	(673,466)	209.96%	706,202
Net cash generated from/(used in) operating activities	2,308,765	7,315	31,462.06%	(1,970,096)
Earnings per share (RMB/share)				
Basic earnings/(loss) per share ¹	0.25	(0.30)	183.33%	0.23
Diluted earnings/(loss) per share ¹	0.25	(0.30)	183.33%	0.23
Profitability index				
Weighted average rate of return on net assets(%) ²	7.69	(9.10)	Increased by 16.79 percentage points	7.06

Section 4 Summary of Accounting and Business Data (Continued)

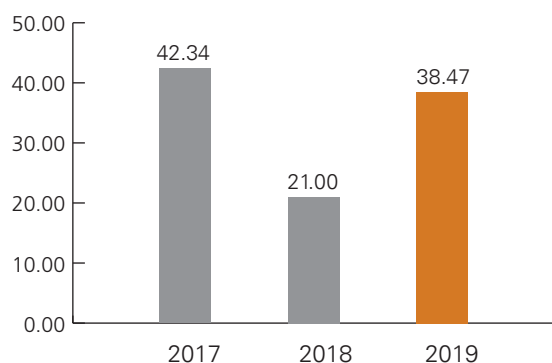
Item	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	31 December 2017
Scale indicators (RMB'000)				
Total assets	29,526,981	29,915,079	(1.30%)	36,416,987
Total liabilities	18,948,568	19,970,258	(5.12%)	25,474,555
Accounts payable to brokerage clients	9,071,688	7,691,497	17.94%	10,028,333
Equity attributable to ordinary shareholders and holders of perpetual capital securities	10,174,947	9,536,409	6.70%	10,571,277
Total share capital ('000 shares)	2,604,567	2,604,567	0.00%	2,604,567
Net assets per share attributable to ordinary shareholders ³ (RMB/share)	3.33	3.09	7.77%	3.48
Gearing ratio (%) ⁴	48.29	55.25	Decreased by 6.96 percentage points	58.53

Notes:

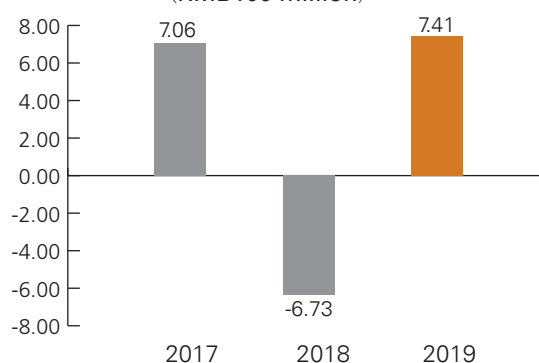
- The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
- Weighted average rate of return on net assets (%) = $P / (E_0 + P \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0)$, in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E₀ represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; E_i represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period; E_j represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; M₀ represents the number of months of the Reporting Period; M_i represents the accumulative number of months calculated from the month following the increase in net assets to the end of the Reporting Period; M_j represents the accumulative number of months calculated from the month following the reduction in net assets to the end of the Reporting Period.
- Net assets per share attributable to ordinary shareholders = (Equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) ÷ total share capital
- Gearing ratio (%) = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)

Section 4 Summary of Accounting and Business Data (Continued)

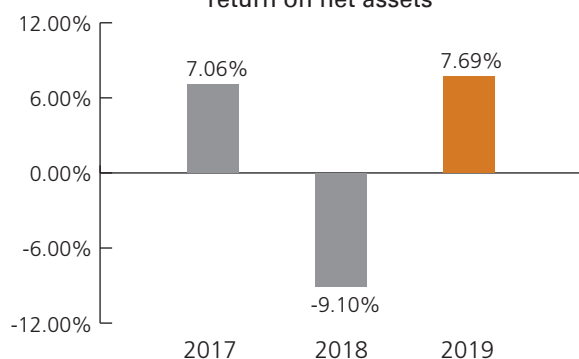
Revenue and other income
(RMB100 million)



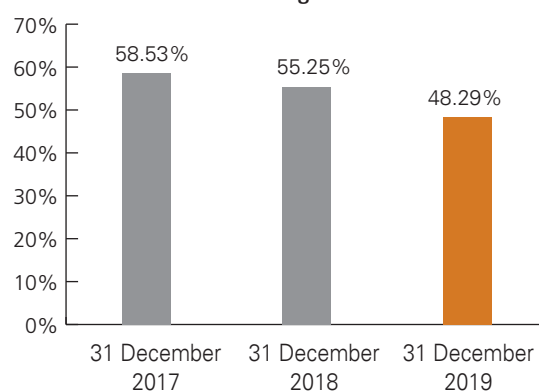
Annual profit/(loss)-attributable to the
Company shareholders of ordinary share
(RMB100 million)



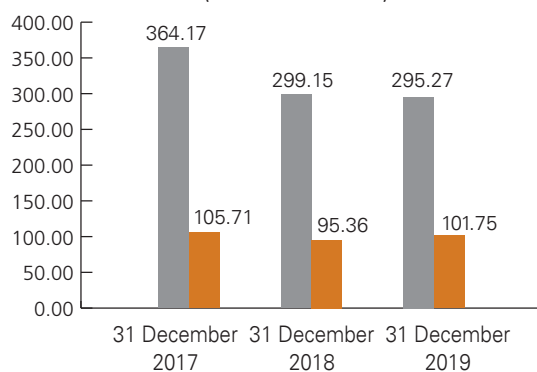
Weighted average rate of
return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



- Total assets
- Equity attributable to shareholders of ordinary shares of the Company and holders of permanent capital securities

Section 4 Summary of Accounting and Business Data (Continued)

(II) Principal Accounting Data and Financial Indexes for the Recent Five Years

Earnings (RMB'000)

Item	2019	2018	2017	2016	2015
Revenue and other income	3,847,104	2,099,654	4,234,363	3,541,155	5,676,190
Total operating expenses	(2,874,822)	(2,918,406)	(3,219,772)	(2,897,455)	(3,493,386)
Profit/(loss) before tax	974,950	(820,420)	1,012,905	642,577	2,195,270
Profit/(loss) for the year – attributable to ordinary shareholders of the Company	740,538	(673,446)	706,202	454,723	1,700,772

Assets, liabilities and equity (RMB'000)

Item	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Total assets	29,526,981	29,915,079	36,416,987	37,148,596	39,167,673
Total liabilities	18,948,568	19,970,258	25,474,555	27,212,391	29,434,641
Accounts payable to brokerage clients	9,071,688	7,691,497	10,028,333	12,201,337	13,977,558
Equity attributable to ordinary shareholders and holders of perpetual capital securities	10,174,947	9,536,409	10,571,277	9,660,960	9,531,668
Total share capital ('000 shares)	2,604,567	2,604,567	2,604,567	2,604,567	2,604,567

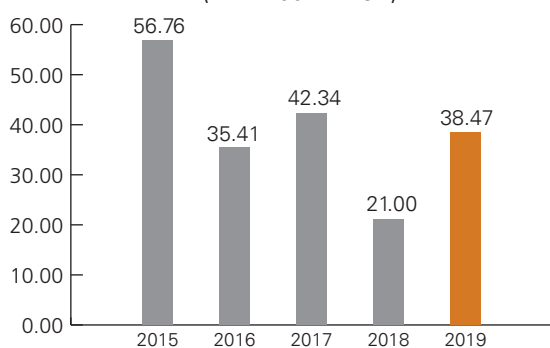
Section 4 Summary of Accounting and Business Data (Continued)

Key financial indexes

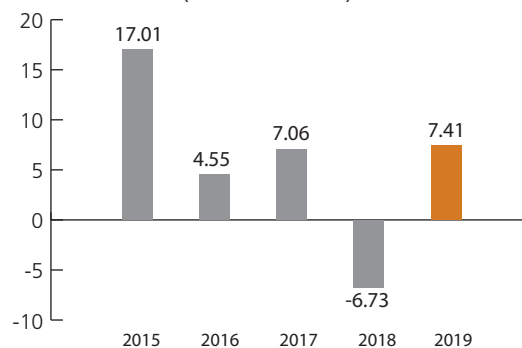
Item	2019	2018	2017	2016	2015
Basic earnings/(loss) per share <i>(RMB/share)</i>	0.25	(0.30)	0.23	0.14	0.72
Diluted earnings/(loss) per share <i>(RMB/share)</i>	0.25	(0.30)	0.23	0.14	0.72
Weighted average rate of return on net assets (%)	7.69	(9.10)	7.06	4.38	26.62
	31 December	31 December	31 December	31 December	31 December
	2019	2018	2017	2016	2015
Gearing ratio (%)	48.29	55.25	58.53	60.17	61.36
Net assets per share attributable to ordinary shareholders <i>(RMB/share)</i>	3.33	3.09	3.48	3.13	3.08

Section 4 Summary of Accounting and Business Data (Continued)

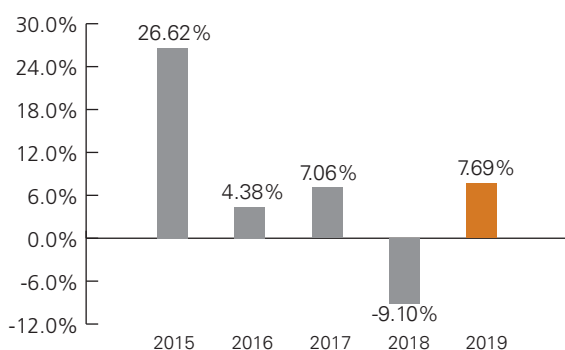
Revenue and other income
(RMB100 million)



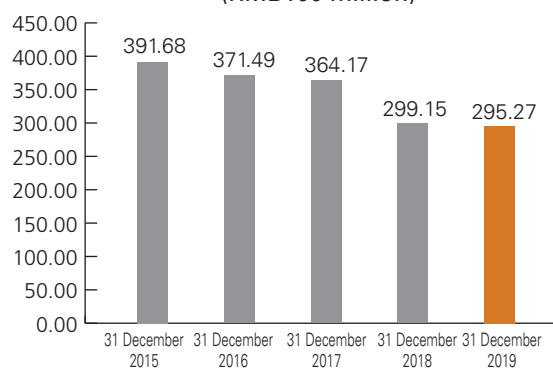
Annual profit /(loss)-attributable to the Company shareholders of ordinary share
(RMB100 million)



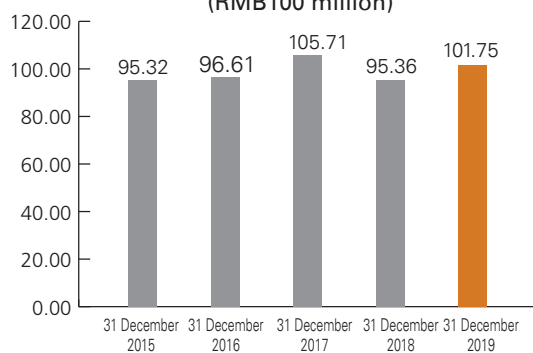
Weighted average rate of return on net assets



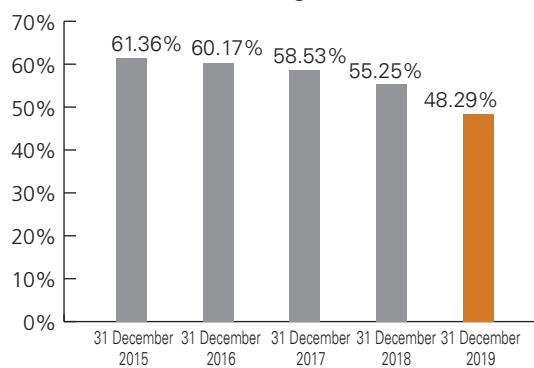
Total asset
(RMB100 million)



Equity attributable to shareholders of ordinary shares of the Company and holders of permanent capital securities
(RMB100 million)



Gearing ratio



Section 4 Summary of Accounting and Business Data (Continued)

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

There is no material difference as to Company's net profit for 2019 and 2018 and net assets as at 31 December 2019 and 31 December 2018 shown on the consolidated financial statements prepared under the International Financial Reporting Standards and those shown on the consolidated financial statements prepared under China's Accounting Standards for Business Enterprises.

III. THE COMPANY'S NET CAPITAL AND RELATED RISK CONTROL INDEXES

As at 31 December 2019, the Company's net capital amounted to RMB5,506.33 million, representing a decrease of RMB676.79 million as compared with RMB6,183.12 million at the end of 2018. During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

Unit: in RMB'000

Item	31 December 2019	31 December 2018 ¹	Regulatory standard
Net capital	5,506,325	6,183,124	N/A
Including: Net core capital	5,506,325	4,683,124	N/A
Net supplement capital	0	1,500,000	N/A
Net assets	9,429,021	9,008,517	N/A
Total risk capital provision	1,885,006	2,389,640	N/A
Total assets on and off statement of financial position	17,659,192	19,804,395	N/A
Risk coverage ratio	292.11%	258.75%	≥100%
Capital leverage ratio	31.18%	23.65%	≥8%
Liquidity coverage ratio	840.47%	245.10%	≥100%
Net stable funding ratio	166.26%	182.17%	≥100%
Net capital/net assets	58.40%	68.64%	≥20%
Net capital/liabilities	67.67%	58.36%	≥8%
Net assets/liabilities	115.87%	85.02%	≥10%
Proprietary equity securities and securities derivatives/net capital	33.04%	42.07%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	108.21%	113.38%	≤500%

Note 1: According to the Notice on Reporting and Analysis of the Revised Regulatory Statements of the Institutional Supervision Comprehensive Information System [(Ji Gou Bu Han [2019] No. 1360)] (《關於做好修訂後機構監管綜合信息系統監管報表填報與分析工作的通知》(機構部函[2019]1360號)) (the "Notice") by the CSRC, the revised regulatory statements took effect since July 2019. To meet the comparable requirement of indexes, the related risk control indexes of the Company's net capital dated 31 December 2018 were required to be recalculated in accordance with the provisions of the Notice.

Section 5 Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, China's economy has maintained generally stable operation, and the economic structure has seen a continuous improvement, but there was increased downward pressure due to multiple internal and external factors. In the year of 2019, China's GDP grew by 6.1% year-on-year, 0.6 percentage points lower than that of 2018. The People's Bank of China implemented a prudent monetary policy, lowered the deposit reserve ratio for three times, flexibly carried out open market and medium-term borrowing facilities, maintained liquidity at a reasonably sufficient level, helped banks replenish capital with a breakthrough in interests on perpetual bond, as well as unblocked monetary policy transmission and reformed and improved the formation mechanism for loan prime rate amid a complex domestic and international economic and political environment like the loose monetary policies of Federal Reserve of the United States, the European Central Bank and central banks from other countries, the slowing-down growth of global economy, the increased geopolitical risks, and the China-US trade dispute. In the year, broad money and narrow money grew by 8.7% and 4.4% year-on-year, respectively, and social financings totaled RMB251.31 trillion, representing an increase of 10.7% compared to 2018. The growth rate of broad money and the size of social financing was slightly higher than the nominal growth rate of GDP. Corporate loan interest rates decreased significantly and RMB exchange rate experienced two-way fluctuations with flexibility being further strengthened.

During the Reporting Period, major Chinese stock indices saw an increase, and the trading volumes increased dramatically as compared with 2018. In 2019, the Shanghai Composite Index opened at 2,497.88 points, and then fell to as low as 2,440.91 points and closed at 3,050.12 points at the end of the year, representing an increase of 22.30% for the year; the Shenzhen Component Index opened at 7,259.49 points at the beginning of the year, and then fell to as low as 7,011.33 points and closed at 10,430.77 points at the end of the year, representing an increase of 44.08% for the year; the GEM Index opened at 1,250.62 points, and then fell to as low as 1,201.80 points and closed at 1,798.12 points at the end of the year, representing an increase of 43.79% for the year. In 2019, the turnover of stocks and funds on Shanghai Stock Exchange amounted to RMB61,243.359 billion, the turnover of stocks and funds on Shenzhen Stock Exchange amounted to RMB75,340.459 billion, and the total turnover of stock and funds in the Shanghai and Shenzhen stock markets amounted to RMB136,583.818 billion, representing a year-on-year increase of 35.81%. *(data source: websites of State Statistics Bureau, People's Bank of China, Shanghai Stock Exchange, Shenzhen Stock Exchange and Wind Info)*

Section 5 Management Discussion and Analysis (Continued)

II. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, the Group recorded revenue and other income of RMB3,847.10 million and a net profit of RMB762.85 million, representing an increase of 83.23% and 219.95% as compared with 2018, respectively.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB1,422.64 million, representing an increase of 7.24% as compared with 2018.

1. Securities brokerage

During the Reporting Period, the Company has further enhanced the “client-centric” service concept. On one hand, the Company kept up with the development of the industry and promoted quantitative business research and the development of derivatives business. It also varied the client trading tools and meet the diversified trading needs of clients. On the other hand, the Company has been improving the ability to serve clients online and using the third-party platforms and its own “Toupai (頭派)” and “Jinyu Manager (金玉管家)” APPs to set up the investment and consultation service platform to promote online investment and consultation service and provide diversified investment and consultation service. On the basis of expanding the client scale of investment and consultation service, the Company has realized the precise match of clients’ needs and services of investment and consultation to improve the quality of customer service.

During the Reporting Period, the number of new accounts opened reached 49,100 and the total number of clients reached 2,369,800, representing an increase of 1.32% as compared with the end of 2018. The total assets under custody for clients reached RMB117,649.44 million, representing an increase of 8.78% as compared with the end of 2018. The turnover of stocks and funds reached RMB1,604,181.47 million, representing an increase of 32.40% as compared with 2018, while the market share of stocks and funds was 0.59%, representing a decrease of 3.28% as compared with that in 2018.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2020

The Company will continue to keep up with the development of securities brokerage business in the industry, to promote share option, return swap, repurchase business and other innovative businesses and enrich the types of brokerage business. It will also continue to strengthen the cooperation with private equity organizations in the market, to hold the second “Private Equity Competition” with www.simuwang.com and expand the scale of company organizations and quantified business. In addition, the Company will continue to advance the development of information system to strengthen the efforts of technology empowering and improve the scale of brokerage business and the market share centering on the development of its own investment and consultation service platform and integrated organization service system.

2. Futures brokerage

During the Reporting Period, Hengtai Futures has always required all staff to improve compliance operation and risk management awareness, made solid progress in compliance and risk management and continued to improve the level of compliance and risk management. Faced with an unfavourable market environment, Hengtai Futures focused on strengthening the foundation of futures brokerage business, adhered to the strategic thinking of serving small and medium-sized financial institutions and industrial clients, concentrated limited resources on developing high-quality institutional clients and successfully developed clients such as listed companies and large state-owned circulation enterprises. At the 17th China Financial Billboard (財經風雲榜), Hengtai Futures was awarded the Growth Futures Company of the Year Award (年度成長性期貨公司) and the Gold Medal Service in Futures Industry Award (期貨業金牌服務獎). During the Reporting Period, the number of new-added clients of Hengtai Futures was 1,748.

Prospects for 2020

Hengtai Futures will continue to track and analyze the characteristics and trends of the industry development and has formulated a strategic plan for the next five years. Hengtai Futures has clarified the development direction of service financial institutions and industrial institutions. It will achieve leapfrog development by building up technology and researching core competitiveness, based on brokerage business, driven by asset management and risk management and supplemented by international business.

Section 5 Management Discussion and Analysis (Continued)

3. Wealth management

During the Reporting Period, the Company vigorously promoted the transformation of wealth management, insisted on the customer-centric principle, attached importance to the concept of providing clients with long-term and rational asset allocation, deeply analyzed the structure of public offering fund, refined the classification of public offering fund and accurately allocated according to clients' needs. It also deeply explored the quantitative market assets, promoted the concept of quantitative investment allocation in combination with the FOF fund model and strived to build the Company's quantitative FOF brand. Further, the Company built the whole strategy of FOF brand to achieve full custody of clients' assets and help clients obtain better returns with advanced quantitative strategy research and system support. During the Reporting Period, various types of financial products were sold 82 in total, with a scale of RMB6,409.86 million. At the end of the Reporting Period, the existing size of financial products is RMB6,218 million.

Prospects for 2020

The Company will introduce high-end talent in the market, integrate personnel advantages rapidly and set up a complete wealth research and allocation system to improve the quality of research and promote the development of repurchase business, fund investment and consultation business and public offering securities clearing business. It will set up systematic basic sustainable fixed income tools, continue to strengthen the basic allocation of public offering funds and select high-quality active management public offering funds. It will deepen the concept of portfolio investment and long-term allocation and select subjective private equity products. It will deepen the high frequency quantatization strategy service, optimize product rate structure, strengthening the construction of scientific and technological investment and research and investment and consultation services and be committed to providing the investors with a full range of securities financing services.

Section 5 Management Discussion and Analysis (Continued)

4. Capital-based intermediary business

During the Reporting Period, with the warming of the stock market, the demand for funds has increased significantly, and the scale of the Company's margin financing and securities lending business has increased. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB3,990.23 million, representing an increase of 22.83% as compared with the end of 2018. Stock-pledged repurchase business has tightened due to tightening regulations. As at the end of the Reporting Period, the size of stock-pledged repurchase amounted to RMB559.01 million, representing a decrease of 25.78% as compared with the end of 2018.

Prospects for 2020

The Company will strengthen risk management and control, strive to improve the level of risk management, proceed with the client suitability management and guarantee securities and underlying securities management in an attempt to reduce clients defaults. Meanwhile, it will optimize the client structure, strengthen the promotion of margin financing and securities lending business and provide high-quality financing services for clients of brokerage business. Moreover, the Company will broaden financing channels and improve capital allocation processes to improve capital efficiency and reduce financial costs effectively.

5. Asset custody business

During the Reporting Period, the Company optimized customer service processes and strengthened market development efforts thereby achieving continuous growth in asset custody business. As at the end of the Reporting Period, the Company provided custody services for 1,024 funds, fund services for 350 funds and fund raising supervision services for 389 funds. The total size of asset custody, fund services and fund raising supervision increased to RMB172,717 million, representing an increase of RMB52,687 million as compared with that by the end of 2018.

Prospects for 2020

For the asset custody business, under the efficient and professional service concept, the Company will further strengthen in-depth cooperation with various financial institutions, continue to expand business cooperation channels, and proactively select high-quality fund managers. In addition, it will strengthen compliance and risk management, further consummate business processes, and improve the quality of client services.

Section 5 Management Discussion and Analysis (Continued)

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB351.01 million, representing an increase of 83.15% as compared with 2018.

In 2019, driven by the market cycle and supported by policies, China's security market orderly proceeded with the innovative business and the bond market maintaining a loose monetary situation. Hengtai Changcai, in the business course of its investment banking business, adapted to the changes in the market while actively capitalizing on the opportunities arising from such changes in strictly adherence to the regulatory requirements, held fast to the three defense lines for internal control and carried out prudent operations, thereby achieving stable development in debt financing.

1. Equity financing

During the Reporting Period, Hengtai Changcai proactively implemented the Guidelines for Internal Control of Investment Banking Business of Securities Companies (《證券公司投資銀行類業務內部控制指引》) to optimize organizational structure and strengthen the internal quality control for the investment banking business. It also improved the business approval procedures and business risk prevention and control capabilities. While steadily promoting IPO and other business, it also strengthened the team and talent reserve, adhered to the needs of the enterprise, relied on professional advantages to grasp the opportunities for reform of the Sci-Tech innovation board and registration system and devoted intensive efforts to quality customers to level up its comprehensive service capacity.

2. Debt financing

During the Reporting Period, the bond market maintained a loose monetary situation. While affected by events such as the China-US trade dispute, investors' risk appetite increased and bond issuance became more difficult. During the Reporting Period, while solidifying its own strength in respect of enterprise bond, Hengtai Changcai strengthened its ability of bond sales and made proactive attempts on new business directions. As a result, it completed 16 enterprise bonds projects and 13 corporate bonds projects, achieving a total financing amount of RMB19,191 million.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2020

In the progress of continuous development, Hengtai Changcai will continue to adhere to the guidance of compliance and risk control and based on quality control, strict risk prevention and efficient management, adapt to changes in the market when proactively developing innovation-based business and expanding its business channels on condition of continuous enhancement of its own strengths. Meanwhile, it will tap into high quality enterprises and projects so as to pave the way for its future development. Holding fast to the mission of serving the real economy, it will constantly increase input in direct financing businesses such as IPO, Sci-Tech innovation board, refinancing, merger and reorganization, as well as direct debt financing and improve its competitive edges and the steady development of various investment banking businesses.

3. Business of listing on the NEEQ

During the Reporting Period, the Company adhered to the principles of risk control, system improvement, and enhancement of quality and efficiency for the NEEQ listing business, focused on development of high-quality listing and targeted capital increase and restructuring projects, screened out risk projects and put more emphasis on the improvement of business quality. Meanwhile, it continued to improve the quality of personnel, business ability and cohesion. It has maintained a good competitive position in the market and consolidated the subsequent development foundation for its business. During the Reporting Period, the Company completed 10 listing projects, 6 targeted capital increase projects, and 2 merger and reorganization project. It provided continuous steering services for 128 listed companies.

Prospects for 2020

At the end of 2019, the Central Economic Work Conference clearly proposed to steadily promote the reform of the NEEQ. With the continuous implementation of various supporting policies, the market ecology of the NEEQ is recovering and the market is showing signs of recovery. The Company will continue to deeply explore the NEEQ market, stabilize the core team and improve the comprehensive quality of personnel. It will also ameliorate the internal control mechanism, improve the capability to comprehend and control risk and also the NEEQ business system in an attempt to seize the opportunities for reform and serve the development needs of high-quality companies in the capital market.

Section 5 Management Discussion and Analysis (Continued)

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB948.02 million, representing an increase of 17.42% as compared with 2018.

1. Assets management

During the Reporting Period, the investment management business continued to implement the requirement of assets management standards, decrease the scale of non-active management business, and strictly control the other existing businesses, the whole business scale decreased as compared with the end of 2018. During the Reporting Period, the Company focused on the development of active management business, refined the equity research, the positioning of fixed income of different products and targeted customers and combined with the market condition. The Company concisely created “Wenjian Tian Fu No.3 (穩健添富3號)”, “Kechuang Fuxing No.1(科創復興1號)”, “Ruixin No.1 FOF(睿鑫1號FOF)”, “Wenjian Zengyi No.1(穩健增益1號)”, “Zhixuan No.3 FOF(智選3號FOF)” and other new style products. In the event of 2019 Oriental Fortune Billboard Selection, the products of “Wenjian Tian Fu Series(穩健添富系列)” was successfully awarded the “Award of Most Popular Product(最受歡迎產品獎)”. 11 collective asset management schemes were established during the Reporting Period, the open products under which would continue to be on sale within the subsisting period. In particular, Wenjian Huifu series products with fixed income have received continuous attention of the investors, and the subsisting active management products had a midstream performance in the market.

As at the end of the Reporting Period, the total size of asset management business was RMB33,422.57 million, of which the size of collective asset management schemes amounted to RMB21,177.21 million; the size of targeted asset management schemes amounted to RMB7,576.35 million; the size of the asset-backed securities special schemes amounted to RMB23,669.01 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 39, 19 and 17, respectively.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2020

In respect of the assets management, the Company will prioritize the fixed income investment business, forge characteristic advantages out of its equity investment business, and establish kernel competitiveness of asset management business based on the FOF and MOM businesses so as to provide customers with diversified products. The construction of investment research system will be consummated so as to ripen the fruits of investment research to establish the brand image. In addition, it will enhance its creativity in products and provide the major support for the transformation of the Company's wealth management. The Company will proactively expand the third-party channel which will expand the cover of the increase of business, achieving the continuous increase of business scale. Meanwhile, it will further meliorate the business systems, reinforce compliance consciousness and comprehend and control operation risks, whereby the smooth development of its businesses can be ensured.

2. Fund management

During the Reporting Period, as affected by market objective factors, funds scaled down substantially, mainly the monetary funds. The performance of equity-based funds and bond-based funds was relatively outstanding and non-monetary funds scaled up lightly. Special accounts business scaled down and New China Fund will continue to adjust the organizational structure of special accounts business and proactively transform to active management.

As at the end of the Reporting Period, New China Fund had 45 publicly-raised funds with management size of RMB23,456 million, representing a year-on-year decrease of RMB16,595 million or 41.43%. The size of asset management with special accounts reached RMB40,555 million, representing a year-on-year decrease of RMB10,189 million or 20.08%.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2020

While keeping the stable performance of bond-based funds, New China Fund will continue to leveling up the performance of investment in equity-based fund. It will formulate a more market-oriented assessment and incentive scheme so as to maintain and attract excellent talents; reinforce the construction of the investment research team so as to maintain its core competitiveness in respect of investment research; form the sale group with market competitiveness to facilitate the rapid increase in the size of fund management; set new records in respect of special accounts business while spending more efforts on developing active management products; continue to improve the system, personnel allocation and technical methods and strengthen the study to further improve the compliance, risk control and audited professional management level; give the reign to the support effects of the mid and back end, intensify standardized management and improve work efficiency and quality to advance business development; speed up the business transformation of subsidiaries; and strengthen the compliance and risk control management of the subsidiaries.

3. Private equity investment

During the Reporting Period, as required by the relevant regulatory authorities, Hengtai Capital continued to carry out comprehensive rectification in respect of the business scope, fund products and subordinate subsidiaries. During the Reporting Period, the written-off and transformation of part of subsidiaries have been completed. In respect of business rectification, Hengtai Capital gradually scaled down the directly invested business and there were 10 existing directly invested projects at the end of the Reporting Period; and it proactively rectify the private equity funds and there were 8 existing private equity funds in an aggregate amount of RMB9,676 million at the end of the Reporting Period. Moreover, Hengtai Capital strengthened the post-investment management of the existing business on the one hand and reserved a number of new projects on the other hands.

Prospects for 2020

Hengtai Capital will continue to maintain the business direction of the merge and acquisition and emphasize the expansion in the private equity segment, establish more rational human resource and assessment incentive and other guarantee mechanism. Meanwhile, it will proceed with the post-investment management of the existing businesses in an attempt to maximize customers' interests, continue to level up compliance operation standards and improve the risk control capacity. Besides, it will enhance the collaboration among the investment department, research department of the Group and external department; and make investments with features in bulk commodity, optional consumption and real estate and other advantageous fields.

Section 5 Management Discussion and Analysis (Continued)

4. Alternative investment

During the Reporting Period, Hengtai Pioneer continued to focus on the post-investment management of the projects, completed its related valuation models and conducted dynamic post-investment management of the projects and completed the benign transformation of three equity investments and the write-off of one equity investment. Hengtai Pioneer continued to pay consistent attention to the investment in film funds and strengthen researches and analyses in the film industry and funds. In 2019, one investment in film funds was completed.

As at the end of the Reporting Period, Hengtai Pioneer invested in 7 direct investment projects with its own funds for an investment size of RMB75 million.

Prospects for 2020

Hengtai Pioneer will put further efforts into the management of investment projects financed by self-own capital, intensify internal control and improve team building. In respect of business investment, it will pay consistent attention to the investment in film funds, strengthen researches and analyses in the film industry and funds, and identify film funds projects in lower risk for further investment.

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB1,047.79 million, representing an increase of 445.75% as compared with 2018.

During the Reporting Period, as affected by the relatively loose of Sino-US trade frictions, monetary liquidity and other domestic and overseas factors, the whole market of China's stock market recovered but stock differentiation also existed. The consumer stocks with confirmed performance increase and domestic scientific stocks replacing the innovative one dominated performed better. The proprietary business of the Company strengthened the deep research on macroeconomics, listed companies and the industries, and dynamically optimized the position portfolio, so as to achieve the overall better profitability.

In terms of stock investment, in adherence to the principle of stable operation and the philosophy of value investment, the Company gave priority to allocation of the blue-chip stocks with relatively confirmed profits and low valuations and stocks of developing technological companies with autonomous control or import substitution capability, dug deep into the excess profits of individual stocks, and seized the structural investment opportunities, so as to achieved better profits.

Section 5 Management Discussion and Analysis (Continued)

In terms of fixed income business, faced with the increasing downward pressure of macroeconomics and other uncertainties factors, the Company strengthened the forward-looking research, made timely adjustments to bond holding structure and increased the placement of medium and long-term interest rate bonds and high-grade bonds with great efforts, having thus resulted in great investment returns. At the same time, the Company rolled out futures-cash arbitrage and harvested great returns, and completed the filling of preparatory work for interest rate swap business and obtained the access to interest rate swap trading market.

In terms of the share transfer market-making business, as stimulated by the pick-up of the A shares market and several NEEQ reform policies published by the country, the NEEQ market have improved, however, the structural differentiation was quite apparent as well as the poor liquidity in overall. The Company, temporizing with the changes in the NEEQ market, adopted certain adjustments for the position structure, so as to get better profits.

Prospects for 2020

In terms of stock investment business, the Company will maintain the advantages of investment research in stocks and equity investments, deep research the listed companies and continue to handpick stocks; expand the diversification of investment variety, including the increase of index, quantitative investment, stock index futures and commodity futures investment, Hong Kong stock market invested via Hong Kong stock investment, etc., continuously optimize strategies and strive for stable returns. As for fixed income business, the Company will reinforce its forward-looking research on macro-economy and policy, adopt prudent interest arbitrage strategies with low interest rate of funds and hedge duration risks by employing bond futures, securities lending and other instruments in a flexible manner. Moreover, it will continue to promote the development of interest rate swap and other derivatives business in this regard. In terms of the share transfer market-making business, the liquidity and financing function of NEEQ will improve and the Company will increase input appropriately and seize the investment opportunities as the implementation of “publishing the selective layer, introducing the public funds” and other reform policies.

Section 5 Management Discussion and Analysis (Continued)

(V) International Business

During the Reporting Period, the Company continued to push ahead its international business by proactively contacting the potential cooperative institutions and establishing communications and cooperation with them. Meanwhile, it explored overseas business opportunities, understood the demand of its clients from overseas markets and carried out relevant matching work. Further, it maintained communication and contacts with the regulatory authorities, which will lay the foundation for the development of future businesses.

Prospects for 2020

The Company will fully expand its resource network for international business, continually explore and foster various businesses in overseas markets, thus promoting the development of international business.

III. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB3,847.10 million in aggregate, representing a year-on-year increase of 83.23%. Net profit attributable to shareholders of the Company amounted to RMB740.54 million, representing a year-on-year increase of 209.96%. Earnings per share amounted to RMB0.25, representing a year-on-year increase of 183.33%. Weighted average return on net assets was 7.69%, representing a year-on-year increase of 16.79 percentage points.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB29,526.98 million, down by 1.30% as compared to RMB29,915.08 million as at the end of 2018. Total liabilities amounted to RMB18,948.57 million, down by 5.12% as compared to RMB19,970.26 million as at the end of 2018. Equity attributable to shareholders of the Company amounted to RMB10,174.95 million, increased by 6.70% as compared to RMB9,536.41 million as at the end of 2018.

Section 5 Management Discussion and Analysis (Continued)

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB12,182.36 million, representing 41.26% of the Group's total assets; margin assets, which primarily included margin accounts receivable and financial asset held under resale agreements, amounted to RMB4,730.13 million, representing 16.02% of the Group's total assets; financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB10,738.53 million, representing 36.37% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,875.96 million, representing 6.35% of the Group's total assets.

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB9,876.88 million, representing a year-on-year decrease of RMB2,401.88 million or 19.56%. The gearing ratio of the Group was 48.29%, down by 6.96 percentage points from 55.25% as at the end of 2018 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.01 folds, down by 13.73% from 2.33 folds as at the end of 2018 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included margin and securities refinancing and beneficiary certificates. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB4,800 million and accumulated capital inflow from beneficiary certificates amounted to RMB916 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management of the Company

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout the Reporting Period complied with the regulatory requirements.

Section 5 Management Discussion and Analysis (Continued)

(V) Cash Flow

Net cash flow of the Group arising from operating activities for 2019 amounted to RMB2,308.77 million, up by RMB2,301.45 million from RMB7.32 million in the corresponding period in 2018. Net cash flow arising from investing activities for 2019 amounted to RMB-53.75 million, up by RMB189.70 million from RMB-243.45 million in the corresponding period in 2018. Net cash flow arising from financing activities for 2019 amounted to RMB-3,473.91 million, down by RMB4,076.95 million from RMB603.04 million in the corresponding period in 2018. Net decrease in cash and cash equivalents for 2019 amounted to RMB1,218.89 million, down by RMB1,585.79 million from RMB366.90 million in the corresponding period in 2018.

(VI) Changes in Significant Accounting Policies and Estimates

During the Reporting Period, changes in the accounting policies have been made due to the adoption of new Accounting Standards for Business Enterprises by the Company.

1. New Lease Standards

On 7 December 2018, the Ministry of Finance of the PRC promulgated the “Accounting Standards for Business Enterprises No. 21 – Leasing (revised in 2018)” (“《企業會計準則業會計準則第21號—租賃(2018年修訂)》”) (Cai Kuai [2018] No. 35) (“New Lease Standards”), requiring companies that are listed on both domestic and overseas stock markets, and those that are listed on overseas stock markets and adopt the International Financial Reporting Standards or Accounting Standards for Business Enterprises for statement preparation to adopt the aforesaid standards from 1 January 2019. The Company has started adopting the New Lease Standards from 1 January 2019 as prescribed by the Ministry of Finance of the PRC, and made corresponding changes in relevant accounting policies in accordance with the New Lease Standards.

2. New Debt Restructuring Standards

On 16 May 2019, the Ministry of Finance of the PRC promulgated the “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” (“《企業會計準則第12號—債務重組》”) (“New Debt Restructuring Standards”), which amends the definition of debt restructuring, clarifies the standards, such as the “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” (“《企業會計準則第22號—金融工具確認和計量》”) applicable to financial instruments in relation to debt restructuring, clarifies that the assets other than financial assets received by creditor are initially measured at costs and clarifies that when the debt is paid by debtors by way of payment with assets, it’s no longer to distinguish from the profit or loss arising from the assets disposal and profit or loss arising from the debt restructuring.

Section 5 Management Discussion and Analysis (Continued)

3. New Standards for Exchange of Non-monetary Assets

On 16 May 2019, the Ministry of Finance of the PRC promulgated the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets (《企業會計準則第7號 – 非貨幣性資產交換》) (“New Standards for Exchange of Non-monetary Assets”), which clarifies the scope of application of the concepts and standards of monetary assets and non-monetary assets, the timing of recognition of exchange of non-monetary assets, and the measurement principles and accounting methods of the value of exchange of non-monetary assets under different conditions and improves the disclosure requirements of relevant information. The Company has applied the prospective application method for the new exchange transactions of non-monetary assets from 1 January 2019 and no retrospective adjustments were made for exchange transactions of non-monetary assets prior to 1 January 2019.

Section 5 Management Discussion and Analysis (Continued)

(VII) Analysis on Operating Revenue and Profit

1. Items under statement of profit or loss

During the Reporting Period, the Group's profit before tax amounted to RMB974.95 million, representing a year-on-year increase of 218.84%. The key financial results are as follows:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Revenue				
Fees and commission income	1,715.19	1,475.73	239.46	16.23%
Interest income	649.88	790.04	(140.16)	(17.74%)
Net investment income/ (loss)	757.35	(180.42)	937.77	519.77%
Other Income and Gains	724.68	14.30	710.38	4,967.69%
Total revenue and other income	3,847.10	2,099.65	1,747.45	83.23%
Total operating expenses	(2,874.82)	(2,918.41)	(43.59)	(1.49%)
Profit/(Loss) before taxation	974.95	(820.42)	1,795.37	218.84%
Income tax (expense)/ credit	(212.10)	184.44	396.54	215.00%
Profit/(loss) for the year	762.85	(635.98)	1,398.83	219.95%
Net profit/(loss) attributable to shareholders of the Company	740.54	(673.45)	1,413.99	209.96%

Section 5 Management Discussion and Analysis (Continued)

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB3,847.10 million, representing a year-on-year increase of 83.23%. Among which, the proportion of fees and commission income was 44.58%, representing a year-on-year decrease of 25.70 percentage points. The proportion of interest income was 16.89%, representing a year-on-year decrease of 20.74 percentage points. The proportion of net investment gains was 19.69%, representing a year-on-year increase of 28.28 percentage points. The revenue structures of the Group in the past five years are as follow:

Unit: in RMB million

Items	2019	2018	2017	2016	2015
Fees and commission income	44.58%	70.28%	45.94%	64.42%	57.17%
Interest income	16.89%	37.63%	20.37%	23.14%	16.19%
Net investment income/(loss)	19.69%	(8.59%)	31.02%	11.88%	25.38%
Other income and gains	18.84%	0.68%	2.67%	0.56%	1.26%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Section 5 Management Discussion and Analysis (Continued)

Fees and commission income

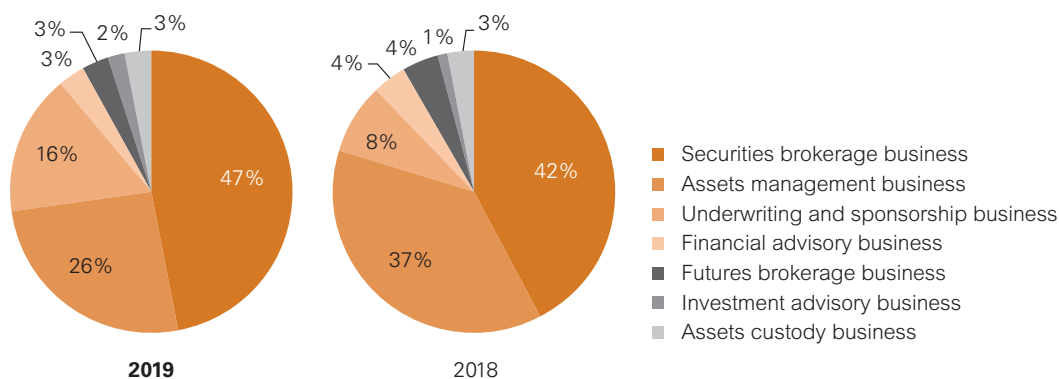
During the Reporting Period, the Group's fees and commission income consists of the following:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Fees and commission income				
Securities brokerage business	802.98	624.22	178.76	28.64%
Assets management business	441.31	548.78	(107.47)	(19.58%)
Underwriting and sponsorship business	290.74	115.11	175.63	152.58%
Financial advisory business	45.73	58.23	(12.50)	(21.47%)
Futures brokerage business	47.85	61.28	(13.43)	(21.92%)
Investment advisory business	37.93	17.22	20.71	120.27%
Asset custody business	48.65	50.89	(2.24)	(4.40%)
Total fees and commission income	1,715.19	1,475.73	239.46	16.23%
Fees and commission expenses	177.68	147.34	30.34	20.59%
Net fees and commission income	1,537.51	1,328.39	209.12	15.74%

Section 5 Management Discussion and Analysis (Continued)

The Group's fees and commission income consists of:



During the Reporting Period, net fees and commission income of the Group amounted to RMB1,537.51 million, representing a year-on-year increase of 15.74%, primarily attributable to the increase in fees and commission generated from securities brokerage business, underwriting and sponsorship business and investment advisory business.

Fees and commission income generated from securities brokerage business increased by RMB178.76 million or 28.64% year-on-year, primarily attributable to the recovery in market for the year 2019 and the increase in fees and commission income generated from securities brokerage business.

Fees income generated from assets management business decreased by RMB107.47 million, or 19.58% year-on-year, primarily due to decrease in income generated from assets management business and fund management business.

Underwriting and sponsorship income generated from investment banking business increased by RMB175.63 million or 152.58% year-on-year, primarily attributable to a substantial increase in underwriting and sponsorship income generated from investment banking business of subsidiaries.

Income generated from assets custody business decreased by RMB2.24 million or 4.40% year-on-year, mainly due to the decrease in custody business fee rate and the increase in size of business mainly from the second half of the year, recording a decrease in the income generated from such business as compared with last year.

Section 5 Management Discussion and Analysis (Continued)

Interest income

During the Reporting Period, net interest income of the Group amounted to RMB181.94 million, representing a year-on-year decrease of 28.47%. The Group's net interest income for 2019 consists of the following:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Interest income				
Deposits in financial institutions	286.91	318.95	(32.04)	(10.05%)
Margin financing and securities lending	305.97	370.80	(64.83)	(17.48%)
Financial assets held under resale agreements	57.00	85.79	(28.79)	(33.56%)
Others	0.00	14.50	(14.50)	(100.00%)
Total interest income	649.88	790.04	(140.16)	(17.74%)
Interest expense	467.94	535.69	(67.75)	(12.65%)
Net interest income	181.94	254.35	(72.41)	(28.47%)

Interest income from deposits in financial institutions decreased by RMB32.04 million or 10.05% year-on-year, primarily due to the daily average decrease in client deposits as compared with that of last year.

Interest income from financial assets held under resale agreements decreased by RMB28.79 million or 33.56% year-on-year, primarily due to the decrease in size of stock-pledged repurchase business of the Company.

Interest income from margin financing and securities lending decreased by RMB64.83 million or 17.48% year-on-year, primarily due to the monthly average decrease in size of margin financing and securities lending business.

Interest expenses decreased by RMB67.75 million or 12.65% year-on-year, primarily due to the decrease in the interest expenses from financial assets sold under repurchase agreements and bond interest expenses.

Section 5 Management Discussion and Analysis (Continued)

Net investment income

During the Reporting Period, net investment income of the Group amounted to RMB757.35 million, representing a year-on-year increase of 519.77%. The Group's net investment income for 2019 consists of the following:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Net investment income				
Net (losses)/gain on disposal of financial assets at fair value through other comprehensive income	(0.09)	0.90	(0.99)	(110.00%)
Dividends income from financial instruments and derivative financial instruments at fair value through profit or loss	348.93	474.05	(125.12)	(26.39%)
Net realised (losses)/gains from disposal of financial instruments at FVTPL and derivative financial instruments	402.24	(656.18)	1,058.42	161.30%
Gain on disposal of an associate	6.54	0.02	6.52	32,600.00%
Loss on disposal of subsidiaries	(0.27)	0.00	(0.27)	N/A
Other	0.00	0.79	(0.79)	(100.00%)
Total	757.35	(180.42)	937.77	519.77%

Section 5 Management Discussion and Analysis (Continued)

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fees and commission expenses, interest expenses and fair value losses from financial assets at fair value through profit or loss) amounted to RMB2,227.59 million, representing a year-on-year increase of 23.85%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Staff costs	1,090.72	863.72	227.00	26.28%
Depreciation and amortisations expenses	170.94	97.15	73.79	75.95%
Other operating expenses and tax and surcharges	626.73	685.71	(58.98)	(8.60%)
Impairment losses	339.20	152.08	187.12	123.04%
Total	2,227.59	1,798.66	428.93	23.85%

Staff costs increased by RMB227.00 million or 26.28% year-on-year, primarily attributable to the recovery of the market, the business development of the Company and the increase in business performance.

Depreciation and amortisation increased by RMB73.79 million or 75.95% year-on-year, primarily attributable to the depreciation or amortisation for the additional properties and equipment, investment property, and right-of-use assets and intangible assets.

Other operating expenses and tax and surcharges decreased by RMB58.98 million or 8.60% year-on-year, primarily attributable to the decrease of certain expenses.

Section 5 Management Discussion and Analysis (Continued)

Impairment losses

Impairment losses on assets amounted to RMB339.20 million, representing a year-on-year increase of RMB187.12 million. Details are as follows:

Unit: in RMB million

Items	2019	2018	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Impairment losses				
Margin financing and securities lending	10.15	4.13	6.02	145.76%
Financial assets at fair value through other comprehensive income	0.00	0.06	(0.06)	(100%)
Financial assets held under resale agreements	147.18	7.43	139.75	1,880.89%
Other current assets	181.87	140.46	41.41	29.48%
Total	339.20	152.08	187.12	123.04%

Impairment losses on assets primarily included provision for impairment losses on margin financing and securities lending, financial assets held under resale agreements and other current assets. Among which, impairment losses on margin financing and securities lending during the Reporting Period were RMB10.15 million; impairment losses on financial assets held under resale agreements during the Reporting Period were RMB147.18 million and impairment losses on other current assets during the Reporting Period were RMB181.87 million.

Section 5 Management Discussion and Analysis (Continued)

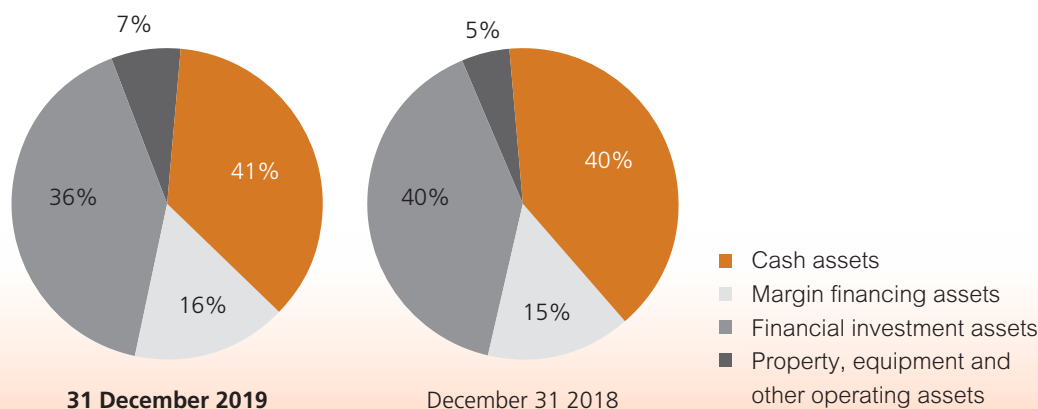
2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB29,526.98 million, representing a year-on-year decrease of 1.30%, of which, cash assets amounted to RMB12,182.36 million, representing a year-on-year increase of 1.08%; margin financing assets amounted to RMB4,730.13 million, representing a year-on-year increase of 7.51%; financial investment assets amounted to RMB10,738.53 million, representing a year-on-year decrease of 9.83%; and property, equipment and other operating assets amounted to RMB1,875.96 million, representing a year-on-year increase of 20.65%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Total assets				
Cash assets	12,182.36	12,051.67	130.69	1.08%
Margin financing assets	4,730.13	4,399.91	330.22	7.51%
Financial investment assets	10,738.53	11,908.58	(1,170.05)	(9.83%)
Property, equipment and other operating assets	1,875.96	1,554.92	321.04	20.65%
Total	29,526.98	29,915.08	(388.10)	(1.30%)

Total assets of the Group consist of:



Section 5 Management Discussion and Analysis (Continued)

Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB130.69 million or 1.08% year-on-year, representing 41.26% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Cash assets				
Cash and bank balances (including cash held on behalf of brokerage clients)	10,933.48	10,591.10	342.38	3.23%
Clearing settlement funds	800.82	980.06	(179.24)	(18.29%)
Refundable deposits	448.06	480.51	(32.45)	(6.75%)
Total	12,182.36	12,051.67	130.69	1.08%

Changes in cash assets primarily reflected in cash and bank balances (including cash held on behalf of brokerage clients), which increased by RMB342.38 million or 3.23%, mainly due to the increase in client deposits as a result of the active exchanging activities of the customers as affected by the recovery market this year.

Section 5 Management Discussion and Analysis (Continued)

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB330.22 million or 7.51% year-on-year, representing 16.02% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Margin financing assets				
Margin account receivables	3,969.33	3,237.92	731.41	22.59%
Financial assets held under resale agreements:	760.80	1,161.99	(401.19)	(34.53%)
Total	4,730.13	4,399.91	330.22	7.51%

Margin account receivables amounted to RMB3,969.33 million, representing a year-on-year increase of 22.59%, primarily attributable to the increase in the size of the Group's margin financing business.

Section 5 Management Discussion and Analysis (Continued)

Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group decreased by RMB1,170.05 million or 9.83% year-on-year, representing 36.37% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Financial investment assets				
Investments in associates	0.00	12.56	(12.56)	(100.00%)
Assets classified as held for sale	11.77	0.00	11.77	N/A
Financial assets at fair value through other comprehensive income	0.00	55.42	(55.42)	(100.00%)
Financial assets measured at fair value through profit or loss	10,726.76	11,840.60	(1,113.84)	(9.41%)
Total	10,738.53	11,908.58	(1,170.05)	(9.83%)

Section 5 Management Discussion and Analysis (Continued)

Financial assets at fair value through profit or loss

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group decreased by RMB1,113.84 million or 9.41% year-on-year, representing 36.33% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Financial assets at fair value through profit or loss				
Debt securities	5,728.93	6,398.43	(669.50)	(10.46%)
Equity securities	3,106.26	3,617.25	(510.99)	(14.13%)
Investment funds	1,530.23	1,228.27	301.96	24.58%
Assets management schemes	361.34	596.65	(235.31)	(39.44%)
Total	10,726.76	11,840.60	(1,113.84)	(9.41%)

Section 5 Management Discussion and Analysis (Continued)

Property, equipment and other operating assets

As at the end of the Reporting Period, property, equipment and other operating assets of the Group amounted to RMB1,875.96 million, increased by RMB321.04 million or 20.65% year-on-year, representing 6.35% of the Group's total assets. The following table sets forth the composition of the Group's property, equipment and other operating assets for the dates indicated:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Property, equipment and other operating assets				
Property and equipment, investment properties and right-of-use assets	734.68	564.54	170.14	30.14%
Goodwill	43.74	43.74	0.00	0.00%
Intangible assets	129.70	115.27	14.43	12.52%
Deferred tax assets	205.29	231.10	(25.81)	(11.17%)
Other current assets and other non-current assets	762.55	600.27	162.28	27.03%
Total	1,875.96	1,554.92	321.04	20.65%

Section 5 Management Discussion and Analysis (Continued)

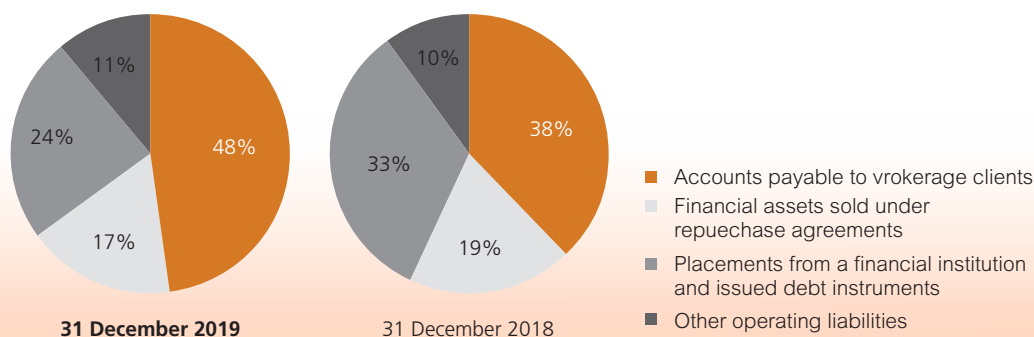
3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB18,948.57 million, representing a year-on-year decrease of RMB1,021.69 million or 5.12%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB9,071.69 million, representing a year-on-year increase of 17.94%. Financial assets sold under repurchase agreements amounted to RMB3,189.09 million, down by 14.78% year-on-year. The decrease was primarily attributable to the significant decrease in the income right of margin financing and securities lending. Placements from a financial institution and debt instruments issued amounted to RMB4,609.99 million, down by 29.85% year-on-year. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Liabilities				
Accounts payable to brokerage clients	9,071.69	7,691.50	1,380.19	17.94%
Financial assets sold under repurchase agreements	3,189.09	3,742.33	(553.24)	(14.78%)
Placements from a financial institution and issued debt instruments	4,609.99	6,571.32	(1,961.33)	(29.85%)
Other operating liabilities	2,077.80	1,965.11	112.69	5.73%
Total	18,948.57	19,970.26	(1,021.69)	(5.12%)

The Group's total liabilities consist of:



Section 5 Management Discussion and Analysis (Continued)

Placements from a financial institution and debt instruments

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Placements from a financial institution and issued debt instruments				
Placements from a financial institution	1,500	500	1,000.00	200.00%
Debt instruments	3,109.99	6,071.32	(2,961.33)	(48.78%)
Total	4,609.99	6,571.32	(1,961.33)	(29.85%)

Placements from a financial institution amounted to RMB1,500 million, increased by 200% year-on-year, primarily attributable to the increase in the borrowing from China Securities Finance Corporation Limited.

Debt instruments decreased by RMB2,961.33 million year-on-year, primarily attributable to the decrease in the closing balance of beneficiary certificates for the period.

Section 5 Management Discussion and Analysis (Continued)

Other operating liabilities

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Other operating liabilities				
Employee benefits payables	466.91	287.69	179.22	62.30%
Contract liabilities	34.32	34.33	(0.01)	(0.03%)
Lease liabilities	154.82	0.00	154.82	N/A
Other liabilities	1,289.68	1,626.36	(336.68)	(20.70%)
Deferred tax liabilities	132.07	16.73	115.34	689.42%
Total	2,077.80	1,965.11	112.69	5.73%

Employee benefits payables increased by RMB179.22 million or 62.30% year-on-year, primarily attributable to the development of the Group's businesses.

Other liabilities decreased by RMB336.68 million, representing a year-on-year decrease of 20.70%, primarily attributable to the decrease in payables to other investors of consolidated structured entities, interest payables and other payables.

Section 5 Management Discussion and Analysis (Continued)

4. Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB10,578.41 million, up by 6.37% year-on-year, primarily attributable to the profit of the Company. The following table sets forth the composition of the Group's equity for the dates indicated:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Share capital	2,604.57	2,604.57	0.00	0.00%
Share premium	1,665.24	1,665.24	0.00	0.00%
Perpetual capital securities	1,500.00	1,500.00	0.00	0.00%
Reserves	4,405.14	3,766.60	638.54	16.95%
Non-controlling interests	403.46	408.41	(4.95)	(1.21%)
Total	10,578.41	9,944.82	633.59	6.37%

5. Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group has five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) investment management, (iv) proprietary trading, and (v) others. The following discussions of the Group's segment revenue and other income, segment expenses and segment results include the Group's inter-segment revenue and inter-segment expenses.

Section 5 Management Discussion and Analysis (Continued)

The following table sets forth the Group's segment revenue and other income (including inter-segment revenue) for the years indicated:

Unit: in RMB million

Items	2019		2018	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,422.64	36.98%	1,326.64	63.18%
Investment banking	351.01	9.12%	191.65	9.13%
Proprietary trading	1,047.79	27.24%	(303.05)	(14.43%)
Investment management	948.02	24.64%	807.40	38.45%
Others	77.64	2.02%	77.01	3.67%
Total	3,847.10	100.00%	2,099.65	100.00%

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

Unit: in RMB million

Items	2019		2018	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,337.37	46.52%	1,213.11	41.57%
Investment banking	292.92	10.19%	166.92	5.72%
Proprietary trading	362.61	12.61%	516.07	17.68%
Investment management	606.20	21.09%	836.83	28.67%
Others	275.72	9.59%	185.47	6.36%
Total	2,874.82	100.00%	2,918.40	100.00%

Section 5 Management Discussion and Analysis (Continued)

The following table sets forth the Group's segment operating profits/(losses) (including intersegment profits) for the years indicated:

Unit: in RMB million

Items	2019		2018	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	85.27	8.77%	113.53	(13.87%)
Investment banking	58.09	5.97%	24.73	(3.02%)
Proprietary trading	685.18	70.47%	(819.12)	100.05%
Investment management	341.82	35.16%	(29.43)	3.59%
Others	(198.08)	(20.37%)	(108.46)	13.25%
Total	972.28	100.00%	(818.75)	100.00%

(VIII) Contingent Liability, Capital Commitment and other Commitment

Please refer to Note 56 to the consolidated financial statements in this report for particulars of contingent liability.

Please refer to Note 54 to the consolidated financial statement in this report for particulars of capital commitment and other commitment.

As at 31 December 2019, the Group did not have any security over its assets.

Section 5 Management Discussion and Analysis (Continued)

IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(I) Branches of the Company

1. Establishment of securities branches and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

During the Reporting Period, 18 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京广安路證券營業部)	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京广安路證券營業部)	Room 404, 4/F, Building 6, No. 9 Courtyard, Guang'an Road, Fengtai District, Beijing (北京市豐台區廣安路9號院6號樓4層404)
2	Hengtai Securities Co., Ltd Manchuria Shulin Road Securities Branch (恒泰证券股份有限公司滿洲里樹林路證券營業部)	Hengtai Securities Co., Ltd Manchuria Wenming Road Securities Branch (恒泰证券股份有限公司滿洲里文明路證券營業部)	Crossroad of Wenming Road and Sidao Street, Shop-1, Xinmao Building, Manchuria, Inner Mongolia Autonomous Region (內蒙古自治區滿洲里市鑫貿樓門市-1(文明路與四道街交叉路口))
3	Hengtai Securities Co., Ltd Xianyou 825 Street Securities Branch (恒泰证券股份有限公司仙遊八二五大街證券營業部)	Hengtai Securities Co., Ltd Xianyou Xuefu East Road Securities Branch (恒泰证券股份有限公司仙遊學府東路證券營業部)	No. 2068, No. 2072, Xuefu East Road, Balong community's neighborhood committee, Licheng Street, Xianyou County, Putian, Fujian Province (福建省莆田市仙遊縣鯉城街道壩壠社區居委會學府東路2068號、2072號)
4	Hengtai Securities Co., Ltd Beijing Qingnian Road Securities Branch (恒泰证券股份有限公司北京青年路證券營業部)	Hengtai Securities Co., Ltd Beijing Guangqu Road Securities Branch (恒泰证券股份有限公司北京廣渠路證券營業部)	A302 inside 301, Floor 3 (3), Building 1, No. 11 Courtyard, Guangqu Road, Chaoyang District, Beijing (北京市朝陽區廣渠路11號院1號樓3(3)層301內A302)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
5	Hengtai Securities Co., Ltd Taizhou Shifu Avenue Securities Branch (恒泰证券股份有限公司台州市府大道證券營業部)	Hengtai Securities Co., Ltd Taizhou West Baiyun Mount. Road Securities Branch, (恒泰证券股份有限公司台州白雲山西路證券營業部)	No. 1306, West Baiyun Mount. Road, Jiaojiang District, Taizhou City, Zhejiang Province (浙江省台州市椒江區白雲山西路1306號)
6	Hengtai Securities Co., Ltd Wuhan Xibei Road Securities Branch (恒泰证券股份有限公司武漢西北湖路證券營業部)	Hengtai Securities Co., Ltd Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, Floor 13, No. 218 (Shanghai Pudong Development Bank Building), Xinhua Road, Jiangnan District, Wuhan, Hubei Province (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)
7	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部) ¹	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang Province (浙江省杭州市江幹區錢江國際時代廣場2幢2605室)
8	Hengtai Securities Co., Ltd Huizhou Bailu Lake Securities Branch (恒泰证券股份有限公司惠州白鷺湖證券營業部)	Hengtai Securities Co., Ltd Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 4, Floor 9, First Phase Office Building, Jinbi Lanwan, Shangyang Town Land, Kaicheng Road, Danshui, Huiyang District, Huizhou, Guangdong Province (廣東省惠州市惠陽區淡水開城大道上楊村地段金碧藍灣一期寫字樓9層04號房)
9	Hengtai Securities Co., Ltd Tongliao Central Avenue Securities Branch (恒泰证券股份有限公司通遼中心大街證券營業部)	Hengtai Securities Co., Ltd Tongliao Mingren Avenue Securities Branch (恒泰证券股份有限公司通遼明仁大街證券營業部)	(Room 2-/103, Wuwei Xinxin Gardern Area, Shijie Office) East Part, Mingren Avenue, Khorchin District, Tongliao, Inner Mongolia Autonomous Region (內蒙古自治區通遼市科爾沁區明仁大街東段(施介辦事處五委新新花園社區2-/103))
10	Hengtai Securities Co., Ltd Beijing Dongsanhuan North Road Securities Branch (恒泰证券股份有限公司北京東三環北路證券營業部)	Hengtai Securities Co., Ltd Beijing Agriculture Exhibition Center South Road Securities Branch (恒泰证券股份有限公司北京農展館南路證券營業部)	Room 903, Floor 8, No. 13, Agriculture Exhibition Center South Road, Chaoyang District, Beijing (北京市朝陽區農展館南路13號8層903室)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
11	Hengtai Securities Co., Ltd Changsha Jinxin Road Securities Branch (恒泰证券股份有限公司长沙金星路證券營業部)	Hengtai Securities Co., Ltd Changsha Xiaoxiang North Road Securities Branch (恒泰证券股份有限公司长沙潇湘北路證券營業部)	No. 2707, Kailin Commercial Center Tower C, No. 53, Binjiang Road, Yuelu District, Changsha, Hunan Province (湖南省長沙市岳麓區濱江路53號楷林商務中心C座2707號)
12	Hengtai Securities Co., Ltd Beijing Finance Street Securities Branch (恒泰证券股份有限公司北京金融大街證券營業部)	Hengtai Securities Co., Ltd Beijing Finance Street Securities Branch (恒泰证券股份有限公司北京金融大街證券營業部)	Room 501-1, Floor 5, No. 15, Financial Street, Xicheng District, Beijing (北京市西城區金融大街15號5層501-1室)
13	Hengtai Securities Co., Ltd Jinan Jiefang Road Securities Branch (恒泰证券股份有限公司濟南解放路證券營業部)	Hengtai Securities Co., Ltd Jinan Yanzi Mount. West Road Securities Branch (恒泰证券股份有限公司濟南燕子山西路證券營業部)	Room 207, No. 2 Gongjian Second Floor, No. 50, Yanzi Mount. West Road, Lixia District, Jinan City, Shandong Province (山東省濟南市曆下區燕子山西路50號2號公建二層207室)
14	Hengtai Securities Co., Ltd Shanghai Xiangde Road Securities Branch (恒泰证券股份有限公司上海祥德路證券營業部)	Hengtai Securities Co., Ltd Shanghai Quyang Road Securities Branch (恒泰证券股份有限公司上海曲陽路證券營業部)	Floor 17, Tower 1, No. 299, Quyang Road, Hongkou District, Shanghai (上海市虹口區曲陽路299號1幢17層)
15	Hengtai Securities Co., Ltd Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Hengtai Securities Co., Ltd Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Room 1201, No. 575, Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201室)
16	Hengtai Securities Co., Ltd Shenzhen Xinwen Road Securities Branch (恒泰证券股份有限公司深圳新聞路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Liyuan Road Securities Branch (恒泰证券股份有限公司深圳梨園路證券營業部)	Unit 10, Floor 6, Material Holding Real Estate Building, No. 6, Liyuan Road, Sunxi Community, Sungang Street, Luohu District, Shenzhen City, Guangdong Province (廣東省深圳市羅湖區筲崗街道筲西社區梨園路6號物資控股置地大廈六層10單元)
17	Hengtai Securities Co., Ltd Shanghai Haichao Road Securities Branch (恒泰证券股份有限公司上海海潮路證券營業部)	Hengtai Securities Co., Ltd Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海閘殷路證券營業部)	Room 404, No. 1599, Jiayin Road, Yangpu District, Shanghai (上海市楊浦區閘殷路1599號404室)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
18	Hengtai Securities Co., Ltd Hangzhou Jianghong Road Securities Branch(恒泰证券股份有 限公司杭州江虹路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Jiangnan Road Securities Branch(恒泰证券股份有 限公司杭州江南大道證券營業部)	Room 1205, Floor 12, Main Building, No. 588, Jiangnan Road, Changhe Street, Binjiang District, Hangzhou City, Zhejiang Province (浙 江省杭州市濱江區長河街道江南大道588號主樓 12層1205室)

Note:

- Name of the securities branch remained unchanged after relocation.

(3) Deregistration of securities branches

None in the Reporting Period.

2. Establishment of new branch offices and changes in branch offices

None in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, changes in the Company's major subsidiaries are as follows:

- On 16 May 2018, the proposal regarding Reduction of Registered Capital of Hengtai Capital Investment Co., Ltd., a Wholly-owned Subsidiary of the Company was considered and approved at the 5th extraordinary meeting of the fourth session of the Board, pursuant to which it was approved to reduce the registered capital of Hengtai Capital to RMB0.6 billion in steps. On 22 August 2018, Hengtai Capital completed the industrial and commercial registration for the change of registered capital from RMB1.5 billion to RMB1.2 billion. On 11 March 2019, Hengtai Capital completed the industrial and commercial registration for the change of registered capital from RMB1.2 billion to RMB800 million.
- In accordance with the requirements of the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, Hengtai Capital decided to write off Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司), a wholly-owned subsidiary. Shanghai Hongdian Investment Management Co., Ltd. completed the industrial and commercial registration for the written off on 6 May 2019.

Section 5 Management Discussion and Analysis (Continued)

3. In accordance with the requirements of the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, Hengtai Capital decided to write off Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司), a wholly-owned subsidiary. Shanghai Yingwo Investment Management Co., Ltd. completed the industrial and commercial registration for the written off on 4 June 2019.
4. On 30 December 2019, 51% equity held by Hengtai Capital in Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司) was transferred to Inner Mongolia Jinshengda Investment Management Co., Ltd. (內蒙古金盛達投資有限公司), an independent third party, at a consideration of RMB7.7437 million. Upon the completion of transfer, Hengtai Capital ceased to hold the equity of Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. The transferor and the transferee are currently in the procedures to change the industrial and commercial registration in respect of the transfer of equity interests.

(III) Impact on Results

During the Reporting Period, in accordance with the requirements of the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, Hengtai Capital continued to sort through its businesses, ceased to engage in direct investment business, and written off or disposed subsidiaries whose activities were not covered by its business scope. Therefore, Hengtai Capital focused on private equity fund business and improved the utilization efficiency of its own proceeds with the view to achieving better results.

V. MAJOR INVESTMENT AND FINANCING

(I) Equity Financing

None in the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

(II) Major Debt Financing

1. Issue of beneficiary certificates

The Company raised an aggregate of RMB916 million through issue of beneficiary certificates in 2019. As at 31 December 2019, the outstanding balance of the beneficiary certificates amounted to RMB1.542 billion. The particulars of the issuance of beneficiary certificates of the Company in 2019 are set out below:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuantaifu No. 20	2.00	5.00%	364	1 March 2019	28 February 2020
Hengchuantaifu No. 21	2.00	5.20%	551	19 April 2019	21 October 2020
Hengfu No. 22	0.40	4.40%	90	29 May 2019	27 August 2019
Hengfu No. 23	0.40	4.60%	180	30 May 2019	26 November 2019
Hengfu No. 24	1.60	4.80%	369	12 June 2019	15 June 2020
Hengfu No. 25	1.16	4.80%	369	13 June 2019	16 June 2020
Hengfu No. 26	1.60	4.90%	361	15 August 2019	10 August 2020

2. Issue of subordinated bonds by the Company

No subordinated bonds were issued by the Company in 2019. As at 31 December 2019, the outstanding balance of subordinated bonds amounted to RMB1.5 billion, which were issued by the Company on 1 November 2017 and will mature on 1 November 2022.

(III) Equity Investment

None in the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

VI. MATERIAL ASSETS DISPOSAL, ACQUISITION, MERGER, DIVISION, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

Save for the matters stated above in IV and V under this Section 5 “Management Discussion and Analysis”, the Company had no other material assets disposal, acquisition, merger, division or reorganization of other companies.

During the Reporting Period, there was no external guarantee, mortgage, pledge and material contingent liability that may affect the Company’s financial position and operating results.

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business Innovation and its Impact

In 2019, the Company actively pushed forward the transformation of the brokerage business to wealth management, deepened technological empowering, provided customers with asset allocation and personalized financial services, strengthened the sales of financial products, developed quantitative business, actively increased market share and established a new profit model under transformation. The Company reinforced its wealth management service capacity, improved the quantity and quality of research tools, developed a self-research quantitative back-testing transaction platform, steadily promoted quantitative strategy research, provided customers with diversified financial planning and wealth management allocation services, enriched financial product lines and optimized the structure of agency sales products. Internet finance business of the Company continued to deepen technology empowering, actively promoted the construction of key projects, improved the research and development capacity of products, and realized the optimization and transformation of operation mode in an orderly manner.

(II) Risk Control of Business Innovation

In 2019, the Company continued to optimize internal control and risk management system, intensified compliance review and risk assessment, enhanced risk identification and prevention abilities, and executed internal control and risk management throughout the whole process of business innovation. The Company also procured its business departments to enhance the awareness of risk prevention and control through organization optimization and promotion and training programs, effectively performing the duties of the first line of defense.

Section 5 Management Discussion and Analysis (Continued)

The Company strengthened pre-management of risks relating to new businesses by perfecting its risk preference system, exercising risk quota management, upgrading risk management information system, deepening stress test mechanism, promoting project review quality and evaluation and ensuring the independence of review opinions. The Company continued to promote the development of a comprehensive risk management system, and improved the risk management of the Company by establishing and perfecting the mechanism for risk identification, evaluation, monitoring and control from the perspectives of credit risks, market risks, liquidity risks, operational risks and reputational risks.

(III) Prospects of Business Innovation

With increasingly intensified competition in the securities industry, the proportion of traditional business is declining gradually, and the types and quality of innovative business will affect the development trend of the securities industry. At the same time, the launch of innovative businesses puts forward higher requirements on net assets and net capital size of securities companies. Against this backdrop, only by defining the development direction and quickening the pace of business transformation can the Company effectively strengthen the market competitiveness. In 2020, the Company will continue to promote innovation and transformation of its various lines of business while effectively enhancing its risk prevention capability, which is mainly reflected in the followings:

1. In terms of brokerage business, the Company will deepen the comprehensive transformation of wealth management mode and promote the overall growth of business size and income level. In terms of financial product sales, the Company will build a multi-party communication platform, form a joint effort with the internet finance business, fully exert the potential of online sales business, and expand the size of financial product sales by going online and offline. In terms of futures brokerage business, the Company will continue to focus on industrial customers, provide featured services, continuously explore the market, develop the financial technology empowering potential and promote rapid business growth.
2. In terms of investment banking business, the Company will continuously adjust the structure of customers and business types. Based on customer demands, the Company will strengthen business collaboration based on customer attributes, and continuously improve the service capability of business platforms and the ability to coordinate social resources, thus striving to build itself into a professional investment banking platform with “sound corporate governance, standardized management, excellent business, complete qualifications and leading technology”.

Section 5 Management Discussion and Analysis (Continued)

3. In terms of public-raised funds business, the Company will establish the core concept of investment research and comprehensively improve its performance. The Company will increase the introduction of market-oriented talents, strengthen the cooperation between internal and external investment research teams, and build the core competitiveness of investment research. The Company will carry out active product management business, actively expand the special equity account business, and increase income and profit sources. The Company will adjust the development direction of the special account business of the Company on the premise of strict risk control.
4. In terms of private equity investment funds business, the Company will continue to deepen business rectification, strictly control the risk of existing projects, and properly manage and rectify current existing projects. The Company will prudently carry out investment business according to market changes, focusing on mergers and acquisitions funds and emerging industries with relatively reasonable valuation to ensure stable returns.

VIII. RISK FACTORS AND COUNTERMEASURES

(I) Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and securities backed lending; and (ii) proprietary credit bond investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through client suitability management, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate and performance guarantee proportion, and maintaining constant risk monitoring over projects in performance to address problems once detected. Investment credit risks can be controlled by establishing securities pool, internal rating, risk indicator limit and other measures.

Section 5 Management Discussion and Analysis (Continued)

(II) Market Risk

Market risk refers to risk of unexpected potential value losses of the financial assets held by the Company resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates and credit spread that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment, financial derivatives investment and NEEQ market making business.

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss and stop-profit, risk hedge, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Basis Point Value (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to estimate the losses under extreme circumstances and timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

(III) Liquidity Risk

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The planning and financing department of the Company is responsible for liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant responsible person of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, the capability of high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

Section 5 Management Discussion and Analysis (Continued)

(IV) Compliance Risk

Compliance risk refers to risk of a securities company being subject to legal sanctions, regulatory measures and self-discipline penalties due to violations of laws, regulations or rules in its business activities or employee conducts. The Company has established an effective and sound compliance management system and compliance management framework. The compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

(V) Operational Risk

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The Company mainly managed operational risks through self-appraisal of risks and control (RCSA), loss data collection (LDC), key risk indicator (KRI) monitoring, and other measures.

(VI) Reputational Risk

Reputational risk is the risk of negative assessment or comments on the Company from stakeholders as a result of its operation, management and other companies or external events. Reputational risk management refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the reputational risk management objective and planning, through the establishment and improvement of the reputational risk management system and through daily reputational risk management and proper handling of reputational events. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company.

IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM AND COMPREHENSIVE RISK MANAGEMENT IMPLEMENTATION

During the Reporting Period, the Company actively implemented various requirements of the Norms for the All-round Risk Management of Securities Companies (《證券公司全面風險管理規範》), conducted routine risk management and various key projects based on the requirements of full coverage, detectability, measurability, analysis and risk-response ability on risk management and continuously improved the comprehensive risk management system.

Section 5 Management Discussion and Analysis (Continued)

(I) Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), which set overall requirements on the comprehensive risk management. It has established special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. It also specified the risk management requirements on various businesses, including but not limited to the risk identification, evaluation, measurement, monitoring and response in relevant businesses.

(II) Framework

The Company established a four-level risk management system including the Board, the management, the risk management department and business departments. It specified the responsibilities of the Board, the Supervisory Committee, the management, all departments, branches and subsidiaries in performing the comprehensive risk management and established a multi-layered and inter-connected operation mechanism with effective balances. Meanwhile, the Company has gradually incorporated all subsidiaries into the comprehensive risk management system and guided subsidiaries in establishing and improving the governance structure, setting risk preference and perfecting the risk monitoring, reporting and response mechanism. It specified the responsible person for the risk management of subsidiaries and the chief risk officer of the Company conducts appraisal on the responsible person.

(III) Information Technology

The Company has established a securities risk monitoring and management platform with the integration of dynamic risks monitoring on net capitals, market risk management, credit risk management, operation risk management, liquidity risk management, abnormal transaction monitoring and other functions. It supports the collection, identification, measurement, appraisal, monitoring and reporting of various risk information and can meet the demands of the Company in risk management and decision-making.

(IV) Indicator System

The Company has established a risk preference indicator system with net capital and liquidity as the core covering concentration risks, market risks, credit risks and operation risks. The risk preference of the Company can cover all business line, including proprietary investment business, asset management business, securities brokerage business and investment banking business. Based on the development strategy, operation targets and financial conditions of the Company, it set management and control quota on major risks, including but not limited to risk quota, business size, value at risk, sensitivity indicator, concentration, stop-loss and stop-profit. It also regularly appraises the risk tolerance through stress test and other methods and guides resources allocation.

Section 5 Management Discussion and Analysis (Continued)

(V) Talent Team

The risk management department of the Company has established four professional teams on net capital and market risk, credit risk, operation risk and comprehensive risks. The planning and financial department and the board office designate special persons to be responsible for the management of liquidity risks and reputation risks. Currently, risk management staff with over three years of relevant working experience account for over 2% of the total staff at the head office of the Company, which provided talent guarantees to effectively conducting the comprehensive risk management work. In addition, all business and functional departments of the Company have set business risk management positions as an integral part of the risk management system. They accept the business guidance of the risk management department and serve as the bridge link.

(VI) Response Mechanism

The Company established a working mechanism on regular reporting and stress test to identify significant potential risks in the business process in a timely manner and actively take prevention and response measures. The Company also has risk emergency plans on significant risks and emergencies, specified the emergency triggering conditions, the organizational system, measures, methods and procedures in risk disposal and continuously improved them through emergency exercises. The Company has established a performance appraisal and accountability mechanism linked to risk management results. It regularly appraises the risk management performance of all business departments and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraises the comprehensive risk management system to guarantee the effectiveness of the comprehensive risk management.

X. INVESTMENT IN COMPLIANCE, RISK CONTROL AND INFORMATION TECHNOLOGY

The Company has always attached great importance to compliance and risk management and insisted on providing adequate guarantee for compliance and risk management. During the Reporting Period, the Company continued to increase investment in compliance and risk management, including preparation of annual budget for compliance and risk management, establishment of a professional compliance and risk management talent team, strengthening personnel training, launch or upgrading of the compliance and risk management information systems, etc. During the Reporting Period, the Company further strengthened the construction of information system to provide support for the development of various businesses. The investment in the fields of electronic equipment operation, machine room rent, and standard line rental charges amounted to approximately RMB45.60 million.

Section 5 Management Discussion and Analysis (Continued)

XI. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS

(I) Competition in the Industry

In 2020, the capital market reform of China will be further deepened, and the financial business will continue to broaden the opening-up. Facing the competition from domestic large-scale securities companies and the newly established foreign securities companies under the continuous opening-up from the securities industry, the market competition environment for small and medium-sized securities companies is even more arduous. The Company will actively promote business transformation under the premise of effective risk prevention and control to enhance its own competitiveness.

(II) Market Position

According to statistical data of the Securities Association of China, as of 31 December 2019, there were 133 securities companies in the PRC, and the average total assets, net assets and net capital size of a single securities company amounted to approximately RMB54,586 million, RMB15,188 million and RMB12,180 million, respectively. In 2019, the average operating revenue of a single securities company amounted to approximately RMB2,710 million and the average net profit of a single securities company amounted to approximately RMB926 million (all of which were unaudited).

The 2019 industry data shows that the Company remained as a small and medium-sized securities company in the industry. In 2019, the homogeneous competition of the industry intensified, traditional businesses entered the era of stock competition, and urgent requirements was placed on the Company's business transformation and development. The Company still has a greater space for improvement in business diversification.

Section 5 Management Discussion and Analysis (Continued)

(III) Core Competitiveness

1. Professional and stable management team

The management team of the Company has extensive experience in the securities and financial service industry. The stable management team with extensive management experience in the industry and their continued outstanding business development capabilities will enable the Company to quickly respond to the changes in the regulatory requirements and the competitive conditions in the market and make prompt adjustments of the business strategy of the Company, thus ensuring long-term stable development of the Company.

2. Implementation of effective risk management and internal control systems

The long-term implementation of effective risk management and internal control systems enables the Company to carry out compliance work and foster compliance awareness in full coverage, and to identify, assess, reduce and manage various risks in the course of business. The Board has always been dedicated to strengthening risk management, internal control, and corporate governance, building corporate compliance culture, and continuously optimizing the risk management and internal control systems to enhance the ability of the Company in identifying the risks and correcting the shortcomings in risk management and internal control in a prompt manner, and continuously improving the Company's risk management and internal control systems by means of quantifying control over risk management and operational risks, thus ensuring sound and stable growth of the Company's business.

3. Sound capability in continuous innovation

The continuous and initiative innovation capability plays a key role in the development of the Company. The innovation work of the Company has focused on continuous understanding, research and satisfaction of different demands of the customers. The Company proactively responds to the competition in the market through initiative innovation.

In addition, the Company has always attached importance to innovative application in the Internet and fintech field. The traditional securities business has been transformed to the online business model due to cooperation with third party Internet service suppliers based on legal compliance and effective control, thus allowing the Company to access and get more customer resources. The Company also provides one-stop comprehensive online diversified financial services including payment, financial management, investment and financing to satisfy the customers demands.

Section 5 Management Discussion and Analysis (Continued)

4. Effective business layout to promote transformation and upgrade

In the past two years, the traditional brokerage business has been transformed by the Company to the wealth management with achieving preliminary results. Meanwhile, the early layout of the Company in the purchaser's business has achieved preliminary results.

The Company highly values the future development and reform of the securities industry and proactively deepens transformation and upgrade of the Company's businesses. Facing future challenges in the market, on the basis of intensifying compliance management and control and prevention of risks, the Company will continue to deepen the innovation and transformation of businesses to enhance the advantages of characteristic and differentiated businesses and expand its business size and market influence.

5. Excellent corporate culture

The Company will always hold the corporate culture of "innovation, being practical, integrity and cooperation". The instant promotion of corporate culture construction further enhances staff's recognition of corporate culture and cohesiveness and ensures the smooth implementation of the Company's overall strategy and specific businesses. At the same time, the open cooperation mechanism also laid a favorable foundation for the Company to attract excellent talents and intensify its cooperation with the external world.

6. Talent strategy centered, market-oriented staff incentive mechanism

The Company always insists on centering on talent strategy, and pays great attention to the introduction, absorption, stability and promotion of the talents, especially the stability of the core talents. At the same time, the Company will increase the introduction of market-oriented talents and build a more efficient human resources platform.

Section 5 Management Discussion and Analysis (Continued)

XII. PROSPECTS

In 2020, in the face of the complicated domestic and international environment, China's economic operation will maintain a stable development momentum and further optimize its structure. With the further deepening of capital market reform, while strengthening compliance management and risk management, the Company will proactively push forward business transformation and explore a differentiated and characteristic development path to enhance the Company's market competitiveness.

The Company will improve the overall risk prevention and control capacity of operation by continuously enhancing its compliance management mechanism and deepening the construction of risk management system; the Company will accelerate the transformation of all businesses, make features in specific professional fields and integrate existing business resources of the Company to meet changing demand for wealth management in the market, gradually implement differentiated business competition strategies and build differentiated core competitiveness; the Company will constantly increase the investment in information technology and technology innovation, promote the construction of information technology and operation, thereby further improving the technical support capacity; the Company will intensify the governance and support of the subsidiaries, realizing their specialized and market-oriented development; the Company will improve research service level for providing research support for business development; the Company will deepen the administrative support service function of the back-office to build an efficient support platform for business development. Meanwhile, the Company will initiatively implement targeted poverty alleviation, perform social responsibility, accordingly enhancing the brand reputation of the Company.

Section 6 Report of the Board of Directors

I. INFORMATION ON THE PRINCIPAL ACTIVITIES AND PRINCIPAL SUBSIDIARIES

Relevant information on the principal activities is set out in the subsection headed “II. Analysis of Principal Business” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

The relevant information on the principal subsidiaries is set out in the subsection headed “IV. Subsidiaries” under Section 3 “Company Profile” and forms a part of this Report of the Board of Directors.

II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

The relevant information is set out in the sub-section headed “III. Financial Statements Analysis” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

The relevant information is set out in the sub-section headed “VIII. Risk Factors and Countermeasures” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Formulation, Implementation or Adjustment of the Profit Distribution Policy

The Company has been attaching great importance to reasonable investment return to its shareholders, and emphasising the stability and continuity of investment return. According to the order of profit distribution specified in the Articles of Association, the Company may distribute dividend by way of cash or shares. When the Board proposes declaration of dividends, the Board has formulated its profit distribution plan on a reasonable basis to safeguard shareholders’ interests in accordance with relevant requirements of the Articles of Association and with reference to the Group’s financial performance, overall financial position, expected working capital needs and surplus, future development plan and external financing environment. The annual profit distribution plan shall be proposed by the Board and subject to consideration and approval at the general meeting of the Company. During the Reporting Period, the profit distribution policy was strictly implemented without any adjustment.

Section 6 Report of the Board of Directors (Continued)

(II) Implementation of the 2018 Profit Distribution Plan

The Company held the 2018 annual general meeting on 22 May 2019 to consider and approve the resolution in relation to the 2018 Profit Distribution Plan, which approved the Company will not conduct profit distribution as at the end of 31 December 2018.

(III) The 2019 Annual Profit Distribution Plan

The Board recommended that no profit distribution will be made for the year ended 31 December 2019.

V. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

On 15 October 2015, the Company raised total proceeds of HK\$1,767,316,320 through public issue of 450,846,000 H Shares on the Hong Kong Stock Exchange. The actual proceeds finally received by the Company (deducting the Listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares)) was RMB1,306,244,936.55 due to the impact arising from foreign exchange gains or losses, interest and other related fees.

The funds raised shall be used as per the following purposes as specified in the Company's Prospectus:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and securities pledged repurchase business and for the development of online margin financing and securities lending and securities pledged repurchase business services.
2. about 30% of the funds will be used for the development of the Company's NEEQ market-making business.
3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

On 22 December 2017, the resolution in relation to "Change of the Use of Proceeds of the Company" was considered and approved at the 2017 first extraordinary general meeting of the Company to change the use of the remaining available proceeds for NEEQ market-making business and use RMB320 million of which for the Company's capital-based intermediary business and replenishing working capital.

Section 6 Report of the Board of Directors (Continued)

The use of the proceeds of the Company was detailed in the table below:

Use of proceeds as specified in the Prospectus	50% of the funds being used for the capital-based intermediary business	30% of the funds being used for the NEEQ market-making business	20% of the funds being used for the internet-based finance business	Total
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Amount of proceeds available for use before change <i>(RMB)</i>	653,122,468.27	391,873,480.97	261,248,987.31	1,306,244,936.55
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Use of proceeds upon change on 22 December 2017	For the capital-based intermediary business and replenishing working capital	For the NEEQ market-making business	For the internet-based finance business	Total
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Amount of proceeds available for use upon change <i>(RMB)</i>	973,122,468.27	71,873,480.97	261,248,987.31	1,306,244,936.55
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Accumulated amount of proceeds used as of 31 December 2019 <i>(RMB)</i>	970,902,777.78	50,000,000.00	147,049,131.61	1,167,951,909.39
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Remaining amount of proceeds available for use <i>(RMB)</i>	2,219,690.49	21,873,480.97	114,199,855.70	138,293,027.16
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Expected timeline for use of the remaining proceeds available for use	Rational use based on actual business needs	Rational use based on actual business needs	Rational use based on actual business needs	–
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On 7 February 2020, the resolution in relation to the “Change of the Use of Proceeds of the Company” was considered and approved at the 2020 first extraordinary general meeting of the Company, pursuant to which it was approved to change the use of the remaining available proceeds and use all the balance to replenish the Company’s working capital.

The proceeds were used and are proposed to be used according to the intentions previously disclosed.

Section 6 Report of the Board of Directors (Continued)

VI. DIRECTORS AND SUPERVISORS

Details of the Directors and the Supervisors during the Reporting Period and as at the date of this report are set out in “Section 9 Directors, Supervisors, Senior Management and Employees”, which forms a part of this Report of the Board of Directors.

The Company has received the annual written independence confirmation prepared by each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules and believes that all the independent non-executive Directors are independent of the Company.

VII. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No Director or Supervisor has entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

VIII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

Interests of Directors and Supervisors in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance in relation to the Group’s business to which the Company or its subsidiaries was a party and in which any Director or Supervisor or an entity connected with any Director or Supervisor had a material interest, whether directly or indirectly, has been entered into and subsisted during the Reporting Period.

Controlling Shareholders’ Interests in Contracts of Significance

No contract of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest, whether directly or indirectly, has been entered into and subsisted during the Reporting Period, save as disclosed in this report.

IX. DIRECTORS’ INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

None of the Directors has interest in business competing with the Company during the Reporting Period.

Section 6 Report of the Board of Directors (Continued)

X. DIRECTORS AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouses or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, nor did such persons exercise any such rights; and no arrangements have been made by the Company or any of its subsidiaries to enable any Directors, Supervisors of the Company or their respective spouses or children under the age of 18 to obtain such rights from any other body corporate.

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

As at 31 December 2019, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests or short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO; (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO; or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), save as disclosed as follows:

Name	Class of shares	Nature of interest	Number of Shares held <i>(shares)</i>	Approximate	Approximate	Long positions/ short positions/ shares available for lending
				percentage of total number of issued shares of the Company ¹ <i>(%)</i>	Percentage of the Company's total issued Domestic Shares/ H Shares ¹ <i>(%)</i>	
Supervisor						
Ms. Pei Jingjing ^{2,3}	Domestic Shares	Interest in a controlled Corporation	206,182,000	7.92	9.57	Long positions

Notes:

- As at 31 December 2019, the Company has issued a total number of 2,604,567,412 shares, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.

Section 6 Report of the Board of Directors (Continued)

2. 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida and Ms. Pei Jingjing (裴晶晶女士) who is a Supervisor of the Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin and Ms. Pei Jingjing (裴晶晶女士), respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35% and 35% of the equity interest in Shanghai Julu are held by Ms. Pei Jingjing (裴晶晶女士) and Mr. Ci Penghui (慈鹏辉先生), respectively. Therefore, Ms. Pei Jingjing (裴晶晶女士) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
3. On 17 June 2019, the domestic shares sellers (including Huijin Jiaye) entered into the equity transfer agreement with Tianfeng Securities Co., Ltd. ("Tianfeng Securities"), pursuant to which the sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The equity transfer agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. On 12 March 2020, the procedure of the lawful transfer to Tianfeng Securities of 532,299,681 Domestic Shares, accounting for approximately 20.43% of the issued share capital of the Company, had been completed. For details, please refer to the Company's announcements dated 29 May 2019, 17 June 2019, 9 March 2020 and 12 March 2020.

XII. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, each of Baotou Huazi, Qingyun Intercontinental, Finance Street Xihuan Properties, Huijin Jiaye, Finance Street Investment, Huarong Infrastructure, Huifa Investment, Hongzhi Huitong, Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding has signed a non-competition undertaking (collectively, "Non-competition Undertakings"). Pursuant to the Non-competition Undertakings:

- (a) each of Baotou Huazi, Qingyun Intercontinental, Huijin Jiaye, Huifa Investment and Hongzhi Huitong has undertaken that (i) it and its controlled entities do not currently engage in any business which competes with our business; and (ii) after the Listing, it and its controlled entities will not engage in any competing business that is the same as or similar with our business;
- (b) each of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure has undertaken that (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies; and
- (c) each of Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding has undertaken that, other than their shareholding interests in New Times Securities Co., Ltd, (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies.

Section 6 Report of the Board of Directors (Continued)

XIII. PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Company has arranged for appropriate liability insurance for all the Directors, Supervisors and senior management to cover their indemnity liabilities arising out of corporate affairs.

XIV. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreement.

XV. OTHER DISCLOSURES

(I) Share Capital

Information on share capital is contained in Note 49(a) to the consolidated financial statements of this report and forms a part of the Report of the Board of Directors.

(II) Pre-emptive Rights Arrangements

According to the PRC laws and the Articles of Association, currently, the Company has no pre-emptive rights arrangements.

(III) Sufficiency of Public Float

During the Reporting Period, according to the information available to the Company and to the knowledge of the Directors, the public shareholding of H Shares has satisfied the minimum percentage as modified in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(d) of the Listing Rules.

(IV) Management Contract

During the Reporting Period, no management and administration contracts relating to all or any substantial part of the business of the Company was entered or existed.

Section 6 Report of the Board of Directors (Continued)

(V) Data on Tax Reduction and Exemption by the Shareholders of H Shares

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China (2018 Amendment) (《中華人民共和國個人所得稅法》(2018修正)) and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (2018 Revision) (《中華人民共和國個人所得稅法實施條例》(2018修訂)), the dividends paid by the Chinese companies shall be subject to the withholding tax at a uniform rate of 20%. Non-Chinese resident foreign individuals shall be imposed 20% of individual income tax on the dividends gained from Chinese companies, except for specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with an applicable tax treaty.

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation, for domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the provisions in the taxation treaties signed between their nations and China as well as the taxation arrangements between Mainland China and Hong Kong (Macao). The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to foreign resident H Shares individual holders shall be imposed individual income tax at the rate of 10%, without having to make applications to the Chinese tax authorities. If the tax rate of 10% is not applicable, (1) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10% with China, non-foreign invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid heir nations a will be refunded; (2) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10% but less than 20% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the treaty and no need to make an application; and (3) for a foreign resident who is H Share individual holder to receive dividend, if his country has not signed any tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20%.

Section 6 Report of the Board of Directors (Continued)

Enterprise

According to the Enterprise Income Tax law of the People's Republic of China (2018 Amendment)(《中華人民共和國企業所得稅法》(2018修正)) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (2019 Amendment) (《中華人民共和國企業所得稅法實施條例》(2019修正)), if non-resident enterprises do not establish organizations and sites within the territory of China, or though establishing organizations and sites but the income received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory.

According to the Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Corporate Shareholders of Foreign H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, which became effective on 6 November 2008, PRC resident enterprises should withhold enterprise income tax at a unified rate of 10% when they distribute dividends for the year of 2008 and beyond to non-resident corporate shareholders of foreign H Shares. After receiving dividends, non-resident corporate shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by a person who has obligation for withholding or paying dividend and provide information to prove it is an actual beneficiary under the requirement of taxation treaties (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement).

(VI) Reserves and Reserves of Profits Available for Distribution

Reserves and the changes in reserves of profits available for distribution of the Group during the Reporting Period are set out in Note 51 to the consolidated financial statements and the "consolidated statement of changes in equity" in this report, which forms a part of the Report of the Board of Directors.

(VII) Relationship with Key Stakeholders

1. Employees

Employees are regarded as the most important and valuable assets of the Group. The Group has established complete systems and procedures of human resource management in order to regulate the use of human resources and realistically protect employees' rights and interests. Through compensation and welfare schemes and annual appraisal plans, the Company has awarded and commended outstanding employees while enhancing employees' vocational capabilities and widening their room for promotion by way of training and others.

Section 6 Report of the Board of Directors (Continued)

Details of the employees are contained in “VI. Details and Remuneration of Staff” under Section 9 “Directors, Supervisors, Senior Management and Employees”, which forms a part of this Report of the Board of Directors.

2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company’s large customers include financial institutions, large, small and medium enterprises, institutional investors and individual customers. Most customers of the Company are located in China, mainly in Inner Mongolia. As at 31 December 2019, revenue and other income generated from the top five customers accounted for 2.49% of the revenue and other income of the Group, and revenue and other income generated from the largest customer accounted for 0.63% of the revenue and other income of the Group. During the Reporting Period, as far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company’s share capital had any interest in the five largest customers.

Due to the nature of the business, the Company does not have major suppliers.

(VIII) Property and Equipment

The relevant information is set out in Note 22 to the consolidated financial statements of this report, which forms a part of this Report of the Board of Directors.

(IX) Fulfillment of Social Responsibilities

1. Investor education

The Company actively undertakes the corporate mission of performing social responsibilities and attaches great importance to investor education in protecting the legitimate interests of investors and promoting the standardized, healthy and orderly development of the market and makes its mission to foster rational investors to share our strength for building a standardized, transparent, open, dynamic and flexible capital market.

During the Reporting Period, the Company actively organized and conducted investor education activities focusing on popularizing securities knowledge, establishing rational investment concept and promoting risk prevention with the participation of nearly 100,000 investors. It has distributed nearly 100,000 copies of brochures and booklets on investor education to investors. In addition, the Company also vigorously participated in activities organized by regulatory authorities, designed and produced investor education products, which won the Outstanding Organization Award in EFT knowledge-related contest of

Section 6 Report of the Board of Directors (Continued)

“Multitudes Respond to E-Call” (E呼百答) issued by Shanghai Stock Exchange, and the nomination of excellent investors education team appraised by Shenzhen Stock Exchange. The Company also won the Excellent Video Award of the 2019 national contest of cartoon and light and short comic video of investors education held by the Satire and Humor of the People’s Daily, and the selected teaching works were also shown on the websites and official accounts of the regulatory authorities for many times.

In order to effectively facilitate the visit and learning of investors and enable the investors to have better experience, the Company daily opens its investors education base from Monday to Saturday, carries out appointment open on holidays, actively cooperates with enterprises, communities and schools, and invites investors to walk into the base to experience by themselves. Focusing on investors’ demands through “inviting into the inside” and “reaching out to the outside”, the Company organized education activities for different types of investors. Through the course system on investor education established with the hierarchical and classified investor education concept, the Company conducted activities in universities and provided continuous investor education services to energetically advance the effective implementation of the “adopting investor education into the national education system”, help young students set up a right investment concept and master fundamental investment knowledge to inject new vitality into the capital market in the future.

In the future, the Company will stay true to its original aspirations, work even harder and improve various work on investor education in a practical and effective way, actively explore, strive for innovation, create new forms of investors education, listen to the suggestions of investors, and put the work of investors education into real effect to provide investors with real demands, useful and meaningful service and carry out the protection of the legitimate interests of investors.

2. Social activities and public benefit donations

During the Reporting Period, in active response to the industry call, the Company pooled resources and strengths in all aspects together in carrying out poverty alleviation and other social activities for public benefit in a proactive manner to perform its social responsibilities through practical actions.

In respect of poverty alleviation through industrial development

The Company completed the listing of Hebei Wuhuatou Ecological Agriculture Development Co., Ltd. (河北五花頭生態農業開發股份有限公司) on the NEEQ. Meanwhile, the Company also assisted in the financing through additional issuance of shares by Gansu Kaikai Agricultural Science And Technology Development Co., Ltd. (甘肅凱凱農業科技發展股份有限公司), raising RMB53.9 million.

Section 6 Report of the Board of Directors (Continued)

In respect of poverty alleviation through public welfare undertakings

The Company assisted the national poverty-stricken counties in Taipusi Banner of Xilin Gol League, Wengniute Banner of Chifeng City, Arxaan City, Siziwang Banner in Ulanqab City and Chayouzhong Banner in Ulanqab City, and actively implemented poverty alleviation in various forms of assistance, a total of RMB9.58 million was invested to help public welfare projects such as education, medical care, party culture, infrastructure construction, breeding industry, tourism poverty alleviation industry, etc. in the above-mentioned impoverished areas.

The Company contributed RMB100 thousand in cooperation with the Hohhot Municipal Party Committee Organization Department to jointly build a street lamp solar cell installation project for poor villages in Qingshuihe County. In addition, the Company also contributed RMB300 thousand in purchasing farm and sideline products of relevant companies and poverty-stricken family in Taipusi Banner, Wengniute Banner and Arxaan City to help support the development of local industries by purchasing.

The Company uses its own professional advantages to actively carry out intellectual poverty alleviation work in depressed areas, and has organized "Precision Poverty Alleviation, Intellectual Poverty Alleviation—Hengtai Securities Co., Ltd. enters into the national poverty-stricken counties" investor education and capital market training activities in Taipusi Banner, Wengniute Banner, Siziwang Banner and Chayouzhong Banner, respectively.

Hengtai Futures entered into a support framework agreement with the Education and Sports Bureau of Eryuan County, Dali Prefecture, Yunnan Province, and made a targeted donation to the Eryuan County Cibihu Town Fengyuan Center Wan Elementary School (洱源縣茈碧湖鎮豐源中心完小) and Eryuan County Xishan Junior High School (洱源縣西山初中), with a total amount of RMB200 thousand for renovation of campus education facilities.

New China Fund donated RMB200 thousand to Chongqing Youth Development Foundation to carry out public welfare undertakings for teenagers in Fengdu County and Wulong District of Chongqing. In Hualian village, Longtan town, Youyang county of Chongqing, New China Fund launched counterpart activities of Jiangbei District Finance Office and the Financial Institutions in the area, donated RMB100 thousand, and carried out on-site condolences and material assistance to six poor families in the village.

(X) Material Events after the Reporting Period

The relevant information is set out in "IX. Other Important Particulars and Subsequent Events" under Section 7 "Other Material Particulars", which forms a part of this Report of the Board of Directors.

Section 6 Report of the Board of Directors (Continued)

(XI) Compliance of Laws and Regulations

The Company operated in strict compliance with requirements of laws, regulations and regulatory documents of the PRC and jurisdictions where the Company's shares are listed, including the Company Law of the PRC, the Securities Law of the PRC, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies, the Listing Rules and the SFO, to standardize the operation of the Company and improve the management system. For punishment or public censure on the Company during the Reporting Period, please refer to the subsection headed "I. Punishment or Public Censure in the Reporting Period" under Section 7 "Other Material Particulars" of this report.

(XII) Environmental Policies and Performance

The Group has been attaching importance to environmental protection and reducing the impact on the environment through measures as resource protection, resource recycling as well as energy conservation and emission reduction. The Group constantly carries out internal recycling measures in terms of its consumables (e.g. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. Furthermore, the Company encourages employees to adopt the duplex printing when printing and collect one-side paper for recycling.

The Group implements energy saving measures in its offices, branches and other areas, encourages its employees to reduce unnecessary use of lighting and air conditioning, and actively promotes green travel.

For more details, please refer to the "2019 Environmental, Social and Governance Report" to be published separately.

(XIII) Business Review

The relevant information is set out in Section 5 "Management Discussion and Analysis", which forms a part of this Report of the Board of Directors.

(XIV) Future Development

The relevant information is set out in XII. "Prospects" under Section 5 "Management Discussion Analysis", which forms a part of this Report of the Board of Directors.

Section 6 Report of the Board of Directors (Continued)

(XV) Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The relevant information is set out in Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

(XVI) Donations

During the Reporting Period, the Group made charitable donations amounting to RMB10.48 million. Please refer to (IX) “Fulfillment of Social Responsibilities” under XV. “Other Disclosures” in this section.

(XVII) Bonds

The relevant information is set out in V. “Major Investment and Financing” under Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

By order of the Board

Pang Jiemin

Chairman

Beijing, the PRC
27 March 2020

Section 7 Other Material Particulars

I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

During the Reporting Period, the Directors, Supervisors and senior management of the Company were not punished or subject to any public censure. The punishments or public censures against the Company are set out below:

1. On 3 April 2019, Liaoning Bureau of CSRC issued the Decision on Issuance of A Warning Letter to Hengtai Securities Co., Ltd (Notice on Administrative Regulatory Measures [2019] No. 10) (《關於對恒泰證券股份有限公司採取出具警示函措施的決定》(行政監管措施決定書[2019]10號)), pursuant to which, the supervisory and administrative measure of issuing a warning letter was imposed on the Company for its failure in implementing thorough due diligence with regard to the underlying assets under the specialized scheme to which the Company was accountable as the manager of Qinghui Leasing asset-backed special scheme Phase I. In terms of the due diligence, certain aspects were believed to be not in strict compliance with relevant procedures and the interview manuscript was incomplete.

The Company paid high attention to the problems revealed in the notices and conducted overall rectification in respect of them. The Company strengthened project quality control and compliance risk management, further enhanced employees' awareness of compliance risk control, and sorted out and standardized the relevant procedures. In addition, it will strictly implement relevant procedures to resolutely prevent such problems.

2. On 30 July 2019, the Asset Management Association of China issued the Disciplinary Action Verdict (Zhong Ji Xie Chu Fen [2019] No. 3) (《紀律處分決定書》(中基協處分[2019]3號)), pursuant to which, disciplinary action of rectification in a time limit was imposed on the Company for its failure in completing and standardizing the filing of draft of specialized schemes as an asset-backed specialized scheme manager, failure in completing the disclosure of specialized scheme prospectus and failure in standardizing the collection and transfer of cash flow of underlying assets.

The Company paid high attention to the problems revealed in the notices and conducted overall rectification in respect of them. Pursuant to the guideline of regulatory authorities, the Company improved the management of business drafts, enhanced the completeness of information disclosure and continued to urge equity originators to follow corresponding obligations, and further strengthened the supervision of cash flow of underlying assets of specialized schemes, and submitted a rectification report to the Asset Management Association of China in a timely manner.

Section 7 Other Material Particulars

3. On 23 September 2019 and 26 November 2019, Shanghai Stock Exchange issued the Notice of Proposed Regulatory Measures on Hengtai Securities Co., Ltd. (Shang Zheng Hui Han [2019] No. 171) (《關於擬對恒泰證券股份有限公司採取監管措施的通知》(上證會函[2019]171號)) and the Notice of Regulatory Measures on Hengtai Securities Co., Ltd. (Notice on Administrative Regulatory Measures [2019] No. 5) (《關於對恒泰證券股份有限公司實施監管措施的決定》(行政監管措施決定書[2019]5號)), hereby to implement of regulatory measures on the suspension of handling asset-backed securities listing transfer application materials of the Company for 3 months (from 27 November 2019 to 26 February 2020) for the failure to take overall due diligence for the underlying assets of specialized schemes and debtors, as well as to disclose major issues in a timely manner and fully perform risk control issues by the Company as the schemes manager of the Qinghui leasing asset-backed special scheme phase I.

The Company paid high attention to the problems revealed in the notices and conducted overall rectification in respect of them. The Company strictly compliance with relevant regulations, strengthened the standard of performing duties as a manager, improved and effectively implemented the quality audit system for due diligence on projects, strengthened information disclosure, and continued to improve corresponding risk management.

4. On 18 October 2019, the Inner Mongolia Bureau of the CSRC issued the Letter of Regulation to Hengtai Securities Co., Ltd. (Nei Zheng Jian Han [2019] No. 552) (《關於對恒泰證券股份有限公司的監管函》(內證監函[2019]552號)), in relation to the issues it found in compliance management and information technology governance of the Company during its daily supervision and on-site check of the Company, which requires the Company to strengthen internal control and compliance management and implement serious rectification in accordance with the requirements of relevant regulations.

The Company paid high attention to the issues revealed in the letter and conducted rectification in strict accordance with the requirements. The Company has rectified compliance management issues such as litigation and arbitration reports involved in the custody business, non-standard conversions of cash flow of the underlying assets under the specialized scheme, and it will further strengthen the internal control and compliance management of the Company. The Company has made amendments to the Article of Association in accordance with the Administrative Measures of Securities and Funds Management Institutions on Information Technology, will designate the Chief Information Officer and establish information technology management department or appoint specialized organization in accordance with relevant regulations. The Company has submitted a rectification report to the Inner Mongolia Bureau of the CSRC.

Section 7 Other Material Particulars

5. On 24 December 2019, the Inner Mongolia Bureau of the CSRC issued the Letter of Regulation to Hengtai Securities Co., Ltd. Baotou Youyi Street Securities Branch (Nei Zheng Jian Han [2019] No. 668)(關於對恒泰證券股份有限公司包頭友誼大街證券營業部的監管函)(內證監函[2019]668號)), requiring the Company to rectify the problems in failure to fulfill the safekeeping responsibility of the business seal of Baotou Youyi Street Securities Branch(包頭友誼大街證券營業部) of the Company as well as the compliance personnel did not have the rights in the marketing management platform.

The Company paid high attention to the problems revealed in the letter and required the responsible department to actively implement rectification. Baotou Youyi Street Securities Branch(包頭友誼大街證券營業部) of the Company has strengthened the management of the use of seals. The Company has sorted out the daily supervision and inspection needs of the compliance personnel of the Securities Branch and opened the corresponding rights in the marketing management platform to the compliance personnel. The Company will continue to strengthen the compliance management of the Securities Branch and has submitted a rectification report to the Inner Mongolia Bureau of the CSRC.

II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

(I) New Significant Lawsuits and Arbitration Cases in the Reporting Period

1. The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 1 March 2019, the Company received a notice of response to action from the People's Court of Futian District of Shenzhen, according to which, China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司) ("SZITIC"), a preferential holder of Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme"), filed a lawsuit against the Company, alleging that the Company failed to perform its duties as the manager of the Special Scheme in accordance with the provisions of laws and regulations as well as the requirements specified in certain agreements and documents in respect of the Special Scheme. Therefore, it requested the Company to assume the compensation obligation for the principal amount of RMB30 million, plus accrued interest and related expenses.

Section 7 Other Material Particulars (Continued)

On 31 March 2019, the Company submitted the Applications on Jurisdictional Objection to the People's Court of Futian District of Shenzhen, claiming that the case be transferred to the People's Court of Xicheng District, Beijing. On 20 May 2019, the People's Court of Futian District of Shenzhen issued the Civil Ruling Paper and ruled that the lawsuit filed by SZITIC against the Company be transferred to the People's Court of Xicheng District, Beijing for handling. On 31 May 2019, SZITIC submitted the Appeal Petition on Jurisdictional Objection to the Intermediate People's Court of Shenzhen, claiming recall of the civil ruling by the People's Court of Futian District of Shenzhen and a ruling that the case be handled by the People's Court of Futian District of Shenzhen. On 25 July 2019, the Intermediate People's Court of Shenzhen ruled that the case was under the jurisdiction of the People's Court of Futian District of Shenzhen. On 12 October 2019, the People's Court of Futian District of Shenzhen ruled and rejected the lawsuit filed by the plaintiff.

2. The arbitration with regard to the asset custody business in which the Company was involved as the second respondent

Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership) (北京漢富融信資產管理合夥企業(有限合夥)), as the manager, set up the fund product Zhaoyang Zengli No. 8 private investment fund (the "No. 8 Private Investment Fund") on 28 June 2017, the fund product Zhaoyang Zengli No. 10 private investment fund (the "No. 10 Private Investment Fund") on 24 October 2017 and the fund product Zhaoyang Zengli No. 11 private investment fund (the "No. 11 Private Investment Fund") on 5 December 2017. The Company was the custodian of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund. As the investment targets of the abovementioned three funds failed to achieve full realization, the three funds failed to be fully settled on time upon expiry.

On 27 May 2019, Beijing Arbitration Commission issued a notice to the Company on its acceptance of the application in relation to three arbitration cases filed by Mr. Liu Chaoyang, an investor of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund, claiming joint repayment investment principal of RMB50 million and relevant income by Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership), as the first respondent, and the Company, as the second respondent. Beijing Arbitration Commission opened a court session for the three arbitration cases mentioned above on 28 August 2019, the Company has defended the case, but no decision has been made at present.

Section 7 Other Material Particulars (Continued)

3. The lawsuit filed by the Company against Ms. Li Shuyang, a client, in relation to margin financing and securities lending transaction

On 10 March 2014, the Company signed the "Margin Financing and Securities Lending Business Contract" with Ms. Li Shuyang to carry out margin financing and securities lending transaction. On the maturity of the financing, Ms. Li Shuyang still failed to paid off her debts. On 18 June 2019, the Company filed a lawsuit with the People's Court of Xincheng District of Hohhot, asking Ms. Li Shuyang to repay the principal amount of the financing principal of RMB11,053,999.37 and the corresponding financing interest, and to bear the full litigation costs of the case. Ms. Li Shuyang has filed a jurisdictional objection. On 23 October 2019, the People's Court of Xincheng District of Hohhot issued the Civil Ruling Paper and ruled that the lawsuit should be transferred to the People's Court of Shenhe District of Shenyang, where Ms. Li Shuyang is located. On 8 November 2019, the Company filed an appeal to the Intermediate People's Court of Hohhot, claiming to revoke the civil ruling made by the People's Court of Xincheng District of Hohhot, and ruling that the case should be accepted by the People's Court of Xincheng District of Hohhot. The Intermediate People's Court of Hohhot has not yet ruled on the case.

4. The lawsuit filed by the Company against six clients in relation to stock pledged repurchase transaction

From August 2016 to September 2016, the Company signed the Agreement on The Stock Pledged Repurchase Transaction Agreement with six clients, Mr. Weng Huayin, Mr. Jiang Dehu, Mr. Li Enping, Mr. He Lin, Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業(有限合夥)) and Dongguan Changjiu Venture Investment Bank (Limited Partnership) (東莞市長久創業投資行(有限合夥)), respectively. The above six clients each pledged their holdings of Modern Avenue Fashion Group Co., Ltd. (stock code: 002656) to the Company for financing and engaged in stock pledged repurchase transactions with the Company for a period of three years.

After the expiry of the period, six clients, Mr. Weng Huayin, Mr. Jiang Dehu, Mr. Li Enping, Mr. He Lin, Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) and Dongguan Changjiu Venture Investment Bank (Limited Partnership) have incurred substantial defaults. The defaulted principals were RMB124 million, RMB124 million, RMB113 million, RMB87 million, RMB49 million, and RMB62 million, respectively, totaling approximately RMB559 million. From September 2019, the Company has taken pre-litigation preservation measures and filed a formal lawsuit against the above-mentioned six

Section 7 Other Material Particulars (Continued)

clients to the Intermediate People's Court of Hohhot, the lawsuit request is mainly to order the above-mentioned six clients to repay the financing principal, interest on the period to be purchased and deferred interest and payment of liquidated damages for overdue repurchase of securities, and the Company shall have preferential right to the stock which has been registered by clients for pledge and the interest it has made, and shall bear the litigation costs in this case. Mr. Weng Huayin and Mr. Li Enping have filed jurisdictional objections, and the Intermediate People's Court of Hohhot issued rulings on 21 December 2019 and 22 January 2020, respectively, rejecting the jurisdictional objections filed by Mr. Weng Huayin and Mr. Li Enping. Mr. Weng Huayin filed an appeal against the jurisdictional objection to the People's High Court of Inner Mongolia Autonomous Region on 26 December 2019. Mr. Li Enping appealed to the People's High Court of Inner Mongolia Autonomous Region on his jurisdictional objection on 18 February 2020. The Company has reached a preliminary mediation agreement with Dongguan Changjiu Venture Investment Bank (Limited Partnership) on 14 January 2020, and is currently waiting for the Intermediate People's Court of Hohhot to make a civil mediation agreement and take effect. The case of the Company against Mr. He Lin, Mr. Jiang Dehu and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) is expected to be heard by the end of March 2020. The Company has made corresponding impairment provisions for relevant transactions.

(II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Year

1. The lawsuit filed by the Company against Shenwu Environmental in relation to bond transactions

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 10 May 2018, the Company filed a lawsuit with the Beijing No.3 Intermediate People's Court, demanding that Shenwu Environmental Technology Co., Ltd. (神霧環保技術股份有限公司) ("Shenwu Environmental") pay the principal of the corporate bonds issued by Shenwu Environmental Technology Co., Ltd. by way of non-public issuance in 2016 ("16 Shenwu Bonds", bond code:118579), and the interest accrued thereon, the relevant legal fees and fees for property preservation in the aggregate sum of RMB76,853,911.01, and requesting that the guarantors assume joint and several liabilities for such payments. Further, the Company also files an application for property preservation to freeze the equivalent cash deposits of Shenwu Environmental and the guarantors. Beijing No. 3 Intermediate People's Court issued the judgment on 28 August 2018, ruling that Shenwu Environmental shall pay the principal of 16 Shenwu Bonds and the interest accrued thereon, the relevant legal

Section 7 Other Material Particulars (Continued)

fees and fees for property preservation to the Company. On 15 October 2018, Shenwu Environmental appealed to People's High Court of Beijing, claiming that the legal fees are excessively high and it lacks legal ground to support fees for property preservation. On 22 May 2019, the People's High Court of Beijing issued the judgment, ruling that Shenwu Environmental shall pay the principal of 16 Shenwu Bonds and the interest accrued thereon, the relevant legal fees and fees for property preservation to the Company and the judgment shall be final. Currently, the judgment is in execution.

2. The arbitration with regard to the Pingyin Kaidi electricity on-grid tariff asset-backed specialized scheme (Phase II) under the management of the Company

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 10 August 2018, the Company, as the manager and on behalf of the Pingyin Kaidi electricity on-grid tariff asset-backed specialized scheme (Phase II) (the "Special Scheme"), submitted the arbitration application on five cases and the application for property preservation to China International Economic and Trade Arbitration Commission (the "Arbitration Commission"), requiring the respondents repaying the outstanding principal and expected return of the Special Scheme with an aggregate sum of RMB1,215 million as well as default interest losses. The first respondents are Chongyang Kaidi Green Energy Development Co., Ltd. (崇陽縣凱迪綠色能源開發有限公司), Laifeng Kaidi Green Energy Development Co., Ltd. (來鳳縣凱迪綠色能源開發有限公司), Jiangling Kaidi Green Energy Development Co., Ltd. (江陵縣凱迪綠色能源開發有限公司), Chibi Kaidi Green Energy Development Co., Ltd. (赤壁縣凱迪綠色能源開發有限公司) and Gucheng Kaidi Green Energy Development Co., Ltd. (谷城縣凱迪綠色能源開發有限公司). The second respondent is Kaidi Ecological and Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司). The five arbitration cases filed by the Company on behalf of the Special Scheme, were heard on 10 January 2019. On 19 July 2019, the Company received the arbitration award in relation to the five cases from the Arbitration Commission. Other than the priority of compensation for the real estate mortgage right which was not supported by the Arbitration Commission due to failure of completing relevant mortgage registration, the arbitration request in relation to the Special Scheme were supported.

Section 7 Other Material Particulars (Continued)

As neither the first and second respondents above have fulfilled the arbitral award, the Company applied for compulsory enforcement on 3 September 2019 as the manager on behalf of the Special Scheme. On 10 September 2019, Wuhan Intermediate People's Court accepted all five enforcement cases of the Company, in which Chongyang Kaidi Green Energy Development Co., Ltd. (崇陽縣凱迪綠色能源開發有限公司), Laifeng Kaidi Green Energy Development Co., Ltd. (來鳳縣凱迪綠色能源開發有限公司), Jiangling Kaidi Green Energy Development Co., Ltd. (江陵縣凱迪綠色能源開發有限公司), Chibi Kaidi Green Energy Development Co., Ltd. (赤壁縣凱迪綠色能源開發有限公司) and Gucheng Kaidi Green Energy Development Co., Ltd. (谷城縣凱迪綠色能源開發有限公司) as the first respondents, respectively, Kaidi Ecological and Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司) the second respondent.

3. The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hixin Fund Management Limited (創金合信基金管理有限公司) and Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), the preferential holders of the Qinghui Leasing asset-backed specialized schemes Phase I (collectively the "Plaintiffs"), claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

Section 7 Other Material Particulars (Continued)

On 20 December 2018, Beijing Second Intermediate People's Court ruled and rejected the lawsuit filed by Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. On 29 December 2018, the above three companies appealed to the People's High Court of Beijing. As of 31 December 2019, all three companies above have withdrawn their lawsuits. On 27 November 2018, the lawsuit against the Company filed by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. was heard at the Finance Street People's Court of the People's Court of the Xicheng District in Beijing. As of 31 December 2019, all three companies above have withdrawn their lawsuits.

On 21 January 2020, the Company received the civil indictments, notice of response and other related materials from Beijing Second Intermediate People's Court brought by Galaxy Jinhui Securities Assets Management Co., Ltd. and Goldstate Capital Fund Management Co., Ltd., in which Galaxy Jinhui Securities Assets Management Co., Ltd. and Goldstate Capital Fund Management Co., Ltd. sued the Company, respectively, requested the court to order the Company to compensate the principal of its asset-backed securities, interest payable and related expenses. The exact dates of the two cases have not yet been determined.

III. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Finance Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract is renewed from 1 March 2019, and for a term of 3 years commencing from 1 March 2019. The rental paid by the Company for the Reporting Period was RMB24,839,800.

Section 7 Other Material Particulars (Continued)

IV. CONNECTED TRANSACTIONS

The Group carried out connected transactions in strict compliance with the Listing Rules and requirements of the Group's internal regulations under the principles of impartiality, openness and fairness.

During the Reporting Period, the Company and Huarong Investment entered into a property leasing and related services framework agreement (the "Framework Agreement") on 16 May 2018 to regulate the properties leasing relationship and property management services between the Group and Huarong Investment. The SASAC of Xicheng District, through Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure (collectively, the "Finance Street Group"), is interested in approximately 20.42% of the total issued share capital of the Company, and therefore it is a substantial shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Finance Street Group and its associates are connected persons of the Company. Huarong Investment is a holding company of Finance Street Xihuan Properties, and is therefore an associate of the Finance Street Group. Accordingly, Huarong Investment is a connected person of the Company and transactions that the Company enters into with Huarong Investment and its associate constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Framework Agreement became effective from 1 January 2018 and will expire on 31 December 2020, subject to renewal. Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the annual caps for the Framework Agreement exceeds 0.1% but is less than 5%, the Framework Agreement and the transactions contemplated under the Framework Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. All applicable percentage ratios calculated with reference to the rentals and management fees already incurred from 1 January 2018 to 30 April 2018 falls below 0.1% and therefore were exempt from reporting, announcement and annual review requirements. For details of the principal terms and pricing basis of the Framework Agreement, please refer to the announcement in relation to continuing connected transactions of the Company dated 16 May 2018. The amount of the above continuing connected transactions during the Reporting Period was RMB8,543,289, not exceeding the 2019 annual caps of RMB11.5 million disclosed in the above announcement.

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

- (1) are in the ordinary and usual course of business of the Company;
- (2) are conducted on normal commercial terms; and
- (3) are conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Section 7 Other Material Particulars (Continued)

The Board has received a letter from the auditors of the Company in respect of the continuing connected transactions mentioned above, a copy of which has been provided to the Hong Kong Stock Exchange and in which the auditors have expressed the following opinion on the disclosed continuing connected transactions:

Based on the foregoing and for the continuing connected transactions disclosed:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the 2019 annual cap as set by the Company in the Announcement.

Save as disclosed above, other transactions set out in Note 57 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions or are exempt from compliance with reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

The Company did not obtain any new business qualifications during the Reporting Period.

VI. SHARE OPTION SCHEME AND EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

Section 7 Other Material Particulars (Continued)

VII. CLASSIFIED EVALUATION RESULTS OF THE COMPANY FROM SECURITIES REGULATORY AUTHORITY

In the classified evaluation of the PRC securities companies in 2019 carried out by the CSRC, the Company was assigned a CCC rating in Class C.

VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Grant Thornton Certified Public Accountants and Grant Thornton Hong Kong Limited as its external auditors for 2019 for providing correlated audit and review services, based on China's Accounting Standards for Business Enterprises and International Financial Reporting Standards, respectively.

Whether appointed other accounting firms in the past three years: Yes.

Upon the comprehensive consideration of the Company's business development and future audit work, the Company considered and approved the resolution in respect of the change of Domestic Auditors for 2019 of the Company at the 2019 second extraordinary general meeting of the Company held on 20 September 2019, which agreed the Company to dismiss Ruihua Certified Public Accountants LLP as the Company's domestic auditors for 2019, and appoint Grant Thornton Certified Public Accountants as the Company's domestic auditors for 2019.

As the Company could not reach a consensus with RSM Hong Kong on the audit fee for the financial year ended 31 December 2019, RSM Hong Kong has resigned as the international auditor of the Company with effect from the date of 18 November 2019. The resolution in respect of the change of International Auditors for 2019 of the Company was considered and approved at the 2020 first extraordinary general meeting of the Company held on 7 February 2020, pursuant to which the Company appointed Grant Thornton Hong Kong Limited as its international auditor for 2019.

1. Domestic accounting firms, signing accountants and service lengths:

Grant Thornton Certified Public Accountants, Ms. Fan Xiaohong and Ms. Liu Lei, 6 months.

2. International accounting firms and service lengths:

Grant Thornton Hong Kong Limited, 1 month.

3. Remunerations for accounting firm

The Company paid RMB1.57 million to Grant Thornton Certified Public Accountants for annual audit fee in 2019.

Section 7 Other Material Particulars (Continued)

The Company paid RMB0.70 million to RSM Hong Kong for interim review fee in 2019.

The Company paid RMB1.80 million to Grant Thornton Hong Kong Limited for annual audit fee in 2019.

IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

(I) Change of Shareholders, Directors, Supervisors and Senior Management of the Company after the Reporting Period

1. Changes in Company Shareholders

On 17 June 2019, Qingyun Intercontinental, Huijin Jiaye, Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd, Zhongchang Hengyuan, Shanghai Yida, Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International investment Co., Ltd. (collectively referred to as the “Domestic Shares Sellers”) has entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Tianfeng Securities Co., Ltd. (“Tianfeng Securities”), pursuant to which, the Domestic Shares Sellers agreed to sell and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares of the Company, accounting for approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement shall be approved by the shareholders of Tianfeng Securities and relevant regulatory approvals, including but not limited to the approval of the China Securities Regulatory Commission. For details, please refer to the announcements of the Company dated 29 May 2019 and 17 June 2019.

On March 2020, the Company received the Reply on Approval for the Change of Shareholders Holding More Than 5% Equity Interest of Hengtai Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 344) (《關於核准恒泰證券股份有限公司變更持有5%以上股權的股東的批覆》(證監許可[2020]344號)) from CSRC, the principle contents of which included the approval of the qualification of shareholder and substantial shareholder of Tianfeng Securities Co., Ltd. holding more than 5% equity interest in the Company, and there was no objection to the lawful transfer to Tianfeng Securities of 532,299,681 Domestic Shares of the Company, representing 20.43% of the total issued shares of the Company. On 12 March 2020, the transfer procedures of the lawful transfer to Tianfeng Securities of 532,299,681 Domestic Shares of the Company had been completed. For details, please refer to the announcements of the Company dated 9 March 2020 and 12 March 2020.

Section 7 Other Material Particulars (Continued)

2. Changes in directors and supervisors of the Company

Please refer to Section 9 "Directors, Supervisors, Senior Management and Employees - IV. Changes in Directors, Supervisors and Senior Management".

(II) Annual Profit Distribution Plan of the Company

Please refer to "Section 6 Report of the Board of Directors – IV. Profit Distribution and Profit Distribution Plan".

(III) Major Investment and Financing after the Reporting Period

1. Major investment of the Company

Nil.

2. Major financing of the Company

On 6 February 2020, the Company issued a revenue certificate "Hengfu 28" with RMB100 million, a period of 363 days, and an issue rate of 4.50%.

(IV) Significant Litigations and Arbitrations after the Reporting Period

Nil.

(V) Merger or Disposal of Subsidiaries after the Reporting Period

Nil.

(VI) Other Major Subsequent Events which may Affect the Financial Conditions, Operating Results, and Cash Flow of the Company

Nil.

Section 7 Other Material Particulars (Continued)

(VII) Change of the Articles of Association after the Reporting Period

On 7 February 2020, the resolution in relation to the “Proposed Amendments to the Articles of Association(《建議修改〈公司章程〉》)” was considered and approved at the 2020 first extraordinary general meeting, which agreed to amend the relevant provisions of the Articles of Association in accordance with the requirements of the Measures for Management of Information Technology of Institutions Engaged in Securities and Funds Operations (《證券基金經營機構信息技術管理辦法》) promulgated by CSRC. The amendment to the Articles of Association used to be subject to the approval by the relevant regulatory authorities in the PRC. In accordance with the newly amended Securities Law of the People’s Republic of China, which came into effect on 1 March 2020, and the Announcement in Relation to the Cancellation or Adjustment of Certain Administrative Consideration and Approval Items of Securities Companies issued by China Securities Regulatory Commission on 3 March 2020 “(Zheng Jian Hui Gong Gao [2020] No. 18) (《關於取消或調整證券公司部分行政審批項目等事項的公告》(證監會公告[2020]18號)), certain items requiring the administrative consideration and approval of securities companies are cancelled or adjusted, and the amendment on important articles of the article of association by securities companies no longer requires the approval of regulatory agencies, pursuant to which, the amended Articles of Association of the Company became effective on 1 March 2020.

Section 8 Equity (Capital) Changes and Substantial Shareholders

I. SHAREHOLDING STRUCTURE

At the end of the Reporting Period, the Company's share capital was 2,604,567,412 shares, among which 2,153,721,412 shares was held by holders of Domestic Shares, representing 82.69% of the total issued share capital, and 450,846,000 shares was held by holders of H Shares, representing 17.31% of the total issued share capital.

II. CHANGES IN SHARES

None in the Reporting Period.

III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 50 registered shareholders, including 22 registered holders of Domestic Shares and 28 registered holders of H Shares.

(I) At the End of the Reporting Period, the Shareholding of More than 5% Shares or Top 10 Shareholders is as Follows:

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the year	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status	
									Status of shares	Number
1	HKSCC Nominees Limited ¹	Overseas legal person	H Shares	450,782,857	17.31%	-	450,782,857	0	-	-
2	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.83%	-	308,000,000	0	-	-
3	Beijing Qingyun Intercontinental Technology Co., Ltd.	Social legal person	Domestic Shares	226,961,315	8.71%	-	226,961,315	0	Pledged	226,961,315
4	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.12%	-	211,472,315	0	-	-
5	Beijing Huijin Jiaye Investment Co., Ltd.	Social legal person	Domestic Shares	206,182,000	7.92%	-	206,182,000	0	Pledged	206,182,000
6	Beijing Finance Street Investment (Group) Co., Ltd.	State-own legal person	Domestic Shares	165,418,345	6.35%	-	165,418,345	0	-	-
7	Beijing Huarong Infrastructure Investment Co., Ltd.	State-own legal person	Domestic Shares	155,079,698	5.95%	-	155,079,698	0	-	-
8	Tibet Dazi Huifa Investment Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	-	154,000,000	0	-	-
9	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	-	154,000,000	0	Pledged	154,000,000
10	Huachen Trust Limited Corporation	State-own legal person	Domestic Shares	92,297,832	3.54%	-	92,297,832	0	Frozen	92,297,832

Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

Note :

1. Shares held by HKSCC Nominees Limited are owned by non-registered H shareholders.

(II) Company's Controlling Shareholder and De Facto Controller

The Company does not have any controlling Shareholder or de facto controller.

(III) Status of Shareholders Holding more than 10% of the Company's Shares

Excluding HKSCC Nominees Limited, the shares held by which were owned by non-registered H shareholders.

Name of shareholders	Legal representative	Date of establishment	Registered capital (RMB'000)	Registered address	Principal business
Baotou Huazi Industry Co., Ltd.	Song Weidong (宋卫东)	30 November 1998	48,493.20	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region, China	Production and sales of sugar, molasses; operation of export of products and relevant technologies manufactured and developed by itself; operation of importing of raw and auxiliary materials, machinery, equipment, instruments and spare parts required for production; conducting foreign co-production and compensated trade business

Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

IV. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (excluding the Directors, Supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which had to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded, pursuant to Section 336 of the SFO, in the register referred to therein:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held <i>(shares)</i>	Approximate percentage of total number of Issued shares of the Company ¹ <i>(%)</i>	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹	Long positions/ short positions/ shares available for lending
					<i>(%)</i>	
Huarong Infrastructure ²	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Capital ²	Domestic Shares	Interests of controlled corporation	155,079,698	5.95	7.20	Long positions
Finance Street Investment ³	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long positions
Finance Street Xihuan Properties ⁴	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long positions
Huarong Investment ⁴	Domestic Shares	Interests of controlled corporation	211,472,315	8.12	9.82	Long positions
SASAC Xicheng District ^{2, 3, 4}	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi ⁵	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Tomorrow Holding ⁵	Domestic Shares	Interests of controlled corporation/parties acting in concert	443,868,000	17.04	20.61	Long positions
Zhongchang Hengyuan ^{5, 11}	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Shanghai Yida ^{5, 11}	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Huifa Investment ⁶	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Huijin Jiaye ^{7, 11}	Domestic Shares	Beneficial owner	206,182,000	7.92	9.57	Long positions
Shanghai Xishida ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shenzhen Zhongxin ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shanghai Julu ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Mr. Ci Penghu ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Qingyun Intercontinental ^{8, 11}	Domestic Shares	Beneficial owner	226,961,315	8.71	10.54	Long positions
Ningbo Shike ^{8, 11}	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions

Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Approximate	Approximate	Long
				percentage of total number of issued shares of the Company ¹ (%)	percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	positions/ short positions/ shares available for lending
Shaanxi Hongya ⁸⁻¹¹	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Duan Shuai ⁸⁻¹¹	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Sun Yuanlin ⁸⁻¹¹	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Hongzhi Huitong ⁹⁻¹¹	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Shaanxi Tianchen ⁹⁻¹¹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hangzhou Ruisi ⁹⁻¹¹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Suzhou Bingtai ⁹⁻¹¹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Zhang Li ⁹⁻¹¹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.77	16.01	Long positions
Pohua JT Private Equity Fund L.P. ¹⁰	H Shares	Beneficial owner	67,880,000	2.61	15.05	Long positions
Pohua JT Capital Partners Limited ¹⁰	H Shares	Interests of controlled corporation	67,880,000	2.61	15.05	Long positions
Tianfeng Securities Co., Ltd. ¹¹	Domestic Shares	Beneficial owner	781,365,375	29.99	36.28	Long positions

Notes :

- As at 31 December 2019, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- Huarong Infrastructure is wholly-owned by Finance Street Capital, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
- Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held by Finance Street Investment.
- 90.00% of the equity interest in Finance Street Xihuan Properties is held by Huarong Investment, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
- Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in the Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54.32%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida, respectively).

Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

6. 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
7. 99.99% of the equity interest in Huijin Jiaye is held by Shanghai Xishida. 95.00% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin. 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35.00% of the equity interest in Shanghai Julu is held by Mr. Ci Penghui (慈鵬輝). Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, and Mr. Ci Penghui (慈鵬輝) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
8. 70.00% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike, which is in turn held by Shaanxi Hongya as to 99.60%. Shaanxi Hongya is held by Mr. Duan Shuai (段帥) and Mr. Sun Yuanlin (孫元林) as to 49.00% and 51.00%, respectively. In addition, 0.40% of the equity interest in Ningbo Shike is held by Mr. Sun Yuanlin (孫元林). Therefore, each of Ningbo Shike, Shaanxi Hongya, Mr. Duan Shuai and Mr. Sun Yuanlin (孫元林) is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental.
9. 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 94.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhang Li (張利). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhang Li (張利) is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong.
10. Pohua JT Private Equity Fund L.P. is wholly-owned by Pohua JT Capital Partners Limited. Therefore, Pohua JT Capital Partners Limited is deemed to be interested in 67,880,000 H Shares held by Pohua JT Private Equity Fund L.P..
11. On 17 June 2019, Qingyun Intercontinental, Huijin Jiaye, Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd., Zhongchang Hengyuan, Shanghai Yida, Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International Investment Co., Ltd. (collectively, the "Domestic Shares Sellers") entered into an equity transfer agreement (the "Equity Transfer Agreement") with Tianfeng Securities Co., Ltd. ("Tianfeng Securities"), pursuant to which the Domestic Shares Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. On 12 March 2020, the procedure of the lawful transfer to Tianfeng Securities of 532,299,681 Domestic Shares of the Company, accounting for approximately 20.43% of the issued share capital of the Company, had been completed. For details, please refer to the Company's announcements dated 29 May 2019, 17 June 2019, 9 March 2020 and 12 March 2020.

Save as disclosed above, as at 31 December 2019, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

V. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

VI. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the relevant PRC laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Section 9 Directors, Supervisors, Senior Management and Employees

I. BASIC INFORMATION ABOUT INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

(I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Pang Jiemin (龐介民)	Male	48	Chairman of the Board and executive Director	From 22 December 2017 to 21 December 2020	5,776	–
2	Wu Yigang (吳誼剛)	Male	60	Vice chairman of the Board and executive Director	From 22 December 2017 to 21 December 2020	3,046	–
3	Yu Lei (余磊)	Male	42	Non-executive Director	From 20 September 2019 to 21 December 2020	19	Appointed on 20 September 2019
4	Wang Linjing (王琳晶)	Male	45	Non-executive Director	From 20 September 2019 to 21 December 2020	19	Appointed on 20 September 2019
5	Dong Hong (董紅)	Female	50	Non-executive Director	From 5 January 2018 to 21 December 2020	75	Obtained approval of qualification as a Director on 5 January 2018
6	Gao Liang (高靚)	Female	49	Non-executive Director	From 31 January 2018 to 21 December 2020	75	Obtained approval of qualification as a Director on 31 January 2018
7	Lam Sek Kong (林錫光)	Male	60	Independent non-executive Director	From 22 December 2017 to 21 December 2020	150	–

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

No.	Name	Gender	Age	Positions	Term of office	Reporting Period	Remarks	Total remuneration (before tax) received from the Company during the Reporting Period
								(RMB in thousand)
8	Xie Deren (謝德仁)	Male	48	Independent non-executive Director	From 21 January 2020 to 21 December 2020	–	Obtained approval of qualification as an independent Director on 21 January 2020	
9	Dai Genyou (戴根有)	Male	70	Independent non-executive Director	From 21 January 2020 to 21 December 2020	–	Obtained approval of qualification as an independent Director on 21 January 2020	
10	Zhang Tao (張濤)	Male	41	Non-executive Director	From 22 December 2017 to 20 September 2019	56	Resignation being effective on 20 September 2019	
11	Sun Chao (孫超)	Male	36	Non-executive Director	From 22 December 2017 to 20 September 2019	56	Resignation being effective on 20 September 2019	
12	Zhou Jianjun (周建軍)	Female	50	Independent non-executive Director	From 22 December 2017 to 21 January 2020	150	Resignation being effective on 21 January 2020	
13	Lv Wendong (呂文棟)	Male	52	Independent non-executive Director	From 5 January 2018 to 21 January 2020	150	Obtained approval of qualification as an independent Director on 5 January 2018 and resignation being effective on 21 January 2020	

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

(II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Guo Liwen (郭力文)	Male	59	Chairman of Supervisory Committee	From 22 December 2017 to 21 December 2020	2,926	–
2	Chen Feng (陳風)	Male	40	Shareholder representative Supervisor	From 21 January 2020 to 21 December 2020	–	Obtained approval of qualification as a Supervisor on 21 January 2020
3	Wang Hui (王 慧)	Male	46	Employee representative Supervisor	From 22 December 2017 to 21 December 2020	1,029	–
4	Pei Jingjing (裴晶晶)	Female	36	Shareholder representative Supervisor	From 22 December 2017 to 21 January 2020	45	Resignation being effective on 21 January 2020

(III) Senior Management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Niu Zhuang (牛 壯)	Male	47	President	From 22 December 2017 to 21 December 2020	5,361	–
2	Zhai Chenxi (翟晨曦)	Female	40	Co-president	From 22 November 2019 to 21 December 2020	321	Appointed on 22 November 2019

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period (RMB in thousand)	Remarks
3	Zhang Wei (張偉)	Male	49	Vice president, secretary of the Board	From 22 December 2017 to 21 December 2020	3,051	-
4	Fu Lixin (付立新)	Female	53	Vice president	From 22 December 2017 to 21 December 2020	2,931	-
5	Wu Lihui (武麗輝)	Female	48	Vice president	From 22 December 2017 to 21 December 2020	3,051	-
6	Zhao Peiwu (趙培武)	Male	55	Vice president	From 22 December 2017 to 21 December 2020	2,919	-
7	Pang Jiemin (龐介民)	Male	48	Chief compliance officer (acting)	From 2 November 2017 to present	-	-
8	Yu Fang (于芳)	Female	39	Chief risk officer	From 22 December 2017 to 21 December 2020	2,931	-
9	Yang Shufei (楊淑飛)	Female	46	Chief financial officer	From 22 December 2017 to 21 December 2020	2,931	-
10	Huang Weiguo (黃偉國)	Male	42	Vice president	From 22 December 2017 to 6 May 2019	523	Resigned on 6 May 2019
11	Liu Quansheng (劉全勝)	Male	44	Vice president	From 22 December 2017 to 6 May 2019	1,669	Resigned on 6 May 2019

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

II. APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDERS' COMPANIES AND OTHER COMPANIES

(I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in shareholders' company	Term of office
1	Dong Hong (董紅)	Non-executive	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chief legal advisor	March 2015 to present
		Director	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	Director	November 2016 to present
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Director	July 2019 to present
2	Gao Liang (高靚)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Director	From December 2013 to July 2019
3	Yu Lei(余磊)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Chairman of the board	November 2006 to present
4	Wang Linjing (王琳晶)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Vice-president	May 2013 to December 2019
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	President	December 2019 to present
5	Chen Feng (陳風)	Shareholder Representative Supervisor	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Administrative director	March 2019 to present
6	Zhai Chenxi (翟晨曦)	Co-president	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Vice-president	April 2015 to present

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

(II) Appointment in other Units

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
1	Pang Jiemin (龐介民)	Chairman of the Board and executive Director	Inner Mongolia Securities & Futures Association in China (中國內蒙古證券期貨協會)	President	April 2016 to present
2	Lam Sek Kong (林錫光)	Independent non-executive Director	Messrs. S.K. Lam, Alfred Chan & Co. (林錫光、陳啟鴻律師行)	Partner	June 1996 to present
			APT Satellite Holdings Limited (亞太衛星控股有限公司)	Independent non-executive Director	July 2007 to present
3	Yu Lei(余磊)	Non-executive Director	Wuhan Mingcheng Jinshi Technology Co., Ltd. (武漢明誠金石科技有限公司)	Director	November 2009 to present
			Wuhan Contemporary Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司)	Director	February 2012 to present
			Wuhan Contemporary Technology Investment Co., Ltd. (武漢當代科技投資有限公司)	Director	October 2014 to present
			Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司)	Director	June 2016 to present
			Wuhan Contemporary Qianyuan Technology Co., Ltd. (武漢當代乾源科技有限公司)	Director	April 2017 to present
4	Xie Deren (謝德仁)	Independent non-executive Director	Tsinghua University School of Economics and Management (清華大學經濟管理學院)	Professor	August 1998 to present
			Beyondsoft Corporation (博彥科技股份有限公司)	Independent Director	December 2013 to December 2019
			Longshine Technology Co., Ltd. (朗新科技股份有限公司)	Independent Director	December 2013 to December 2019
			Tsinghua Holdings Co., Ltd. (清華控股有限公司)	Chairman of the Supervisory Committee	June 2016 to present
			Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司)	Chairman of the Supervisory Committee	December 2018 to present
			The second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC (財政部第二屆企業會計準則諮詢委員會)	Committee member	May 2019 to May 2021
5	Gao Liang (高靚)	Non-executive Director	Finance Street Holdings Co., Ltd. (金融街控股股份有限公司)	Chairman	January 2017 to present
			China Securities Pyrophosphate Copper Fund Management Co. Ltd. (中證焦桐基金管理有限公司)	Vice-chairman	February 2017 to present
			China Association for Public Companies (中國上市公司協會)	Deputy chairman	April 2017 to present
6	Zhai Chenxi (翟晨曦)	Co-president	TF International Securities Group Limited (天風國際證券集團有限公司)	Chairman of the board	May 2016 to present

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

III. BIOGRAPHICAL DETAILS OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

Mr. Pang Jiemin (龐介民), aged 48, has been a Director and the chairman of the Board and legal representative since December 2010. Before joining our Group, Mr. Pang served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager from May 2010 to December 2010. Mr. Pang graduated from Hebei University of Economics and Business (河北經貿大學, formerly known as Hebei College of Finance and Economics (河北財經學院)) in Shijiazhuang, Hebei Province, the PRC with a bachelor's degree of finance in July 1993. He then obtained a master's degree of economics from Central Institute of Finance and Banking (中央財政金融學院, now known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC in March 1996. Mr. Pang obtained a doctor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan Province, the PRC in January 2005. From December 2007 to May 2008, Mr. Pang was a visiting post-doctor researcher at the ICMA Centre of University of Reading in the United Kingdom. Mr. Pang was granted the qualification as economist (經濟師資格) by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 1997. He also passed the 21st qualification test for senior management of securities institutions organized by the Securities Association of China in December 2010.

Mr. Wu Yigang (吳誼剛), aged 60, has been a Director and the vice chairman of our Board since October 2008 and June 2015, respectively. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for the corporate governance matters. Mr. Wu served as the president of the Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Mr. Yu Lei (余磊), aged 42, has been a Director since September 2019. Mr. Yu has been the chairman of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since November 2006, and a director of Wuhan Mingcheng Jinshi Technology Co., Ltd. (武漢明誠金石科技有限公司) since November 2009, a director of Wuhan Contemporary Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) since February 2012, and a director of Wuhan Contemporary Technology Investment Co., Ltd. (武漢當代科技投資有限公司) since October 2014, and a director of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司) since June 2016, and a director of Wuhan Contemporary Qianyuan Technology Co., Ltd. (武漢當代乾源科技有限公司) since April 2017. Mr. Yu served as the vice general manager and secretary of the Board of Wuhan HumanWell High-Tech Industry Co., Ltd. (武漢人福高科技產業有限公司), and a director of Hubei Fanxing Technology Industry Co., Ltd. (湖北繁星科技產業有限公司), a director of Wuhan Yada Education Investment Co., Ltd. (武漢雅達教育投資有限公司), and a director of CSI Quotation Southern Co., Ltd. (中證報價南方股份有限公司). Mr. Yu graduated from Wuhan University Law School (武漢大學法學院) with a bachelor's degree in economic law in July 2000, and later he majored in criminal law at Wuhan University Law School, and obtained a master's degree and a doctorate degree in law.

Mr. Wang Linjing (王琳晶), aged 45, has been a Director since September 2019. Mr. Wang has been the president of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since December 2019. Mr. Wang served as a member of National Development and Reform Commission from July 2000 to May 2005, assistant of the general manager of China Tongda Electronic Network System Company (中國通達電子網絡系統公司) from May 2005 to July 2007, and from July 2007 to November 2009, he served as a postdoctoral researcher of National Information Center postdoctoral science research station (國家信息中心博士後研究站). Mr. Wang served as the head of the department of Chengdu office of Tianfeng Securities Co., Ltd. (天風證券股份有限公司成都辦事處) from November 2009 to July 2011, the vice president of Tianfeng Securities Co., Ltd. from May 2013 to December 2019, a managing partner of Shanghai Tianhan Investment Partnership (上海天涵投資合夥企業) from February 2015 to November 2017, the chairman of Tianfeng Innovation Investment Co., Ltd. (天風創新投資有限公司) from December 2015 to November 2017 and an executive director and legal representative of Lhasa Tianfeng Tianyi Investment Co., Ltd. (拉薩天風天奕投資有限公司) from March 2016 to January 2018. Mr. Wang graduated from Department of World Economy of Fudan University with a bachelor's degree in July 1997, then obtained his master's degree of the Department in July 2000. From September 2002 to July 2005, He studied in Center for Public Policy Research, Chinese Academy of Social Sciences (中國社會科學院公共政策系) when he worked, later he obtained his doctorate degree.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Ms. Dong Hong (董紅), aged 50, has been a Director since January 2018. Ms. Dong successively served as an assistant judge and judge at the economic tribunal of Fengtai District People's Court of Beijing Municipality (北京市豐台區人民法院) from August 1989 to May 2000. She was then successively served as a judge of the commercial tribunal and a deputy chief judge and a chief judge of Nanmofang People's Tribunal (南磨房人民法庭) at Chaoyang District People's Court of Beijing Municipality (北京市朝陽區人民法院) from May 2000 to March 2015. She has been the general counsel in Finance Street Investment since March 2015 and a Director of Finance Street Investment since July 2019. Ms. Dong graduated from Beijing College of Politics and Law (北京政法職業學院) formerly known as Beijing School of Justice (北京市司法學校) in Beijing, the PRC with a specialized secondary diploma majoring in law in July 1989; from Peking University (北京大學) in Beijing, the PRC with a college's diploma majoring in law in December 1991; from Correspondence Institute of Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in Beijing, the PRC with a bachelor diploma in politics and laws in December 1997 and from Peking University (北京大學) in Beijing, the PRC with a degree of Bachelor of Laws in January 2004.

Ms. Gao Liang (高靚), aged 49, has been a Director since January 2018. Ms. Gao served as a teacher of The Third People's Police School of Beijing (北京市第三人民警察學校) from July 1993 to July 1994. Ms. Gao successively served as an employee, the manager and the assistant to general manager of Beijing Finance Street Property Management Co., Ltd. (北京金融街物業管理有限責任公司) from July 1994 to December 1995, and the deputy general manager of Jinxiao Real Estate Advisory Co., Ltd. (金曉房地產諮詢有限公司) from January 1996 to March 1998. Ms. Gao served as the manager of Finance Street Construction & Development Co., Ltd. (金融街建設開發有限責任公司) from March 1998 to October 1999, the deputy general manager and deputy managing director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from October 1999 to June 2011. Ms. Gao serves as the deputy general manager of Finance Street Investment from July 2011 to July 2014, and has been a director of the company from December 2013 to July 2019. Furthermore, Ms. Gao served as the chairman and general manager of Beijing Finance Street Investment and Management Co., Ltd (北京金融街投資管理有限公司) from December 2011 to July 2014 and the deputy managing director of Beijing Finance Street Capital Management Centre (北京金融街資本運營中心) from March 2012 to July 2014. Ms. Gao is a director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since April 2013, and served as the general manager of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from August 2014 to January 2017, and served as the president of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since January 2017. Ms. Gao obtained the bachelor's degree in laws from China University of Political Science and Law (中國政法大學) in July 1993, graduated from the Graduate School of Chinese Academy of Social Science (中國社會科學院研究生院) in July 1998, majored in business management, and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology (香港科技大學) in November 2007.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Dr. Lam Sek Kong (林錫光), aged 60, has been an independent Director since April 2015. Concurrently, Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (the issued shares of which are listed on the Main Board of the Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

Mr. Xie Deren (謝德仁), aged 48, has been an Independent Director since January 2020. Mr Xie has been teaching at the Department of Accounting of Tsinghua University School of Economics and Management since August 1998 and was hired as professor in 2005. He gives lectures on corporate finance and accounting to undergraduates, doctor of philosophy candidates in Tsinghua University School of Economics and Management and students who are directors and supervisors of enterprises. He is a fellow and council member of the Accounting Society of China and a reviewer of several academic journals in the field of economics and management. Mr. Xie has been working as a member of the second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, chairman of the board of supervisors of Tsinghua Holdings Co., Ltd. (清華控股有限公司) and Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司). Mr. Xie was a member of the 17th issuance vetting committee of CSRC, a member of the first consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, and an independent director of China Life Insurance Co., Ltd. (中華人壽保險股份有限公司), China Assets Management Co., Ltd. (華夏基金管理有限公司) and other companies. Mr. Xie graduated from Xiamen University in July 1998. and obtained his doctoral degree in management.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Mr. Dai Genyou (戴根有), aged 70, has been an Independent Director since January 2020. Mr. Dai has successively served as the vice president of the Anqing City Central Branch of the People's Bank of China (中國人民銀行安慶市中心支行), the division head of the first economic analysis division of investigation and research office of the headquarters of the People's Bank of China, the division head of the economic analysis division and then deputy director of the Investigation and Statistics Department, the director of the Monetary Policy Department of the People's Bank of China (中國人民銀行貨幣政策司) and the secretary of the Monetary Policy Committee of the People's Bank of China (中國人民銀行貨幣政策委員會) and the chief of the Credit Information System Bureau (徵信管理局) of the People's Bank of China. He served as the director of the Credit Information Centre (徵信中心) of the People's Bank of China in April 2007, and retired in March 2010. Mr. Dai graduated from Anhui Labour University (predecessor of Anhui University), majoring in political economics. Mr. Dai is a senior economist and an expert enjoying the special allowances from the State Council.

(II) Supervisors

Mr. Guo Liwen (郭力文), aged 59, has been a Supervisor and the chairman of the Supervisory Committee since December 2010. Mr. Guo joined the Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of the Company from October 2008 to November 2011. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC in July 1984.

Mr. Chen Feng (陳風), aged 40, has been the Supervisor since January 2020. Mr. Chen worked at Law School of Wuhan University in the capacity as a student counselor, deputy secretary to the Youth League Committee, deputy director of undergraduate service office, secretary to Youth League Committee, director of undergraduate service office, secretary to the executive party branch and the assistant of the dean in succession from July 2002 to January 2014, the deputy director of platform construction office of Institute of Humanities and Social Science of Wuhan University from January 2014 to July 2016 and the administrative director of Wuhan Dangdai Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) from July 2016 to February 2019. Mr. Chen has been the administrative director of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since March 2019. Mr. Chen graduated from Wuhan University in July 2002, majoring in economic law, and obtained his bachelor's degree. He then continued his part-time study of economic law at Wuhan University and obtained his master's and doctoral degrees in law in July 2006 and December 2012, respectively.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Mr. Wanghui (王慧), aged 46, has been an employee representative Supervisor since September 2012, a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer, Hengtai Futures and Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) since October 2012, January 2013, June 2013 and April 2015, respectively. Before joining the Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

(III) Senior Management

Mr. Niu Zhuang (牛壯), aged 47, has been the president of the Company since June 2015 and is currently mainly responsible for formulating the Company's corporate and business strategies and making major corporate and operational decisions, being fully responsible for the Company's overall operation and management and execution of the Board resolutions. Mr. Niu served as the chief financial officer and an executive vice president of the Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively. Mr. Niu has served as an executive director and the legal representative of Hengtai Capital from December 2015, and the general manager thereof since January 2017. Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) in Beijing, the PRC with a bachelor's degree majoring in industrial management engineering in July 1993. Mr. Niu obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005. He obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018.

Ms. Zhai Chenxi (翟晨曦), aged 40, has been the co-president of the Company since November 2019 and is currently mainly responsible for matters related to the business integration and the daily operation and management of the Company. Ms. Zhai successively served as a project manager of the investment business bureau and appraisal third bureau of China Development Bank from April 2004 to March 2007 and successively served as a trader, deputy section chief and section chief of the capital trading department of China Development Bank from March 2007 to April 2014. Ms. Zhai joined Tianfeng Securities Co., Ltd. (天風證券股份有限公司) in April 2014 and successively served as the assistant to the president, general manager of the fixed income head office and director of the institutional client committee. She currently serves as the vice president and deputy director of the executive committee of Tianfeng Securities Co., Ltd. Ms. Zhai has served as the chairman of the board of directors of Tianfeng International Securities Group Co., Ltd. (天風國際證券集團有限公司) since May 2016. Ms. Zhai was graduated from Central South University, majoring in technological economics, with a bachelor's degree in management in July 2001. Subsequently, she continued to major in finance at Central South University and obtained a master's degree in economics in 2004. She obtained a doctorate in economics from Chinese Academy of Fiscal Science in 2009.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Mr. Zhang Wei (張偉), aged 49, has been a vice president, the secretary of the Board and one of the joint company secretaries of the Company since September 2008, November 2011 and March 2015, respectively. He is currently in charge of the president office and the Board office and management of the operation of Hengtai Changcai. Concurrently, Mr. Zhang has been a director in Hengtai Futures and the legal representative, executive director and general manager in Hengtai Changcai since December 2009 and June 2014, respectively. Mr. Zhang served as the president assistant and a vice president of the Company from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Before joining the Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

Ms. Fu Lixin (付立新), aged 53, has been a vice president of the Company since May 2008. She is currently responsible for the operation of Hengtai Futures. She has also been assuming positions of the chairman of the board and legal representative of Hengtai Futures as well as executive director and legal representative of Hengtai Yingwo Asset Management Co. Ltd.(恒泰盈沃資產管理有限公司) since December 2009 and February 2016, respectively. Ms. Fu served as a president assistant of the Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining the Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd. (富友證券經紀有限責任公司) successively as a manager and a vice president from April 1993 to October 2003. Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. Ms. Fu obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Ms. Wu Lihui (武麗輝), aged 48, has been a vice president of the Company since July 2012. She is currently responsible for the financial market department and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of an executive director, the legal representative and the general manager in Hengtai Pioneer since January 2013, respectively. Ms. Wu served successively as a director of office of the Board and the assistant to the chairman of the Board of the Company from November 2009 to July 2012 and as an executive director and the legal representative of Beijing Hengtai Hongze Investment Co., Ltd.(北京恒泰弘澤投資有限公司) from April 2015 to January 2018. Before joining the Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

Mr. Zhao Peiwu (趙培武), aged 55, has been a vice president of the Company since September 2009. He is currently responsible for the management of the brokerage business department and supervision of the operation of the Changchun branch office as well as the asset custody department and institutional investment consultant department. Mr. Zhao consecutively served as a deputy director of operating department of the Company from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of the Company from March 2008 to September 2009, respectively. Mr. Zhao also served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

Ms. Yu Fang (于芳), aged 39, has been the chief risk officer of the Company since April 2014. She is currently in charge of our risk management department and audit department and risk management and internal audit. Concurrently, Ms. Yu also has been a director of New China Fund since August 2015. Ms. Yu was the chief compliance officer of the Company from January 2013 to November 2017. Before joining the Group, Ms. Yu served in New Times Securities Co. Ltd. (新時代證券有限責任公司) as the general manager assistant and a vice president, in charge of compliance management department, audit department and legal management department from June 2008 to June 2012 and from June 2012 to December 2012, respectively. Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003. She obtained an executive master degree of business administration from Business School of Hong Kong University of Science and Technology (香港科技大學) in 2019.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Ms. Yang Shufei (楊淑飛), aged 46, has been the chief financial officer of the Company since October 2016. Meanwhile, Ms. Yang has served as the chairman of the supervisor committee of New China Fund and a supervisor of Hengtai Capital since February 2017 and October 2017, respectively. Before joining the Group, Ms. Yang served as a staff member of the management department and fund department of Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司) from July 1995 to September 2001. After then, Ms. Yang worked in CASIC Finance Co., Ltd. (航天科工財務有限責任公司) and served as a staff member of the investment department from October 2001 to September 2002, the manager of the clearing department from October 2002 to March 2005, the manager of the risk management department from April 2005 to June 2008 and chief accountant, general counsel, board secretary and vice president consecutively during the period from July 2008 to November 2015. From November 2015 to June 2016, Ms. Yang served as the chief financial officer of Huahao Xinlian (Beijing) Kemao Co., Ltd. (華浩信聯(北京)科貿有限公司). Ms. Yang graduated from Renmin University of China (中國人民大學) with a bachelor degree in international finance in July 1995 and obtained a master degree in economics from Peking University (北京大學) in November 2005 and an executive master degree of business administration from Tsinghua University (清華大學) in July 2010.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

1. Mr. Zhang Tao (張濤) resigned as a non-executive Director, a member of the Risk Control and Supervisory Committee and the Audit Committee due to the need to focus on his personal career development with effect from 20 September 2019.
2. Mr. Sun Chao (孫超) resigned as a non-executive Director, a member of the Strategy and Investment Committee due to the need to focus on his personal career development with effect from 20 September 2019.
3. On 20 September 2019, the 2019 second extraordinary general meeting considered and approved the resolution on the election of Mr. Yu Lei (余磊) as a non-executive Director. The appointment of Mr. Yu Lei as a non-executive Director of the fourth session of the Board has become effective from 20 September 2019.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

4. On 20 September 2019, the 2019 second extraordinary general meeting considered and approved the resolution on the election of Mr. Wang Linjing (王琳晶) as a non-executive Director. The appointment of Mr. Wang Linjing as a non-executive Director of the fourth session of the Board has become effective from 20 September 2019.
5. On 20 September 2019, the 2019 second extraordinary general meeting considered and approved the resolution on the election of Mr. Xie Deren (謝德仁) as an independent non-executive Director. However, the qualification of Mr. Xie Deren as Director is still subject to approval by the relevant governmental authorities of the PRC. On 21 January 2020, the Inner Mongolia Securities Regulatory Bureau of CSRC issued the Approval on Approving the Qualification of Xie Deren as an Independent Director of Securities Company (Nei Zheng Jian Xu Ke [2020] No.2) (《關於核准謝德仁證券公司獨立董事任職資格的批覆》(內證監許可[2020]2號)), pursuant to which, Mr. Xie Deren's qualification as an independent director of securities company was approved. Thus, the appointment of Mr. Xie Deren as an independent non-executive Director of the fourth session of the Board of Directors has become effective from 21 January 2020.
6. On 20 September 2019, the 2019 second extraordinary general meeting considered and approved the resolution on the election of Mr. Dai Genyou (戴根有) as an independent non-executive Director. However, the qualification of Mr. Dai Genyou as Director is still subject to approval by the relevant governmental authorities of the PRC. On 21 January 2020, the Inner Mongolia Securities Regulatory Bureau of CSRC issued the Approval on Approving the Qualification of Dai Genyou as an independent Director of Securities Company (Nei Zheng Jian Xu Ke [2020] No.1) (《關於核准戴根有證券公司獨立董事任職資格的批覆》(內證監許可[2020]1號)), pursuant to which, Mr. Dai Genyou's qualification as an independent director of securities company was approved. Thus, the appointment of Mr. Dai Genyou as an independent non-executive Director of the fourth session of the Board of Directors has become effective from 21 January 2020.
7. Ms. Zhou Jianjun (周建軍) resigned as an independent non-executive Director, the chairman of the Audit Committee and the Remuneration and Nomination Committee due to the need to focus on her personal career development with effect from 21 January 2020.
8. Mr. Lv Wendong (呂文棟) resigned as an independent non-executive Director due to the need to focus on his personal career development with effect from 21 January 2020.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

(II) Changes in supervisors

1. On 20 September 2019, the second extraordinary general meeting in 2019 considered and approved the resolution on the election of Mr. Chen Feng as a shareholder representative supervisor, but Mr. Chen Feng's qualification as a supervisor will be subject to the approval by the relevant governmental authorities of the PRC. On 21 January 2020, the Inner Mongolia Securities Regulatory Bureau of CSRC issued the Approval on Approving the Qualification of Chen Feng as a supervisor of Securities Company (Nei Zheng Jian Xu Ke [2020] No.3) (《關於核准陳風證券公司監事任職資格的批覆》(內證監許可[2020]3號)), pursuant to which, Mr. Chen Feng's qualification as a supervisor of securities company was approved. Thus, the appointment of Mr. Chen Feng as a shareholder representative supervisor of the fourth session of the Supervisory Committee has become effective from 21 January 2020.
2. Ms. Pei Jingjing resigned as the shareholder representative supervisor due to the need to focus on her personal career development, with effect from 21 January 2020.

(III) Changes in Senior Management

1. At the fifteenth meeting of the fourth session of the Board on 6 May 2019, the resolution on the resignation of Mr. Liu Quansheng as a vice president of the Company was considered and approved, Mr. Liu Quansheng has tendered his resignation as the vice president of the Company due to changes in work arrangement. Mr. Liu Quansheng joined New China Fund and served as general manager since 6 June 2019.
2. At the fifteenth meeting of the fourth session of the Board on 6 May 2019, the resolution on the resignation of Mr. Huang Weiguo as a vice president of the Company was considered and approved, Mr. Huang Weiguo has tendered his resignation as the vice president of the Company due to the need to focus on his personal career development.
3. At the twenty-first meeting of the fourth session of the Board on 22 November 2019, the resolution on the appointment of Ms. Zhai Chenxi as the co-president of the Company was considered and approved, Ms. Zhai Chenxi was appointed as the co-president of the Company with the effect from 22 November 2019.

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Remuneration System and Decision-making Procedures of Directors, Supervisors and Senior Management

The remuneration of the Directors shall be proposed by the Remuneration and Nomination Committee for consideration and approval by the Board, then submitted to general meeting for approval. The remuneration of the Supervisors shall be reviewed and approved by the general meeting. The remuneration of the senior management of the Company shall be proposed by the Remuneration and Nomination Committee to the Board for approval.

(II) Basis for Determining the Remuneration of Directors, Supervisors and Senior Management

Directors and Supervisors who have not entered into any employment contracts with the Company are entitled to allowances, and those who have entered into employment contracts with the Company shall obtain remuneration in accordance with the requirement of the Company.

The remuneration of the senior management of the Company shall be proposed by the Remuneration and Nomination Committee in accordance with the remuneration and assessment system with reference to operating results, responsibilities and the comparable level of the industry and market for consideration and approval by the Board.

Payment of more than 40% of annual performance-based remuneration for full-time Directors, Chairman of the Supervisory Committee and senior management of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board. The Board will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. The Company does not pay non-cash compensation.

(III) Changes in Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, save as Ms. Pei Jingjing (裴晶晶), none of the Directors, Supervisors and senior management of the Company held any shares, share options or restricted shares of the Company.

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

(VI) REMUNERATION PAYMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For remuneration payment of the Directors, Supervisors and senior management, please refer to “I. Basic Information about Incumbent Directors, Supervisors and Senior Management and those leaving office during the Reporting Period” in this section. Total remuneration for the Directors, Supervisors and senior management in 2019 is RMB39,262 thousand. The remuneration of the Directors and Supervisors is set out in Note 19 to the consolidated financial statements of this report.

Remuneration of the five highest paid individuals of the Company is set out in Note 20 to the consolidated financial statements of this report.

VI. DETAILS AND REMUNERATION OF STAFF

(I) Number and Composition of Employees

As at the end of the Reporting Period, the Group had 2,021 employees in total, including 1,534 employed by the Company and 487 employed by its subsidiaries, the structure of which is as below:

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
30 or below	549	27.16%	403	26.27%
31-40	855	42.31%	616	40.16%
41 or above	617	30.53%	515	33.57%
Total	2,021	100.00%	1,534	100.00%

Specialty composition	Number	Percentage	Number	Percentage
Brokerage	1,186	58.68%	1,125	73.34%
Asset management	82	4.06%	31	2.02%
Proprietary trading	22	1.09%	22	1.43%
Investment banking	124	6.14%	44	2.87%
Compliance, risk control and audit	63	3.12%	44	2.87%
Research	30	1.48%	2	0.13%
Planning and accounting	43	2.13%	22	1.43%
Information technology	85	4.21%	65	4.24%
Transaction settlement	74	3.66%	32	2.09%
Administration	69	3.41%	16	1.04%
Other services	243	12.02%	131	8.54%
Total	2,021	100.00%	1,534	100.00%

Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Educational background	The Group		The Company	
	Number	Percentage	Number	Percentage
Postgraduate or above	450	22.27%	229	14.93%
College graduate	1,396	69.07%	1,163	75.81%
Junior college graduate or below	175	8.66%	142	9.26%
Total	2,021	100.00%	1,534	100.00%

(II) Remuneration of employees

The remuneration of employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to, among others, social insurance and housing provident fund on behalf of its employees in accordance with relevant requirements of the PRC. The Company has strictly complied with the Labor Law of the PRC, Labor Contract Law of the PRC and other applicable laws and regulations, and have a sound human resources management system and process in place to regulate its employment procedures, so as to effectively protect the rights and interests of the employees.

(III) Staff Training Plans

The Company highly values staff training. At the beginning of the year, the Company made surveys and analysis in respect of staff training by issuing Training Questionnaire for 2019 and, based on the information so collected, prepared the 2019 Training Plan of Hengtai Securities Co., Ltd through summarization, statistics and analysis.

During the Reporting Period, the Company organized large-scale training activities including 3 sessions of training for development of back-ups for brokerage business "2 sessions of Young Eagles Plan", 1 session of special training on information technology and 4 sessions of training for wealth management and asset allocation training, 3 sessions of elite training. In addition, the Company also organized online training for new recruits.

According to the requirements of the Securities Association of China, the Company has made applications for follow-up trainings on behalf of all current in-house practitioners who have qualification certificates to engage in securities business, funds or futures intermediary business. In addition, the Company has made applications on behalf of its senior management and all departments for participating in 45 training sessions organized by the Securities Association of China, the Shanghai Stock Exchange and other external training institutions, covering 58 trainees.

VII. INFORMATION ABOUT CUSTOMERS SOLICITATION AND CUSTOMER SERVICES OF COMMISSIONS BROKERS

As at the end of the Reporting Period, the securities branches of the Company had 1,216 brokers distributed in each team, who were directly managed by the wealth management center of the securities branches. The securities practitioner qualifications of the brokers were under centralized management of the human resources department of the Company. Upon signing the entrustment contracts, the brokers will receive pre-job training provided by relevant securities branches and follow-up training provided by the Company. The Company's management of its in-house brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company. Brokers could introduce the general information of the Company and the securities market; the basic information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations relating to securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report to the customers provided by the Company and information related to securities investments.

Section 10 Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

(I) Basic Information on Corporate Governance

During the Reporting Period, the Company operated in strict compliance with requirements of laws, regulations and regulatory documents of the PRC and jurisdictions where the Company's shares are listed, including the Company Law of the PRC, the Securities Law of the PRC, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies and the Corporate Governance Code, to continuously improve the corporate governance level. The Company has further optimised its rules and systems and constantly improved its corporate governance structure.

During the Reporting Period, the general meetings, the Board of Directors, the Supervisory Committee and the management of the Company have performed their fiduciary duties according to the relevant requirements, ensuring the standard operation of the Company. The convocation, voting and decision-making procedures of general meetings of the Company and meetings of the Board of Directors and the Supervisory Committee were legal and valid. The corporate governance practices of the Company were in full compliance with the relevant requirements.

(II) Corporate Governance Policies and the Board's Responsibilities on Corporate Governance

The Company strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code, and satisfied substantially all of the recommended best practices under the Corporate Governance Code. In respect of the corporate governance, the responsibilities of the Board shall include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Section 10 Corporate Governance Report (Continued)

During the Reporting Period, the Board had performed the aforementioned responsibilities and reviewed the Corporate Governance Report contained in this report prior to the publication of this report, and is of the view that the content of this section is in line with the relevant requirements under the Listing Rules.

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of General Meetings and Shareholders

The Articles of Association and the Rules of Procedure for General Meetings have stipulated the rights and obligations of the shareholders, the authority of general meetings, and the convocation, voting and decision-making of general meetings. The general meeting is the supreme authority of the Company.

(II) General Meetings

During the Reporting Period, the Company convened 3 general meetings in total, the details of which are set out as follows:

1. On 26 February 2019, the first extraordinary general meeting of the Company in 2019 was held, at which the resolutions of the Change of the Company's Registered Address and Amendments to the Articles of Association were considered and approved.
2. On 22 May 2019, the 2018 annual general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: the Report of the Board of Directors for the year 2018, the Report of the Supervisory Committee for the year 2018, the Annual Report for the year 2018, the Profit Distribution Plan for the year 2018, the Final Accounts Report for the year 2018, the Re-appointment of Domestic Auditor for the year 2019, and the Re-appointment of International Auditor for the year 2019. The Work Report of Independent Directors for the year 2018 was heard at the meeting.
3. On 20 September 2019, the second extraordinary general meeting of the Company in 2019 was held, at which the resolutions in relation to the following matters were considered and approved: Public Issue of Corporate Bonds, the Non-public Issue of Corporate Bonds, the Change of the Statements shown in Company's Business Licence and Amendments to the Articles of Association, the Change of Domestic Auditor in 2019, the Election of Mr. Yu Lei as a non-executive Director, the Election of Mr. Wang Linjing as non-executive Director, the Election of Mr. Xie Deren as independent non-executive Director, the Election of Mr. Dai Genyou as independent non-executive Director, and the Election of Mr. Chen Feng as Shareholder Representative Supervisor.

Section 10 Corporate Governance Report (Continued)

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(I) Duties of the Board and the Management

Duties of the Board

The rights and duties of the Board are set out in the Articles of Association. The main duties of the Board include convening general meeting and reporting to the general meeting; implementing resolutions of general meeting; determining the Company's business plans and investment plans; formulating the annual financial budgets and final accounting plans of the Company; formulating the profit distribution plan and loss makeup plan of the Company; formulating proposals for the Company in respect of increase or reduction of the registered capital, issue of bonds or other securities and the listing thereof; formulating plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution or transformation of the Company; determining within the authority granted by the general meeting such matters as external investment, acquisition and disposal of assets, asset mortgage, entrusted wealth management, connected transactions and other matters; determining the establishment of internal management organizations of the Company; appointing or dismissing the Company's president, secretary to the Board, chief compliance officer, chief risk officer; appointing or dismissing the Company's senior management including vice president(s), and chief financial officer in accordance with the nominations by the president, and determining their remunerations and rewards and penalties; formulating the basic management system of the Company, etc.

Duties of the management

The main duties of the management include organising and implementing the Board's resolutions and to report to the Board; organising and implementing the annual operation plan and investment plan of the Company; preparing plans for the establishment of the Company's internal management organizations; developing the Company's basic management system and specific rules; deciding to appoint or remove executives other than those appointed or removed by the Board; and performing such other duties and powers as authorised by the Board.

(II) Composition of the Board

The directors are elected and replaced by general meeting. A Director shall serve a term of three years from the date of the resolution passed at general meeting, and may seek re-election upon expiry of the said term. Currently, the Board consists of nine Directors, including two executive Directors (Mr. Pang Jiemin (龐介民) (Chairman) and Mr. Wu Yigang (吳誼剛) (Vice Chairman)), four non-executive Directors (Mr. Yu Lei (余磊), Mr. Wang Linjing (王琳晶), Ms. Dong Hong (董紅) and Ms. Gao Liang (高靚)) and three independent non-executive Directors (Dr. Lam Sek Kong (林錫光), Mr. Xie Deren (謝德仁) and Mr. Dai Genyou (戴根有)).

Section 10 Corporate Governance Report (Continued)

There is no financial, business, family or other material/relevant relationship among the Board members (particularly the Chairman and the President).

(III) Meetings of the Board

The Board convenes meetings on a regular basis and at least four Board meetings are held each year. All Directors will be given a notice at least 14 days prior to every regular Board meeting or within an appropriate time period prior to any other special Board meeting, and they can add new matters to be discussed to the agenda. The agenda and enclosed documents relating to a Board meeting will be sent to all Directors at least three days before the proposed date of the Board meeting. Each Director shall be entitled to access to documents relating to Board meetings and other relevant documents and to receive advices and services provided by the company secretary. The Directors may also seek independent professional opinions. The minutes shall be kept by the company secretary. After conclusion of a Board meeting, the initial and finalised minutes shall be sent to all the Directors in due time, with the initial ones to be commented on by the Directors and the finalised ones for their record.

The Board held 16 meetings during the Reporting Period, particulars of which are as follows:

1. On 10 January 2019, the 10th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Change of the Company's Registered Address and Amendments to the Articles of Association, and Convening 2019 First Extraordinary General Meeting.
2. On 30 January 2019, the 11th extraordinary meeting of the fourth session of the Board was held, at which the resolution of the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》) was considered and approved.
3. On 19 March 2019, the 12th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the following matters were considered and approved: the 2019 Annual Risk Preference Strategy of the Company, and the Authorisation to the Professional Organizations by the Board of Directors for Assessing the Effectiveness of Compliance Management of the Company.
4. On 21 March 2019, the 13th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Work Report of the Strategic and Investment Committee of the Board of Directors for the year 2018, the Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the year 2018, the Work Report of the Audit Committee of the Board of Directors for the year 2018, and the Work Report of the Remuneration and Nomination Committee of the Board of Directors for the year 2018.

Section 10 Corporate Governance Report (Continued)

5. On 22 March 2019, the 4th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the 2018 Annual Work Report of the Management, the 2018 Annual Report of the Board, the 2018 Annual Work Report of the Independent Directors of the Company, the Approval of the Annual Results Announcement of the Company for the year ended 31 December 2018, the 2018 Annual Report of the Company, the 2018 Self-Assessment Report of Internal Controls of the Company, the 2018 Profit Distribution Plan of the Company, the 2018 Compliance Report of the Company, the 2018 Risk Management Report of the Company, the Payment of External Auditors' Service Fees for 2018, the 2018 Annual Final Accounting Report of the Company, the 2019 Annual Budget Proposal of the Company, the 2019 Annual Business Plan of the Company, the 2019 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the year 2019, the Re-appointment of International Auditor for the year 2019, and the Convening of the 2018 Annual General Meeting of the Company. The 2018 Special Report of the Company on Net Capital and Other Risk Management Indicators was heard at the meeting.
6. On 16 April 2019, the 14th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the following matter was considered and approved: 2018 Staff Incentive Scheme, the Company and Hengtai Changcai 2018 Significant Related Party Transactions Audit Report.
7. On 6 May 2019, the 15th extraordinary meeting of the fourth session of the Board was held, at which the resolution on the following matters were considered and approved: the Special Asset-backed Plan on the Issuance of Funds and Debt, the Resignation of Mr. Huang Weiguo as a Vice President of the Company, the Resignation of Mr. Liu Quansheng as a Vice President of the Company.
8. On 30 May 2019, the 16th extraordinary meeting of the fourth session of the Board was held, at which the resolution of Pilot Business of Income Swap Conducted by the Company was considered and approved.
9. On 27 June 2019, the 17th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the 2018 Environmental, Social and Governance Report was considered and approved.

Section 10 Corporate Governance Report (Continued)

10. On 18 July 2019, the 18th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Public Issue of Corporate Bonds, the Non-public Issue of Corporate Bonds, and Convening 2019 Second Extraordinary General Meeting.
11. On 5 August 2019, the 19th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matter was considered and approved: the Change of the Statements shown in Company's Business Licence and Amendments to the Articles of Association, the Change of Domestic Auditor in 2019, Agree to Submit the Relevant Resolutions to 2019 Second Extraordinary General Meeting.
12. On 12 August 2019, the 20th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters was considered and approved: Amendments to the Leasing Accounting Policy, Amendments to Measures for the Administration of Corporate Information Technology Governance.
13. On 23 August 2019, the 5th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Interim Results Announcement of the Company for the Six Months Ended 30 June 2019, and the 2019 Interim Report.
14. On 22 November 2019, the 21st extraordinary meeting of the fourth session of the Board was held, at which the resolution of The Appointment of Ms. Zhai Chenxi as Co-president of the Company was considered and approved.
15. On 20 December 2019, the 22nd extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Change of International Auditor of the Company for the year 2019, the Change of the Use of Funds Raised by the Company, and Convening 2020 First Extraordinary General Meeting.
16. On 23 December 2019, the 23rd extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the following matter was considered and approved: 2019 Poverty Alleviation Plan of the Company, and the Application of Using 2019 Poverty Alleviation Funds.

(IV) Disagreement of independent non-executive Directors on relevant issues of the Company

None in the Reporting Period.

Section 10 Corporate Governance Report (Continued)

(V) Attendances of Directors at Board Meetings and General Meetings during Their Terms of Office for the Reporting Period

Name of Directors	Position	Attendances at Board Meetings					Attendances at general meetings		Remarks
		Number of required Attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences	Voting results	Number of required attendances at general meetings	Number of attendances at general meetings	
Pang Jiemin (龐介民)	Executive Director	16	16	0	0	All agreed	3	3	-
Wu Yigang (吳誼剛)	Executive Director	16	16	0	0	All agreed	3	3	-
Zhang Tao (張濤)	Non-executive Director	13	13	0	0	All agreed	2	2	Resigned on 20 September 2019
Sun Chao (孫超)	Non-executive Director	13	13	0	0	All agreed	2	2	Resigned on 20 September 2019
Gao Liang (高靚)	Non-executive Director	16	14	2	0	All agreed	3	1	-
Dong Hong (董紅)	Non-executive Director	16	15	1	0	All agreed	3	2	-
Yu Lei (余磊)	Non-executive Director	3	3	0	0	All agreed	1	0	Appointed on 20 September 2019
Wang Linjing (王琳晶)	Non-executive Director	3	3	0	0	All agreed	1	0	Appointed on 20 September 2019
Zhou Jianjun (周建軍)	Independent Non-executive Director	16	16	0	0	All agreed	3	3	Resigned on 21 January 2020
Lam Sek Kong (林錫光)	Independent Non-executive Director	16	14	2	0	All agreed	3	3	-
Lv Wendong (呂文棟)	Independent Non-executive Director	16	16	0	0	All agreed	3	2	Resigned on 21 January 2020

The Chairman met with the independent non-executive Directors without any Directors present once during the Reporting Period.

Minutes of all meetings of the Board and special committees of the Board are kept at the Company, and are available for inspection by the Directors upon request.

Section 10 Corporate Governance Report (Continued)

(VI) Trainings for Directors

All Directors confirmed that they had complied with the code provisions of the Corporate Governance Code in relation to the training of Directors.

The Company attached great importance to the continuous training for the Directors and Supervisors. During the Reporting Period, Directors and Supervisors proactively participated in and completed the Online Training Program for Directors launched by the Hong Kong Stock Exchange. Meanwhile, Directors and Supervisors proactively participated in trainings and seminars organized by the regulatory authorities and the industrial associations so as to improve their capabilities to fulfill their duties. Details of the trainings are as follows:

Name	Position	Training content
Pang Jiemin (龐介民)	Chairman and Executive Director	Attended the 50th seminar on the “Enhanced Continuing Professional Development” (ECPD Seminar) sponsored by The Hong Kong Institute of Chartered Secretaries on 18 September 2019
Zhang Tao (張濤)	Non-executive Director	Attended the 49th seminar on the “Enhanced Continuing Professional Development” (ECPD Seminar) sponsored by The Hong Kong Institute of Chartered Secretaries on 15 May 2019
Zhou Jianjun (周建軍)	Independent Non-executive Director	Attended the 49th seminar on the “Enhanced Continuing Professional Development” (ECPD Seminar) sponsored by The Hong Kong Institute of Chartered Secretaries on 15 May 2019

IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

The Board has four special committees, namely, Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in their respective rules of procedures, perform their duties and be accountable to the Board.

Section 10 Corporate Governance Report (Continued)

Composition of the Current Special Committees of the Board:

Strategy and Investment Committee:	Pang Jiemin (Chairman of the Committee, executive Director), Yu Lei (non-executive Director), Lam Sek Kong (independent non-executive Director)
Risk Control and Supervisory Committee:	Pang Jiemin (Chairman of the Committee, executive Director), Wu Yigang (executive Director), Dai Genyou (independent non-executive Director)
Audit Committee:	Xie Deren (Chairman of the Committee, independent non-executive Director), Wang Linjing (non-executive Director), Lam Sek Kong (independent non-executive Director)
Remuneration and Nomination Committee:	Xie Deren (Chairman of the Committee, independent non-executive Director), Pang Jiemin (executive Director), Lam Sek Kong (independent non-executive Director)

(I) Strategy and Investment Committee

1. Duties of the Committee

The main duties and responsibilities of the Strategy and Investment Committee include: studying the national macro-economic policies; studying the medium to long-term strategic goals and development plans of the Company; studying the business plans of the Company, understanding the basic operational situation of the Company, analysing and understanding the latest development of the domestic industries; studying and making suggestions on the capital budgets projects and financing plans within the authorisation of the Board; studying and making suggestions on projects of capital operation, assets management, and assets disposal within the authorisation of the Board; conducting inspection for the implementation status of the above items; and other duties as authorised by the Board. For specific duties and responsibilities of the Strategy and Investment Committee, please refer to Rules of Procedure for the Strategic and Investment Decision-making Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

The main work completed by the Strategy and Investment Committee in 2019 includes:

- studied and made suggestions on major financing plan of the Company, and considered the proposal to issue corporate bonds;
- proposed reasonable suggestions on the Company's business plan for 2019 based on the status quo of the development of domestic securities industry and the actual operations of the Company, which facilitated the Company to proactively promoted various businesses and achieved the Company's strategic goals.

Section 10 Corporate Governance Report (Continued)

2. Meetings of the Committee

During the Reporting Period, 1 meeting was convened by the Strategy and Investment Committee, particulars of which are as follows:

On 15 July 2019, the Strategy and Investment Committee of the fourth session of the Board held the 1st meeting in 2019, at which the resolutions in relation to the Public Issue of Corporate Bonds, the Non-public Issue of Corporate Bonds were considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Pang Jiemin (龐介民)	1	1
Sun Chao (孫超) (Resigned on 20 September 2019)	1	1
Lam Sek Kong (林錫光)	1	1

(II) Risk Control and Supervisory Committee

1. Duties of the Committee

The main duties and responsibilities of the Risk Control and Supervisory Committee include: reviewing general goals and fundamental policies of the compliance management, risk management and internal control of the Company, and making suggestions on the same; reviewing the establishment and responsibilities of the compliance management, risk management and internal control, and making suggestions on the same; evaluating the risks of major decisions which shall be reviewed by the Board and making suggestions on the solutions to the major risks; reviewing the compliance report and risk assessment report which shall be reviewed by the Board and making suggestions; formulating regulation system of the Company, supervising its implementation status and making suggestions to the Board; reviewing and supervising the training and continuing professional development of Directors and senior management officers; reviewing and supervising the policies of the Company in compliance with laws and regulations and the implementation status of such policies; formulating, reviewing and supervising the code of professional conduct and compliance

Section 10 Corporate Governance Report (Continued)

manual of employees and Directors; reviewing the observance of Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as well as the information disclosure according to Corporate Governance Report by the Company; and other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Risk Control and Supervisory Committee, please refer to Rules of Procedure for the Risk Control and Supervisory Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

The main work completed by the Risk Control and Supervisory Committee in 2019 includes:

- organized meetings and listened to the work reports of the compliance management department, risk management department and audit department of the Company, respectively, and proposed reasonable suggestions on the Company's compliance management, risk management, internal control objectives and policies, etc;
- organized 2 meetings on relevant projects of the Company, analyzed risk prevention and control and response to risks, proposed corresponding risk response measures and specific work arrangements and deployment;
- advanced the Company's conscientious implementation of external supervision and internal risk management requirements, and flexibly adopted various risk management measures to ensure that the risks of the Company's various businesses were controlled within a reasonable range; proactively promoted the construction of the Company's internal control system and evaluated the scientificity, rationality, effectiveness and implementation of the internal control system.

2. Meetings of the Committee

During the Reporting Period, 2 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

On 18 March 2019, the Risk Control and Supervisory Committee of the fourth session of the Board held the 1st meeting in 2019, at which the resolutions in relation to the 2018 Compliance Report of the Company, the 2018 Risk Management Report of the Company, the 2018 Self-assessment Report of Internal Control of the Company and the 2018 Special Report of the Company on Net Capital and Other Risk Management Indicators were considered and approved and submitted to the Board for consideration.

Section 10 Corporate Governance Report (Continued)

On 20 August 2019, the Risk Control and Supervisory Committee of the fourth session of the Board held the 2nd meeting in 2019, at which the resolution in relation to the Special Report of the Company on Net Capital and Other Risk Management Indicators for the First Half of 2019 was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Pang Jiemin (龐介民)	2	2
Wu Yigang (吳誼剛)	2	2
Zhang Tao (張濤) (Resigned on 20 September 2019)	2	2

(III) Audit Committee

1. Duties of the Committee

The main duties and responsibilities of the Audit Committee include: reviewing the financial monitoring, risk management and internal control systems of the Company and the effectiveness of the implementation of these systems, discussing the risk management and internal control systems with the management to ensure that management has performed its duty to have in place effective systems and reporting to the Board. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; conducting study on important findings of risk management and internal control and management's responses on such findings actively or commissioned by the Board; guiding the work of the internal audit department of the Company, and supervising the internal audit system and its implementation; monitoring the annual audits; examining and supervising related party transactions and assessing the appropriateness of related party transactions; making suggestions to the Board on the appointment, reappointment or replacement of external auditors, approving the compensation and terms of engagement for external auditors, as well as handling any matters regarding the resignation or dismissal of external auditors; reporting relevant affairs of the Hong Kong Listing Rules, and other duties as authorised by the Board of the Company and as required by the laws, regulations and rules including the Hong Kong Listing Rules. For specific duties and responsibilities of the Audit Committee, please refer to Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

Section 10 Corporate Governance Report (Continued)

The main work completed by the Audit Committee in 2019 includes:

- supervised and evaluated the audit on the Company's financial report, and listened to the special report of the Company's international auditor and domestic auditor on the audit on the 2018 financial report and 2019 mid-term review, discussed the relevant issues in the audit process, and evaluated the audit plan, procedures and report;
- made recommendations on the engagement of external auditors to the Board and considered the compensation and terms of engagement for external auditors;
- reviewed the effectiveness of the Company's internal control system and the adequacy of accounting and financial reporting functions, and proposed constructive comments on the Company's internal finance and audit work.

2. Meetings of the Committee

During the Reporting Period, 5 meetings were held by the Audit Committee, particulars of which are as follows:

On 21 March 2019, the Audit Committee of the fourth session of the Board held the 1st meeting in 2019, at which the resolutions in relation to the Payment of External Auditors' Service Fees for 2018, the 2019 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the year 2019, the Re-appointment of International Auditor for the year 2019, the 2018 Self-Assessment Report of Internal Controls of the Company, the Approval of the Annual Results Announcement of the Company for the year ended 31 December 2018, 2018 Annual Report and the 2018 Risk Management Report of the Company were considered and approved and submitted to the Board for consideration.

On 1 August 2019, the Audit Committee of the fourth session of the Board held the 2nd meeting in 2019, at which the resolution in relation to the Change of Domestic Auditor for the year 2019 of the Company was considered and approved and submitted to the Board for consideration.

On 8 August 2019, the Audit Committee of the fourth session of the Board held the 3rd meeting in 2019, at which the resolution in relation to the Amendments to the Leasing Accounting Policies of the Company was considered and approved and submitted to the Board for consideration.

Section 10 Corporate Governance Report (Continued)

On 22 August 2019, the Audit Committee of the fourth session of the Board held the 4th meeting in 2019, at which the resolutions in relation to the Interim Results Announcement of the Company for the Six Months Ended 30 June 2019 and the 2019 Interim Report of the Company were considered and approved and submitted to the Board for consideration.

On 16 December 2019, the Audit Committee of the fourth session of the Board held the 5th meeting in 2019, at which the resolution in relation to the Change of International Auditor for the year 2019 of the Company was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Zhou Jianjun (周建軍) (Resigned on 21 January 2020)	5	5
Zhang Tao (張濤) (Resigned on 20 September 2019)	4	4
Lam Sek Kong (林錫光)	5	5

Upon the resignation of Ms. Zhou Jianjun as the chairman of the Audit Committee on 21 January 2020, the Audit Committee will only comprise one independent non-executive Director, which does not comply with the requirement of the Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three non-executive directors chaired by an independent non-executive director and that at least one of the members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. On 23 March 2020, after the appointment of Mr. Xie Deren as the chairman and member of the Audit Committee and the appointment of Mr. Wang Linjing as a member of the Audit Committee, the Company complied with the above requirements. For details, please refer to the announcement of the Company dated 23 March 2020.

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, and comparing with the remuneration level of relevant companies, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the structure, size

Section 10 Corporate Governance Report (Continued)

and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration proposals of Directors and senior management officers in accordance with the Company's development strategy and goal set by the Board; reviewing the selection criteria and procedures of the Directors, senior management officers of the Company, and making recommendations to the Board; identifying candidates with suitable qualifications to become Board members, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard; assessing and making recommendations on the candidates of Directors and senior management officers, assessing the independence of independent Directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (especially Chairman of the Board and the president); ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

The Remuneration and Nomination Committee extensively searches for qualified candidates for Directors through various channels and advises the Board on the appointment or reappointment of Directors. In assessing the suitability of candidates for Directors, the Remuneration and Nomination Committee will consider factors including the achievements, professional knowledge and industry experience of the candidates which are relevant to the Company, the commitment in respect of available time and the Board diversity policy of the Company. For candidates for independent non-executive Directors, their independence will also be assessed. Upon review and determination of candidates for Directors by way of resolution by the Remuneration and Nomination Committee and the Board, the nomination will be tabled at the general meeting of the Company in the form of a written proposal for consideration.

The main work completed by the Remuneration and Nomination Committee in 2019 includes:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, and made recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy;
- considered appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, compared with the remuneration level of relevant companies;

Section 10 Corporate Governance Report (Continued)

- identified candidates with suitable qualifications to become Board members, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard;

The Board diversity policy is set out in the subsection head “VIII. Other Related Issues – (X) Board Diversity Policy” under this section.

2. Meetings of the Committee

During the Reporting Period, 1 meeting was held by the Remuneration and Nomination Committee, the particulars of which are as follows:

On 18 November 2019, the Remuneration and Nomination Committee of the fourth session of the Board held the 1st meeting in 2019, at which the resolution in relation to Appointed Ms. Zhai Chenxi as Co-President of the Company was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Zhou Jianjun (周建軍) (Resigned on 21 January 2020)	1	1
Pang Jiemin (龐介民)	1	1
Lam Sek Kong (林錫光)	1	1

Upon the resignation of Ms. Zhou Jianjun as the chairman of the Remuneration and Nomination Committee on 21 January 2020, the Remuneration and Nomination Committee will only comprise two members, which does not comply with the requirement of the Rule 3.25 of the Listing Rules that the Remuneration Committee must be chaired by an independent non-executive director and must comprise a majority of independent non-executive directors. On 23 March 2020, after Mr. Xie Deren was appointed as the chairman and member of the Remuneration and Nomination Committee, the Company complied with the above requirements. For details, please refer to the announcement of the Company dated 23 March 2020.

V. CHAIRMAN AND PRESIDENT

The positions of the Chairman of the Board and the president of the Company are taken by different persons. Mr. Pang Jiemin (龐介民) serves as the chairman of the Board and Mr. Niu Zhuang (牛壯) serves as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

Section 10 Corporate Governance Report (Continued)

Mr. Pang Jiemin, Chairman of the Board, leads the Board in determining the overall development strategy of the Company to guarantee the effective operation and performance of the Board, supervises and reviews the implementation of the resolutions of the Board, and debriefs the work reports of the senior management of the Company so as to ensure that the corporate governance of Company is in a virtuous order and the resolutions of the Board are in the best interest of the Company and its Shareholders as a whole. Mr. Niu Zhuang, the president, presides over the business operations of the Company, organizes the implementation of the resolutions of Board and reports to the Board.

VI. NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has four non-executive Directors and three independent non-executive Directors in total. For their appointment, please refer to Section 9 "Directors, Supervisors, Senior Management and Employees".

VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

(I) Duties of the Supervisory Committee

Duties of the Supervisory Committee are specified in the Articles of Association and its main duties and authorities include: to review the periodic reports of the Company prepared by the Board and express its written opinion; to check the financial condition of the Company; to monitor the performance of duties by Directors and senior management officers, raise questions to or propose dismissal of such Directors and senior management officers as in breach of the laws, regulations, the Articles of Association or the resolutions of general meetings; to require Directors and senior management officers to make corrections in the event that their conduct has damaged the interests of the Company; to propose the convening of extraordinary general meetings and, in the event that the Board does not perform the obligations to convene and preside over the general meetings in accordance with the Company Law of the PRC, to convene and preside over the general meetings; to initiate legal proceedings against Directors and senior management officers; to monitor the compliance and validity of the decision-making of the Board; to organize the off-office auditing for the senior management officers; and other duties as stipulated by the laws, regulations, departmental rules and the Articles of Association.

(II) Composition of the Supervisory Committee

Shareholder representative Supervisors are elected or replaced in general meetings while Employee Representative Supervisors are elected or replaced by the employees of the Company by means of the Company's democratic election. The Supervisors are elected for a term of three years and may be re-elected upon expiry of their terms of office. The Supervisory Committee currently consists of three members, namely, Mr. Guo Liwen (郭力文), the chairman of the Supervisory Committee, Mr. Chen Feng (陳風), the shareholder representative Supervisor, and Mr. Wang Hui (王慧), the employee representative Supervisor.

Section 10 Corporate Governance Report (Continued)

(III) Meetings of the Supervisory Committee

The Supervisory Committee held 4 meetings during the Reporting Period, particulars of which are as follows:

1. On 22 March 2019, the 4th meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the following matters were considered and approved: the 2018 Report of the Supervisory Committee, the 2018 Annual Report, the 2018 Self-assessment Report of Internal Control, the 2018 Profit Distribution Plan, the 2018 Annual Final Accounting Report, the 2018 Risk Management Report and the 2019 Annual Budget Proposal.
2. On 6 May 2019, the 2nd extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Audit On The Departure of Mr. Huang Weiguo (黃偉國) and Audit On The Departure of Mr. Liu Quansheng (劉全勝) was considered and approved.
3. On 12 August 2019, the 3rd extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Amendments to the Leasing Accounting Policies of the Company was considered and approved.
4. On 23 August 2019, the 5th meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the 2019 Interim Report was considered and approved.

(IV) Meeting Attendances of Supervisors

Name of Supervisor	Position	Number of			Absences	Voting results	Note
		Required attendances	Attendances in person	Attendances by proxy			
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	4	4	0	0	All agreed	-
Pei Jingjing (裴晶晶)	Shareholder representative Supervisor	4	2	2	0	All agreed	Resigned on 21 January 2020
Wang Hui (王慧)	Employee representative Supervisor	4	4	0	0	All agreed	-

Section 10 Corporate Governance Report (Continued)

VIII. OTHER RELATED ISSUES

(I) Shareholders' Rights

The Company held general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and medium ones. When a general meeting is held, all of the Company's Directors, Supervisors and secretary to the Board should attend the general meeting and the president and other senior management may attend the general meeting as observers according to requirements and answer the Shareholder's questions.

According to Article 73 of the Articles of Association, Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. In the event that the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Supervisory Committee does not issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result, the shareholder(s) severally or jointly holding 10% or more of the shares of the Company for 90 consecutive days or longer may convene and preside over such meeting by itself/themselves. According to Article 75 of the Articles of Association, for the general meeting convened by the Supervisory Committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. According to Article 78 of the Articles of Association, the shareholder(s) severally or jointly holding 3% or above of the shares of the Company shall be entitled to propose motions concerning such matters other than nominating candidates for directors (including independent directors) or supervisors to the Company. The shareholder(s) severally or jointly holding 3% or above of the shares of the Company may submit written provisional motion to the convener 10 days before a general meeting is held. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of such motion, and notify the shareholders of the contents of the provisional

Section 10 Corporate Governance Report (Continued)

motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 77 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 87 of the Articles of Association, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his/her proxy to attend and vote at the meeting on his/her behalf.

Resolutions passed at the general meeting shall be immediately announced in accordance with the laws, regulations, departmental rules, normative documents, provisions of the securities regulatory authorities at the place where the shares of the Company are listed, or the provisions of the Articles of Association. Such minutes of meeting, together with the signatures of the shareholders attending meeting and the powers of attorney concerning the proxies attending the meeting on behalf of others, shall be kept at the domicile of the Company. Shareholders may consult photocopies of the minutes of meetings free of charge during the business hours of the Company. In the event of any shareholder asking for photocopies of such minutes, the Company shall deliver the photocopies in 7 days after receiving rational expenses.

Shareholders or their proxies shall declare their opinions when considering issues and can make inquiries on issues affecting their judgment and vote and ask reporters to give explanation. Save for such matters in relation to the business secrets of the Company that cannot be disclosed at the general meeting, Directors, Supervisors and senior management officers shall provide explanations in relation to the inquiries and suggestions made by shareholders in general meetings.

(II) Compliance with Model Code

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors. Having made specific enquiry with all Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

(III) Liability Insurance of the Directors, Supervisors and Senior Management of the Company

The Company has arranged appropriate liability insurance to indemnify the Directors, Supervisors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

Section 10 Corporate Governance Report (Continued)

(IV) Responsibilities of Directors for Financial Statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of auditor in the Independent Auditor's Report of this report shall be read jointly but understood independently.

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

(V) Appointment and Remuneration of Auditors

Please refer to the subsection headed "VIII. Engagement of Accounting Firms" in Section 7 "Other Material Particulars" of this report.

(VI) Review of the Audit Committee

The Audit Committee has reviewed the Company's consolidated financial statements of 2019.

(VII) Joint Company Secretaries

Mr. Zhang Wei (張偉) and Ms. Leung Wing Han Sharon (梁穎嫻) are joint company secretaries of the Company. Ms. Leung Wing Han Sharon (vice president of SWCS Corporate Services Group (Hong Kong) Limited) provides assistance to Mr. Zhang Wei in the discharge of his duties as a company secretary of the Company. Mr. Zhang Wei, the secretary to the Board and the joint company secretary of the Company, serves as the primary contact person between Ms. Leung Wing Han Sharon and the Company. During the Reporting Period, Mr. Zhang Wei and Ms. Leung Wing Han Sharon have both received no less than 15 hours of professional training in accordance with Rule 3.29 of the Listing Rules.

(VIII) 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 convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as shareholders. In strict accordance with the Articles of Association, the Company operates orderly in the interest of the Company and shareholders.

Section 10 Corporate Governance Report (Continued)

Attaching great importance to opinions and suggestions of its shareholders, the Company designated staff to keep in contact with shareholders and meet their reasonable demands in time. The Company releases its announcements, financial data and other relevant data in the column of Investor Relations on its website www.cnht.com.cn. The shareholders may contact the Company for any enquiry by email (dongban@cnht.com.cn) or telephone (+86 10 8327 0996) or by writing to the Company's address (11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC). The Company will properly handle all enquiries in time.

The Company welcomes suggestions from shareholders and encourages shareholders to attend general meetings or directly express misgivings that they may have to the Board and the management. Usually, Directors, Supervisors and senior management of the Company would attend annual general meeting to answer questions put forward by shareholders.

(IX) Investor Relation Activities

The Company has always paid high attention to investor relation management. During the Reporting Period, the Company communicated with investors through multiple ways like making phone calls, sending emails, receiving visitors and attending investor meetings, so as to reinforce the communication services to investors.

During the Reporting Period, the Company proactively performed its obligations on information disclosure in strict compliance with relevant laws, regulations and regulatory provisions to ensure that all investors can know the Company's material matters in a timely, truthful, accurate, complete and fair manner, and fully exercise their rights to protect their relevant interests.

(X) Board Diversity Policy

The Company has adopted the Board diversity policy according to the Code Provision A.5.6 of the Corporate Governance Code.

The Board diversity policy can be summed up as follows: The Company believes that the Board diversity is important in terms of the corporate governance and the efficiency of the Board. In designing the Board's composition, the Company considers board diversity from a number of aspects to ensure a balance among the Board members in terms of techniques, experiences as well as perspective diversity, so as to promote the effective operation of the Board and maintain the corporate governance standard at a high level. Nominations and appointments of the members of the Board will be based on meritocracy and requirements of the routine operation of the Board with due consideration given to the benefit from Board diversity.

Section 10 Corporate Governance Report (Continued)

The Remuneration and Nomination Committee is primarily responsible for recruitment of candidates with appropriate capacity to be Directors. Meanwhile, it takes into account of Board diversity policy in the selection. The Remuneration and Nomination Committee will discuss at least annually all the agreed measurable objectives (that means selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, ethnicity, language, cultural and educational background, industry experience and professional experience) to ensure the continuous effectiveness of the Board. The Remuneration and Nomination Committee is satisfied with its current composition and believes that it is in compliance with the requirements of the Board diversity policy formulated by the Company.

(XI) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association of the Company were amended twice by the Company as follows:

1. On 26 February 2019, the resolution in relation to the Change of the Domicile of the Company and Amendments to the Articles of Association were considered and approved at the 2019 first extraordinary general meeting of the Company. Due to the needs of the Company's business development, the Company intends to change the Company's domicile from "14-18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region" to "Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region", and it is proposed to amend the corresponding provisions of the Articles of Association in accordance with the changes in the Company's domicile. This change of the company's domicile and the amendment of the Articles of Association shall take effect upon the approval of the relevant regulatory authorities in China. On 1 July 2019, the Company Completed the industry and commerce registration for the change of the Company's domicile and the amendments to the Articles of Association. The domicile of the Company has become "Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region" since 1 July 2019, and the Articles of Association setting forth the corresponding amended clause have also taken effect since the same day.

Section 10 Corporate Governance Report (Continued)

2. On 20 September 2019, the resolution in relation to the Adjustment to the Description of Business Scope as stated in the Business License of the Company and Amendments to the Articles of Association were considered and approved at the 2019 second extraordinary general meeting of the Company. As there is a discrepancy between the business scope of securities and futures business as stated in the Securities and Futures Business License issued by the CSRC and the business scope as stated in the Business License issued by Hohhot Market Supervision Administration (呼和浩特市市場監督管理局), it is proposed to apply for adjustment to the description of business scope as stated in the Business License of the Company with reference to the description of business scope of securities and futures business as stated in the Securities and Futures Business License. The adjustment to the description of business scope as stated in the Business License of the Company and amendments to the Articles of Association will take effect after being approved by relevant regulatory authorities in the PRC. The Company completed the industry and commerce registration for the adjustment to the description of business scope as stated in the Business License of the Company and amendments to the Articles of Association on 2 December 2019. From 2 December 2019, the description of business scope as stated in the Business License of the Company adjusted to “securities brokerage; securities investment consultation; financial advisory business relating to securities trading and securities investment; securities proprietary trading; securities asset management; margin financing and securities lending; proxy sale of securities investment fund; proxy sale of financial products”, and the Articles of Association setting forth the corresponding amended clause have also taken effect since the same day.

(XII) Risk Management and Internal Control

The Group’s risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance of business activities, to identify and cope with potential risks, and to safeguard asset security of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group’s risk management and internal control systems and reviewing their effectiveness on an ongoing basis. In addition, the Audit Committee also has the responsibility for reviewing and assessing the Group’s risk management and internal control systems.

Section 10 Corporate Governance Report (Continued)

Responsibility statement of the Board on risk management and internal control

In accordance with the requirements of the Enterprise Internal Control Standard System and the Corporate Governance Code, it is the responsibility of the Board of the Company to establish, implement and oversee a sound and effective risk management and internal control systems, assess its effectiveness and truthfully disclose the assessment report. The Supervisory Committee monitored the establishment and implementation of risk management and internal control by the Board. The management is responsible for the organising and leading the daily operations of corporate risk management and internal control. The objectives of risk management and internal control of the Company are to ensure that all operation activities of the Company strictly comply with relevant state laws and regulations, industrial regulatory requirements and the internal management system of the Company and that business activities of the Company are continuously in line with the Company's risk preference system and be effectively carried out with acceptable risks; promote the operation of operational and management activities in a healthy manner, guarantee the security and integrity of the Company's property and the truthfulness and accuracy of its financial reports; facilitate the overall implementation of the development strategy and the achievements of the business objectives of the Company; improve operation efficiency and performance and safeguard the sustainable development of the Company with health and stability. Since there are inherent limitations in risk management and internal control, only reasonable guarantees can be provided for achieving the abovementioned objectives.

During the Reporting Period, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group:

1. Building of risk management and internal control systems

The Company has been attaching great importance to the building of risk management and internal control systems since its establishment, and continuing to strengthen the building of the risk management and internal control systems and mechanisms by virtue of reasonably formulating and effectively implementing various systems, measures and detailed rules, to ensure the effectiveness of the supervision and balance between departments and positions and lay the foundation for the Company's normalised development.

The Company has continuously improved its internal management and actively carried out the building and optimisation of risk management and internal control systems during the course of the Company's operation and development in accordance with relevant requirements of external supervisory regulations such as the Corporate Governance Code under Appendix 14 to the Listing Rules, the Basic Standards for Enterprise Internal Control, the Norms for the All-rounded Risk Management of Securities Companies and the Guidance for the Internal Control of Securities Companies.

Section 10 Corporate Governance Report (Continued)

During the Reporting Period, in order to adapt to the constantly changing regulatory requirements and ensure the guiding function of the internal control system for operation and management and business development, the Company timely organized all departments, branches, subsidiaries to sort out and establish internal control systems in strict compliance with related laws, regulations, rules and norms. Besides, the Company has formulated the Management Provisions on Impairment of Financial Instruments of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司金融工具減值管理辦法》), the Management Provisions on Valuation of Financial Instruments of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司金融工具估值管理辦法》), and amended Management Provisions on Comprehensive Risk of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), the Management Provisions on Anti-money Laundering of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司反洗錢工作管理辦法》), and Regulations on Management of Employee Practice Behavior of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司員工執業行為管理規定》), further improving the risk management and internal control systems of the Company.

The Company will continue to improve the risk management and internal control systems, sort out the present risk management and internal control processes and integrate the key points of the risk management and internal control work in respond to changes in the actual business situation of the Company and external regulatory laws and regulations. The Company will also update and improve various management and control measures for business processes and solidify the measures by means of relevant systems, so as to make the risk management and internal control systems more systematic and scientific and form a long-term effective management mechanism.

2. Risk management and internal control evaluation

There are inherent limitations in risk management and internal control, and macro environment, policies and regulations and the internal environment are constantly changing, which may lead to the deviation of previous management and control activities. As a result, the risk management and internal control can only provide reasonable guarantee to achieve the aforesaid objectives. The Company has established an independent and objective mechanism for internal review and audit, which requires inspection on the compliance of daily business operation with laws and regulations and timely update and improvement of risk management and internal control systems to be done from time to time pursuant to the provisions of internal and external rules and regulations, providing ex post supervision over risk management and internal control and promoting the sustainable development of the Company.

Section 10 Corporate Governance Report (Continued)

Pursuant to the Basic Standards for Enterprise Internal Control and ancillary relevant guidelines, the Guidance for the Internal Control of Securities Companies issued by the CSRC and the requirements of relevant standards, the Board has conducted an overall evaluation on the internal control for the period from 1 January 2019 to 31 December 2019. The evaluation scope comprises 33 first-tier processes of internal control, 212 second-tier business processes and 570 third-tier business processes, with over 1,152 risk control points.

The Board believes that the Company has established relatively sound risk management and internal control systems. During the Reporting Period, the Company has maintained effective risk management and internal control in all material respects. As such, there were no major defects in the risk management and internal control mechanisms and systems of the Company, nor was there any material deviation during implementation of such mechanisms and systems, which means the overall risk management and internal control of the Company was effective.

On 27 March 2020, Grant Thornton Certified Public Accountants issued the Assurance Report on Internal Control of Hengtai Securities Co., Ltd. (Grant Thornton Zhuan Zi [2020] No. 110ZC3455) (《恒泰证券股份有限公司内部控制鑒證報告》(致同專字[2020]第110ZC3455號)) in respect of the Company's risk management and internal control, believing that the Company has maintained effective risk management and internal control over financial reporting in all material respects during the Reporting Period according to the Basic Standards for Enterprise Internal Control and relevant regulations.

3. Other matters

(1) *Building of compliance system*

During the Reporting Period, the Company, in strict accordance with relevant laws and regulations, earnestly implemented the requirements of industry regulatory authorities and those set by the Board in relation to compliance management and orderly carried out overall compliance management, taking risk control as the starting point, implementation of internal control as the measure and effective management as the goal. In accordance with the requirements of the CSRC and other regulatory agencies on compliance management, the Company sorted out and optimized the compliance management system, and strengthened guidance on performance of compliance officer. The Company revised and improved the Management Regulations on Employee Practice Behavior of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司員工執業行為管理規定》) and other compliance management systems.

Section 10 Corporate Governance Report (Continued)

① Constantly improving the Company's compliance management system

In order to adapt to the ever-changing regulatory requirements and ensure the guiding role of the internal control system for business management and business operations of the Company, the Compliance Management Department organised departments, branches, subsidiaries, etc. to sort out and build internal control system in a timely manner in strict accordance with prevailing relevant laws, regulations, standards and specifications. During the Reporting Period, 201 systems (including relevant agreements signed with investors) were reviewed, 90 implementation systems were submitted to the president office for release, and 40 system review opinions were issued to various departments.

② Carrying out compliance inspection and examination

Compliance inspection is an important part of front-end control of business risk. The occurrence of business risks is revealed and controlled through prudent compliance inspection. During the Reporting Period, the Company organised inspection over 109 special projects submitted by all the departments including the Brokerage Business Department, Asset Management Department, Asset Custody Department, Shenzhen Branch, etc., 2,564 agreements and contracts relating to the Company and issued 361 written compliance inspection opinions. The Internal Audit Affairs Department established under the Compliance Management Department reviewed a total of 27 projects submitted by relevant departments, 514 disclosure materials, and 53 agreements. In order to strengthen the supervision of the securities business department and business department, identified potential risks in a timely manner and promoted business compliance. During the Reporting Period, compliance inspection was completed for 18 securities business departments including Shanghai Zhangyang Road, Tianjin Changjiang Avenue, and Beijing Jianguomen Nei Avenue; and compliance examination was completed for the Asset Custody Department and the OTC Market Business Department; compliance examination was completed for Hengtai Pioneer and Hengtai Capital.

Section 10 Corporate Governance Report (Continued)

③ Compliance training and promotion

The Compliance Management Department interprets laws and regulations, regulatory rules, and internal control system through internal and external compliance trainings and various forms of propaganda, and explains the special business to achieve compliance management transformation from rule understanding to active binding. During the Reporting Period, the Compliance Management Department organised 21 internal compliance training sessions on interpretation of company systems, interpretation of laws and regulations, anti-money laundering training, etc.; prepared 7 issues of Briefing on Laws and Regulations and all kinds of legally propaganda, 41 issues of weekly on industry dynamics and 4 issues of Anti-money Laundering Briefing; and attended the Company's 18 external training sessions including training of securities industry associations, training of Shanghai Stock Exchange and industry exchanges.

④ Strengthening information firewall

During the Reporting Period, the Company has completed the personnel statistics involving sensitive information of the Company in 2018, and supervised those who have not signed the "Compliance Commitment for Sensitive Information Involved Personnel" to sign corresponding commitments; has sent 78 notices of name lists for restriction and 24 name lists for inspection to relevant departments; has modified the relevant system of the Company's information separation wall in accordance with the contents of the "Regulations on the Administration of the Information Separation Wall of Securities Companies" (revised in 2019); has purchased 4.0 system of the Hang Seng Information Separation Wall.

⑤ Handling complaints and tip-offs

The Company specially appointed persons to collect complaints and tip-offs from all branches and business departments, track the handling progress, supervise related departments properly dealing with the complaints and tip-offs and report complaints from corporate clients to the regulatory authorities on a regular basis. There were 4 quarterly reports and 12 monthly reports on corporate client complaints delivered to the regulatory authorities during the Reporting Period.

Section 10 Corporate Governance Report (Continued)

⑥ Fulfilling obligations of anti-money laundering and financial stability

Under the guidance of the People's Bank of China, the Company has been diligent and responsible in carrying out anti-money laundering work. It has always adhered to the risk-based approach and resolutely cracked down on money laundering and criminal activities that undermine social justice and disrupt social order. During the Reporting Period, the Company amended 15 anti-money laundering systems of the Company in accordance with the requirements of the "Notice on Printing and issuing the 'Guidelines for the Management of Money Laundering and Terrorist Financing Risks of Corporate Financial Institutions (Trial)'" (Yin Fan Xi Fa [2018] No.19) (《關於印發〈法人金融機構洗錢和恐怖融資風險管理指引(試行)〉的通知》(銀反洗發[2018]19號) and upgraded anti-money laundering 4.0 system according to the Notice of the People's Bank of China on Printing and Distributing Interface Specification for Anti-money Laundering Law Enforcement Inspection of Securities and Futures Insurance Institutions (Yin Fa[2019] No.63)(《中國人民銀行關於印發證券期貨保險機構反洗錢執法檢查數據提取接口規範的通知》)(銀發[2019]63號); a total of 399 block trade data were generated in the treatment system, 457 suspicious transactions of one person multiple accounts were excluded, and 28 reports on general suspicious transactions were confirmed reported to the Anti-Money Laundering Monitoring and Analysis Center; 29 reports and 33 statements were submitted to the People's Bank of China, Hohhot Branch; the 2019 anti-money laundering rating was carried out for the Company according to the requirements of the People's Bank of China; carry out risk assessment of money laundering and terrorist financing by corporate financial institutions; conduct self-inspection of anti-money laundering in accordance with the anti-money laundering work focus and the regulatory requirements of the People's Bank of China.

⑦ Assessing the effectiveness of compliance management

According to Article 31 of the "Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies" (《證券公司和證券投資基金管理公司合規管理辦法》) issued by the CSRC, Article 23 of the "Guidelines of the Implementation on Compliance Management of Securities Companies" (《證券公司合規管理實施指引》) and Article 5 of the "Guidelines on Effectiveness Evaluation of Compliance Management of Securities Companies" (《證券公司合規管理有效性評估指引》) issued by the Securities Association of China. During the Reporting Period, the effectiveness of compliance management in 2018 was assessed, focused on potential missing, omission or weak links in compliance management, and comprehensively and objectively reflected the Company's compliance management issues.

Section 10 Corporate Governance Report (Continued)

(2) Inspections completed by the Compliance Department

During the Reporting Period, according to the requirements of regulatory authorities, the Company conducted compliance inspections with special focus on brokerage business, asset custody business, the listing recommendation and others. Compliance advices for existing problems were offered with requirements of proactive improvement by all departments in charge and subsequent implementation.

For the purpose of strengthening management on securities branches, promptly identifying potential risks and promoting compliance development of business. Compliance inspections involving 18 securities branches were conducted during the Reporting Period.

(3) Inspection and audit completed by the audit department

During the Reporting Period, the audit department adhered to the management concept of "risk management-oriented, serving the Company's overall strategy and promoting company management", and strictly performed its internal supervision duties. Comprehensive coverage of the Company's business departments, branches and subsidiaries through regular audits, special audits, departure audits, etc., to continuously improve the quality of audit work, strengthen internal and external linkage mechanisms, improve the effectiveness of audit work, and attach importance to the implementation of audit results. In 2019, the Company completed 116 audits, produced 116 auditor's reports, and submitted more than 158 enquiry letters regarding audit to the management and relevant departments and issued 4 quarterly reports on progress of rectification supervision.

Through the above-mentioned audit work, the audit department evaluated the soundness and effectiveness of the internal control of the audited associates, revealed the principal risks and problems found in the audit, put forward improvement opinions and requirements, and urged rectification to resolve the potential risks.

(4) Monitoring risk control indicators and building replenishment mechanism

For the purpose of building a sound dynamic monitoring system of risk control indicators, a capital replenishment mechanism, and a risk control system centering on net capital and liquidity, carrying out business with measurable, controllable and manageable risks, the Company, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) of the CSRC, the Guidance for the Dynamic Monitoring System of the Risk Control Indicators of the Securities Companies (《證券公司風險控制指標動態監控系統指引》)

Section 10 Corporate Governance Report (Continued)

of the Securities Association of China and other pertinent regulations, defined the Administrative Measures for Risk Control Indicators of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司风险控制指标管理办法》) and other internal control rules.

In accordance with regulatory requirements, the Company established a dynamic monitoring system of risk control indicators for net capital and realized dynamic monitoring of risk control indicators and automatic warning. The dynamic monitoring system of the Company covers the business activities that affect risk control indicators such as net capital and liquidity and dynamically calculates risk control indicators such as net capital and liquidity; it carries out dynamic monitoring with particular business features taken into consideration and gives automatic warning on risk control indicators such as net capital and liquidity according to preset value values and monitoring standards; it is capable of generating monitoring reports on risk control indicators such as net capital.

The Company regularly prepares the supervisory report on risk control indicators for net capital every month, sets up multi-level warnings on risk control indicators, practices dynamic monitoring of risk control indicators, follows and analyzes the causes of changes in indicators, and guides the business departments to timely respond to abnormal situations.

The Company established a stress testing mechanism to assess the impact of new business developments and other matters on risk control indicators such as net capital through regular and special stress tests. When it is found that indicators such as net capital are about to break regulatory alert standards, the Company will launch a contingency plan to take measures such as adjusting business scale and business structure, evaluating and adjusting business operation plans, expanding financing channels, optimizing asset and liability structure and issuing subordinated bonds when necessary to further replenish capital so as to support the long-term and stable business development.

(5) *Standardisation of accounts*

The Company carried out account management in strict compliance with the relevant requirements of laws and regulations, and continued to improve the mechanism for routine auditing of account management to further improve the long-term effectiveness of the mechanism on standardised account management.

Section 10 Corporate Governance Report (Continued)

During the Reporting Period, the Company launched a paperless system, which enables individual investors to involve in the handling of most paperless businesses. It further improved the existing centralized operation model and effectively avoided the occurrence of irregular account; it standardised and cleaned up the unqualified, dormant and risk disposal accounts and other unstandardised accounts for several times. As at the end of Reporting Period, the Company logged 119,937 dormant accounts, 20,030 pure capital accounts, frozen accounts and lost accounts, 41 unqualified accounts, and no risk disposal account. The Company will continue to strengthen standardised management of accounts, and effectively implement various requirements of standardised management of accounts.

4. Procedures and internal controls for the handling and dissemination of inside information

During the Reporting Period, the Company provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

5. Process used to identify, evaluate and manage significant risks

Details of the significant risks of the Company and the process used to identify, evaluate and manage the same are set out the subsection headed "VIII. Risk Factors and Countermeasures" under Section 5 "Management Discussion and Analysis", which forms a part of this Corporate Governance Report.

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the year of 2019, the Board, together with the Audit Committee and the Risk Control and Supervisory Committee, has reviewed the effectiveness of the risk management and internal control of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.

Appendix Particulars of Securities Branches

As at the end of the Reporting Period, the Company had established 144 securities branches, details of which are set out in the following table:

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
1	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch (恒泰证券股份有限公司长春东风大街证券营业部)	3/F, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省长春市汽车开发区东风大街711号三楼)	1990.5.12	Dong Xishen (董锡深)	0431-87626400
2	Hengtai Securities Co., Ltd. Changchun Dongnanhu Road Securities Branch (恒泰证券股份有限公司长春南湖大路证券营业部)	Room 602, 6/F, Dianyueshangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省长春市经济开发區東南湖大路2221號典約商祺6樓602號房)	1990.5.12	Liu Di (劉迪)	0431-84947885
3	Hengtai Securities Co., Ltd. Hohhot Xincheng North Street Securities Branch (恒泰证券股份有限公司呼和浩特新城北街证券营业部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市新城北街62號)	1992.6.23	Lv Zhongkai (呂忠凱)	0471-3330759
4	Hengtai Securities Co., Ltd. Changchun Xi'an Blvd Securities Branch (恒泰证券股份有限公司长春西安大路证券营业部)	15/F, No. 1077 Xi'an Blvd, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区西安大路1077号15層)	1992.11.27	Fu Yanchun (付燕春)	0431-88497775
5	Hengtai Securities Co., Ltd. Changchun Beijing Avenue Securities Branch (恒泰证券股份有限公司长春北京大街证券营业部)	No. 1215 Beijing Avenue, Kuancheng District, Changchun, Jilin (吉林省长春市宽城区北京大街1215號)	1993.4.23	Zhu Qingguo (朱慶國)	0431-82703518
6	Hengtai Securities Co., Ltd. Changchun Gongnong Road Securities Branch (恒泰证券股份有限公司长春工农大路证券营业部)	No. 1055 Gongnong Road, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区工农大路1055號)	1993.4.24	Zhou Zheng (周正)	0431-85647591
7	Hengtai Securities Co., Ltd. Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特烏蘭察布東街證券營業部)	4/F, Building 102, Yuanyi Yujing Community, Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區烏蘭察布東街圓藝樂景小區102幢4層)	1993.6.4	Zhang Yu (張雨)	0471-4962351
8	Hengtai Securities Co., Ltd. Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包头鋼鐵大街證券營業部)	5/F, Commercial guild hall Office, No. 56 Kunqu Gangtie Avenue, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區鋼鐵大街56號工商會館寫字樓5樓)	1993.10.22	Yang Huilin (楊慧琳)	0472-6990128
9	Hengtai Securities Co., Ltd. Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大學西街證券營業部)	Rooms 1802-1804, 18/F, Mengxi Culture Square, Daxue West Street, Yuquan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市玉泉區大學西街蒙西文化廣場18層1802,1803,1804號)	1993.10.22	Kang Cheng (康誠)	0471-6286962

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
10	Hengtai Securities Co., Ltd. Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	Building 1, Jiushenmiao Neighborhood Committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓)	1996.8.20	Zhang Hongyun (張紅雲)	0476-8353933
11	Hengtai Securities Co., Ltd. Shanghai Quyang Road Securities Branch (恒泰证券股份有限公司上海曲陽路證券營業部)	17/F, Building 1, No.299 Quyang Road, Hongkou District, Shanghai (上海市虹口區曲陽路299號1幢17層)	1996.10.30	Lian Wanpeng (連萬鵬)	021-65085138
12	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)	1996.11.4	Liu Jianjun (劉建軍)	0755-83534805
13	Hengtai Securities Co., Ltd. Shanghai Zhangyang Road Securities Branch (恒泰证券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021-68533517
14	Hengtai Securities Co., Ltd. Hailar Hexi Development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Complex Office Building of Administration Commission, Hailar Economic and Technological Development Zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾區經濟技術開發區管委會辦公綜合樓)	1997.7.30	Zhu Shengwang (朱勝望)	0470-8352899
15	Hengtai Securities Co., Ltd. Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Luo Junfeng (羅俊峰)	0474-8222000
16	Hengtai Securities Co., Ltd. Hohhot Xilin South Road Securities Branch (恒泰证券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區錫林南路盈嘉國際C座601號)	1997.8.5	Li Sheng (李聖)	0471-6917051
17	Hengtai Securities Co., Ltd. Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477-8331678
18	Hengtai Securities Co., Ltd. Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈四層)	1997.8.13	Cheng Xiaohu (程小虎)	0478-8226336

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
19	Hengtai Securities Co., Ltd. WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Haibowan District, Wuhai, Inner Mongolia (內蒙古自治區烏海市海勃灣區海拉南路26號)	2000.8.3	Wang zhiwei (王之偉)	0473-2017526
20	Hengtai Securities Co., Ltd. Changchun Jingyang Road Securities Branch (恒泰证券股份有限公司長春景陽大路證券營業部)	Room 1223-1228 & Room 1240-1244, Unit 2, Building A5, Zhonghai Kaixuanmen, Qimao Community East Jingyang Road South, Lvyan District, Changchun, Jilin (吉林省長春市綠園區汽貿小區以東景陽大路以南中海凱旋門A5幢2單元1223室-1228室、1240室-1244室)	2000.9.18	Liu Hong (劉宏)	0431-87989955
21	Hengtai Securities Co., Ltd. Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, 2nd Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)	2000.9.30	Gao Wa (高娃)	010-63431907
22	Hengtai Securities Co., Ltd. Changchun Renmin Street Redbuds Securities Branch (恒泰证券股份有限公司長春人民大街紫荊花證券營業部)	Southern Zone, 15/F, Redbuds Hotel, No. 5688 Renmin Street, Nanguan District, Changchun, Jilin (吉林省長春市南關區人民大街5688號紫荊花飯店十五層南區)	2002.2.27	Du jinhao (杜金浩)	0431-82982159
23	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟1、2、3、4號工商房)	2002.6.6	Su Xiorong (宿秀榮)	0432-62785999
24	Hengtai Securities Co., Ltd. Beijing Dongzhimennei North Alley Securities Branch (恒泰证券股份有限公司北京東直門內北小街證券營業部)	Rooms 101 & 201, Building No. 14 & No. 18, North Alley, Dongzhimennei, Dongcheng District, Beijing (北京市東城區東直門內北小街14、18號樓101、201號)	2003.3.28	Shi Min (史敏)	010-84128668
25	Hengtai Securities Co., Ltd. Shanghai Xiaomujiao Road Securities Branch (恒泰证券股份有限公司上海小木橋路證券營業部)	Rooms 1001-1004, No. 251 Xiaomujiao Road, Xuhui District, Shanghai (上海市徐匯區小木橋路251號1001、1002、1003、1004室)	2003.5.16	Li Xiaoqin (李曉琴)	021-64433290
26	Hengtai Securities Co., Ltd. Nanjing Shuiximen Avenue Securities Branch (恒泰证券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建邺區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025-84780368
27	Hengtai Securities Co., Ltd. Hangzhou Fengqi Road Securities Branch (恒泰证券股份有限公司杭州鳳起路證券營業部)	Cells A-J, Room 801, No. 96 Fengqi Road, Xiacheng District, Hangzhou, Zhejiang (浙江省杭州市下城區鳳起路96號801室A-J座)	2004.7.20	Chen Yiping (陳宜平)	0571-85802451
28	Hengtai Securities Co., Ltd. Shenyang Fengtian Street Securities Branch (恒泰证券股份有限公司瀋陽奉天街證券營業部)	Rooms 601-609, No.351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市瀋河區奉天街351號(601-609)	2004.9.10	Heng Jianwei (衡建偉)	024-86018088

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
29	Hengtai Securities Co., Ltd. Jinan West Road of Yanzi Mountain Securities Branch (恒泰证券股份有限公司济南燕子山西路證券營業部)	Room 207, 2/F, No.2 Public Building, No.50 West Road of Yanzi Mountain, Lixia District, Jinan, Shandong(山東省濟南市曆下區燕子山西路50號2號公建二層207室)	2006.11.29	Bai Rong (白榮)	0531-81853932
30	Hengtai Securities Co., Ltd. Tongliao Mingren Avenue Securities Branch (恒泰证券股份有限公司通遼明仁大街證券營業部)	(Room 2-/103, Xinxin Garden, Shijie Sub-district Office Fifth Committee) Mingren Avenue East Section, Khorchin District, Tongliao, Inner Mongolia(內蒙古自治區通遼市科爾沁區明仁大街東段(施介辦事處五委新新花園小區2-/103))	2009.1.20	Zhang Bin (張斌)	0475-6341017
31	Hengtai Securities Co., Ltd Chifeng Pingzhuanghahe Street Securities Branch (恒泰证券股份有限公司赤峰平莊哈河街證券營業部)	Pingzhuanghahe Street East North, Yuanbaoshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市元寶山區平莊哈河街東段北側)	2009.1.20	Wang Yuelong (王躍龍)	0476-3517417
32	Hengtai Securities Co., Ltd Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Room 1201, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201室)	2009.3.10	Chen Yong (陳勇)	021-65617128
33	Hengtai Securities Co., Ltd Beijing Dongsanhuan Central Securities Branch (恒泰证券股份有限公司北京東三環中路證券營業部)	1/F,11A, and 2/F, 11B, Building 5, No. 76 Baizhwan South Second Road, Chaoyang District, Beijing (北京市朝陽區百子灣南二路76號院5號樓1層11A、2層11B)	2009.3.10	Gao Jia (高佳)	010-87751985
34	Hengtai Securities Co., Ltd Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	Xinlin Gol Hotel Business Building, Tuanjie Avenue, Xilinhot, Inner Mongolia (內蒙古自治區錫林浩特市團結大街錫林郭勒賓館商業樓)	2009.5.11	Xu Changfeng (徐長鋒)	0479-8248846
35	Hengtai Securities Co., Ltd Baotou Wenhua Road Securities Branch (恒泰证券股份有限公司包頭文化路證券營業部)	10-103, Guanghui No.1 Community, Jiankang Xincheng, No. 4 Minzhu Road, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區民主路4號街坊健康新城光輝一區10-103)	2009.6.8	Du Hongwei (杜宏偉)	0472-2629188
36	Hengtai Securities Co., Ltd Baotou Youyi Street Securities Branch (恒泰证券股份有限公司包頭友誼大街證券營業部)	No. 126 Culture Creativity Park, No. 67 Youyi Street, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區友誼大街67號文化創意園-126號)	2009.6.8	Jin Xuxia (金旭霞)	0472-2318629

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
37	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天义路證券營業部)	Unit 01012, No. B-16, Yulongjiayuan Community, Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城区八家組團全寧街北天義路西玉龍家園小區B-16號01012)	2009.6.22	Yang Linfeng (楊林峰)	0476-8828997
38	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Donghua Commercial-residential Building, Junggar Road South Power Supply Administration East, Xinglong Avenue, Junggar Banner, Inner Mongolia (內蒙古自治區准格爾旗興隆街道准格爾路南供電局東東華商住樓二樓)	2009.6.23	Huang Haikuan (黃海寬)	0477-4212298
39	Hengtai Securities Co., Ltd Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路證券營業部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處青松路東綜合樓一層門市1-8號)	2009.10.23	Geng Zhenshan (耿振山)	0470-7357266
40	Hengtai Securities Co., Ltd Zhalantun Buteha North Road Securities Branch (恒泰证券股份有限公司紮蘭屯布特哈北路證券營業部)	Shop 1005, Building 6, Xiushui Yiyuan Community, Buteha Road, Zhalantun, Inner Mongolia (內蒙古自治區紮蘭屯市布特哈路秀水怡園小區6號樓1005商服)	2009.10.23	Yu Zhaojun (于兆君)	0470-3218089
41	Hengtai Securities Co., Ltd Manchuria Wenming Road Securities Branch (恒泰证券股份有限公司滿洲里文明路證券營業部)	Shop-1 (Intersection of Wenming Road and Sidao Street), Xinmao Building, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市鑫貿樓門市-1 (文明路與四道街交叉路口))	2009.10.23	Yue Hailong (岳海龍)	0470-6239595
42	Hengtai Securities Co., Ltd Erenhot Xinhua Avunue Securities Branch (恒泰证券股份有限公司二連浩特新華大街證券營業部)	No. 010110, Building 5, Xuefuxinyuan Community, Xinhua Avunue North Qianjin Road West, Erenhot, Xilin Gol League, Inner Mongolia (內蒙古自治區錫林郭勒盟二連浩特市新華大街北、前進路西學府馨苑社區5號樓010110號)	2009.11.4	Wang Xiaoting (王曉婷)	0479-7527100
43	Hengtai Securities Co., Ltd Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰证券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商舖)	2009.11.23	Zhang Mei (張玫)	0483-8351609
44	Hengtai Securities Co., Ltd Jilin Panshi Dongning Street Securities Branch (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Rooms 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Guo Bing (郭檣)	0432-65041516

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
45	Hengtai Securities Co., Ltd Baishan Hunjiang Street Securities Branch (恒泰证券股份有限公司白山浑江大街證券營業部)	(1/F and 2/F Justice Bureau) No.171 Hunjiang Street, Baishan, Jilin (吉林省白山市浑江大街171號(司法局1-2樓門市))	2010.3.17	Ma Shouliang (馬守良)	0439-3299456
46	Hengtai Securities Co., Ltd Tonghua Dongchang Road Securities Branch (恒泰证券股份有限公司通化東昌路證券營業部)	No. 665 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路665號)	2010.8.5	Jing Yafu (經亞夫)	0435-3707171
47	Hengtai Securities Co., Ltd Baicheng Changqing South Street Securities Branch (恒泰证券股份有限公司白城長慶南街證券營業部)	No. 2-2 Changqing South Street, Baicheng, Jilin (吉林省白城市長慶南街2-2號)	2010.10.25	Zhu Yanan (朱治男)	0436-3202666
48	Hengtai Securities Co., Ltd Liaoyuan Hening Street Securities Branch (恒泰证券股份有限公司遼源和寧街證券營業部)	Shop 102, Building G2, Yangguang Xincheng-Dongxing Shanyucheng, Hening Street, Xi'an District, Liaoyuan, Jilin (吉林省遼源市西安區和寧街陽光新城東星山語城G2號樓102門市)	2010.10.28	Feng Dong (豐冬)	0437-6678008
49	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch (恒泰证券股份有限公司前郭哈薩爾路證券營業部)	2/F, No.18 & No.19 Zongshe Shangqi, Jinzuo Estate, Wenzhiwei District, Hasaer Road, Qianguo County, Jilin (吉林省前郭縣哈薩爾路文治委金座綜合商企18、19二層商舖)	2011.3.16	Sun Yuman (孫毓蔓)	0438-6620000
50	Hengtai Securities Co., Ltd Erdos Dalad Banner Securities Branch (恒泰证券股份有限公司鄂爾多斯達拉特旗證券營業部)	Complex Building, East Xinhua Road, South Xinni Street, Shulinzhao Town, Dalad Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市達拉特旗樹林召鎮錫尼街南新華路東綜合樓)	2011.10.24	Li Chunping (李春平)	0477-5223035
51	Hengtai Securities Co., Ltd Wuhai Wuda District Bayinsai Street Securities Branch (恒泰证券股份有限公司烏海烏達區巴音賽街證券營業部)	Room 301, No. 1 Jiefang South Road, Wuda District, Wuhai, Inner Mongolia (內蒙古自治區烏海市烏達區解放南路1號301室)	2011.10.24	Liu Qiuli (劉秋利)	0473-3010333
52	Hengtai Securities Co., Ltd Baotou Salaqi Zhenhua Street Securities Branch (恒泰证券股份有限公司包頭薩拉齊振華大街證券營業部)	Shop No. 4, Main Tower of Tuyou Hotel, Zhenhua Street, Tumoteyou Banner, Baotou, Inner Mongolia (內蒙古自治區包頭市土默特右旗振華大街土右賓館主樓4號底店)	2012.3.16	Wang Xiangyang (王向陽)	0472-8921256
53	Hengtai Securities Co., Ltd Chifeng Ningcheng Daning Road Securities Branch (恒泰证券股份有限公司赤峰寧城大寧路證券營業部)	Huaxin Community, Daning Road East, Tianyi Town, Ningcheng County, Inner Mongolia (內蒙古自治區寧城縣天義鎮大寧路東側(華鑫小區))	2012.3.16	Chen Shichao (陳世超)	0476-4255161
54	Hengtai Securities Co., Ltd Chaozhou Chengxinxi Road Securities Branch (恒泰证券股份有限公司潮州新西路證券營業部)	Shop 11 and 12, No. 1 Haiyi, Chengxinxi Road, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城新西路海逸一號11、12號商舖)	2014.1.13	Ye Xi (葉璽)	0768-2520003
55	Hengtai Securities Co., Ltd Beijing Finance Street Securities Branch (恒泰证券股份有限公司北京金融大街證券營業部)	Room 501-1, 5/F, No. 15 Finance Street, Xicheng District, Beijing (北京市西城區金融大街15號5層501-1室)	2014.1.13	Xie Yueqing (謝岳卿)	010-57058597

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
56	Hengtai Securities Co., Ltd Beijing Liuxiang Road Securities Branch (恒泰证券股份有限公司北京榴鄉路證券營業部)	Room 104, 1/F, Building 2, No. 88 Liuxiang Road, Fengtai District, Beijing (北京市豐台區榴鄉路88號院2號樓1層104)	2014.1.13	Zu Linlin (祖琳)	010-56762190
57	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	Room 701, Yangguang Gao'erfu Building, Shennan Avenue, Futian District, Shenzhen (廣東省深圳市福田區深南大道陽光高爾夫大廈701室)	2015.1.12	Shi Buren (施布仁)	0755-82828137
58	Hengtai Securities Co., Ltd Zhongshan Zhongshan Forth Road Securities Branch (恒泰证券股份有限公司中山中山四路證券營業部)	Block 20, Building 81/82/83/85, Shunjing Garden, East District, Zhongshan, Guangdong (廣東省中山市東區順景花園81/82/83/85幢20卡)	2015.1.22	Li Jianhua (李建華)	0760-88833653
59	Hengtai Securities Co., Ltd Liaocheng Dongchang Road Securities Branch (恒泰证券股份有限公司聊城東昌路證券營業部)	Room 1027, Fortune Center Building, No. 86 Dongchang Road, Economic and Technological Development Zone, Liaocheng, Shandong (山東省聊城市經濟技術開發區東昌路86號財富中心大廈1027室)	2015.1.26	Wang Peng (汪鵬)	0635-2110887
60	Hengtai Securities Co., Ltd Weifang Fushou East Street Securities Branch (恒泰证券股份有限公司濰坊福壽東街證券營業部)	Room 601, No. 1 Jinnuo Building, No.5603 Fushou East Street, Kuiwen District, Weifang, Shandong (山東省濰坊市奎文區福壽東街5603號1號樓金諾大廈601室)	2015.1.29	Zhao Wenyuan (趙文苑)	0536-8986553
61	Hengtai Securities Co., Ltd. Qingdao Donghai Middle Road Securities Branch (恒泰证券股份有限公司青島東海中路證券營業部)	No.16 Jia Donghai Middle Road, Shinan District, Qingdao, Shandong (山東省青島市市南區東海中路16號甲)	2015.2.3	Duan Huibin (段會斌)	0532-85710711
62	Hengtai Securities Co., Ltd. Shanghai Henan North Road Securities Branch (恒泰证券股份有限公司上海河南南路證券營業部)	Room 15J, 13th Floor, No. 33 Henan South Road, Huangpu District, Shanghai (上海市黃浦區河南南路33號13層15J室)	2015.3.6	Meng Shuang (孟爽)	021-62030568
63	Hengtai Securities Co., Ltd. Shanghai Longhua Road Securities Branch (恒泰证券股份有限公司上海龍華路證券營業部)	Room 807, 858 Longhua East Road, Huangpu District, Shanghai (上海市黃浦區龍華東路858號807室)	2015.3.18	Yang Shifang (楊世芳)	021-63357216
64	Hengtai Securities Co., Ltd. Guangzhou Zhujiang Jiangxi Road Securities Branch (恒泰证券股份有限公司廣州珠江江西路證券營業部)	Self 12 Units, Room 3801, No.17, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區珠江江西路17號3801房自編12單元)	2015.3.20	Lu Liang (盧亮)	020-38206520
65	Hengtai Securities Co., Ltd. Beijing Guanghua Road Securities Branch (恒泰证券股份有限公司北京光華路證券營業部)	Room B207A, 2nd Floor, Building 30, No.8 Guanghua Road, Chaoyang District, Beijing (北京市朝陽區光華路8號30幢二層B207A房間)	2015.6.18	Sun Jianing (孫佳寧)	010-65921230

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
66	Hengtai Securities Co., Ltd. Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大连西南路證券營業部)	No. 07, 19th Floor, Sanhe Building, No.929, Southwest Road, Shahekou District, Dalian, Liaoning (遼寧市大連市沙河口區西南路929號三合大廈19層07號)	2015.6.26	Zhang Lei (張磊)	0411-68837268
67	Hengtai Securities Co., Ltd. Qingdao Yan'er Island Road Securities Branch (恒泰证券股份有限公司青岛燕兒島路證券營業部)	No.7 A-9, Yan'erdao Road, Shinan District, Qingdao, Shandong (山東省青島市市南區燕兒島路7號甲-9號)	2015.6.30	Fan Shuhui (范曙輝)	0532-86108627
68	Hengtai Securities Co., Ltd. Beijing Zhichun Road Securities Branch (恒泰证券股份有限公司北京知春路證券營業部)	Room 1293, 12/F, Building 1, No.128 Zhichun Road, Haidian District, Beijing (北京市海澱區知春路128號1號樓12層1293)	2015.7.1	Zhao Yajing (趙亞晶)	010-62423585
69	Hengtai Securities Co., Ltd. Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No.7-105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區西花園商鋪7-105號)	2015.7.2	Chen Le (陳樂)	0519-85551099
70	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重庆泰山大道證券營業部)	13-6, Building 3, No.40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路40號3幢13-6)	2015.7.8	Shen Jie (申傑)	023-63109978
71	Hengtai Securities Co., Ltd. Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, 13th Floor, Pudong Development Bank Building, 218 Xinhua Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)	2015.7.14	Fan Chunhua (范春華)	027-85898177
72	Hengtai Securities Co., Ltd. Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司上海蘭花路證券營業部)	Room 1207, No.333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)	2015.7.20	Li Jianhao (李建毫)	021-50800860
73	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No.778 Dongfang Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商鋪)	2015.7.21	Chen Lijun (陳麗軍)	021-80312737
74	Hengtai Securities Co., Ltd. Beijing Shangdi Third Street Securities Branch (恒泰证券股份有限公司北京上地三街證券營業部)	Room 102, Door 3, 1/F, Building 3, Shangdi Information Industry Base Third Street, Haidian District, Beijing (北京市海澱區上地信息產業基地三街3號樓1層3門102)	2015.7.31	Chen Zhanhua (程占華)	010-82899169
75	Hengtai Securities Co., Ltd. Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huayuan Shiqiao Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021-61086538

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
76	Hengtai Securities Co., Ltd. Shanghai Haining Road Securities Branch (恒泰证券股份有限公司上海海寧路證券營業部)	Room 1905, No.469 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路469號1905室)	2015.8.12	Pan Xiaoli (潘曉麗)	021-66275131
77	Hengtai Securities Co., Ltd. Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司东莞大朗美景中路證券營業部)	No.1101, 1102, 1103 Finance Building, No. 568 Meijing Middle Road, Changtang Community, Dalang Town, Dongguan, Guangdong (廣東省東莞市大朗鎮長塘社區美景中路568號金融大廈1101、1102、1103號)	2015.8.12	Ruan Hai (阮海)	0769-81198561
78	Hengtai Securities Co., Ltd. Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	The second floor of Qumingxuan shop, Yujing City Garden, No.6 Foping Third Road, Guicheng, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城佛平三路6號御景城市花園趣鳴軒第二層商舖)	2015.8.24	Xie Wen (謝文)	0757-86288102
79	Hengtai Securities Co., Ltd. Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部)	Room 1205, 12th Floor, Main Building, No.588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區長河街道江南大道588號主樓12層1205室)	2015.8.25	Jin Zhenyao (金珍耀)	0571-86965997
80	Hengtai Securities Co., Ltd. Hangzhou Xixi Road Securities Branch (恒泰证券股份有限公司杭州西溪路證券營業部)	No.529-3 Xixi Road, Xihu District, Hangzhou, Zhejiang (浙江省杭州市西湖區西溪路529-3號)	2015.8.26	Wang Weifang (王偉芳)	0571-86538803
81	Hengtai Securities Co., Ltd. Shenzhen Yitian Road Zhuoyue Times Square Securities Branch (恒泰证券股份有限公司深圳益田路卓越時代廣場證券營業部)	5007B-5008, 50/F, Zhuoyue Times Square, No.4068 Yitian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道益田路4068號卓越時代廣場50樓5007B-5008)	2015.8.27	Wu Rongrong (伍榮榮)	0755-82801189
82	Hengtai Securities Co., Ltd. Shanghai Yan'an West Road Securities Branch (恒泰证券股份有限公司上海延安西路證券營業部)	Room 2607, No.1116 Yan'an West Road, Changning District, Shanghai (上海市長寧區延安西路1116號2607室)	2015.9.6	Jin Kaihong (金凱紅)	021-62379632
83	Hengtai Securities Co., Ltd. Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司温州古岸路證券營業部)	Rooms 001 and 014, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省溫州市甌海區德象商廈第一幢3層001、014)	2015.9.6	Chen Kai (陳愷)	0577-88709188
84	Hengtai Securities Co., Ltd. Shanghai Caoxi North Road Securities Branch (恒泰证券股份有限公司上海漕溪北路證券營業部)	Room 704, No.398 Caoxi North Road, Xuhui District, Shanghai (上海市徐匯區漕溪北路398號704室)	2015.9.10	Hou Shaojun (侯少軍)	021-62785699

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
85	Hengtai Securities Co., Ltd. Beijing Beixinzhuang Road Securities Branch (恒泰证券股份有限公司北京北辛莊路證券營業部)	Room 308, Block A, Beiruan Shuangxin Science and Technology Innovation Park, Beixinzhuang Road, Sijiqing Town, Haidian District, Beijing (北京市海淀区四季青鎮北辛莊路北軟雙新科創園A座308房間)	2015.9.14	Zhang Jia(張佳)	010-62596752
86	Hengtai Securities Co., Ltd. Taizhou Baiyunshan West Road Securities Branch (恒泰证券股份有限公司台州白雲山西路證券營業部)	No.1306 Baiyunshan West Road, Jiaojiang District, Taizhou, Zhejiang (浙江省台州市椒江區白雲山西路1306號)	2015.9.16	Liu Liangping (劉良平)	0576-89039186
87	Hengtai Securities Co., Ltd. Guangzhou Tiyu West Road Securities Branch (恒泰证券股份有限公司廣州體育西路證券營業部)	Room 1205, No.103 Tiyu West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區體育西路103號1205房)	2015.9.18	Zeng Jianyuan (曾建元)	020-38479013
88	Hengtai Securities Co., Ltd. Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路證券營業部)	Room 19C, No.555 Xujiahui Road, Huangpu District, Shanghai (上海市黃浦區徐家匯路555號19C室)	2015.9.21	Li Jingjing (李晶晶)	021-63083060
89	Hengtai Securities Co., Ltd. Yantai Yingchun Avenue Securities Branch (恒泰证券股份有限公司煙台迎春大街證券營業部)	Rooms 1903 & 1904, 19/F, Block One, Runhua Building, No. 177 Yingchun Avenue, Penglai District, Yantai, Shandong (山東省煙台市蓬萊區迎春大街177號潤華大廈一號樓19樓1903和1904室)	2015.9.23	Xing Xiaoliang (邢曉亮)	0535-2106601
90	Hengtai Securities Co., Ltd. Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九州大道富華里證券營業部)	No. 01, 7/F, Block A, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (廣東省珠海市九州大道西2021號富華里中心寫字樓A座7層01號)	2015.9.30	Guo Lixuan (郭麗璇)	0756-8619168
91	Hengtai Securities Co., Ltd. Shijiazhuang Huai'an Road Securities Branch (恒泰证券股份有限公司石家莊槐安路證券營業部)	No.1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家莊市裕華區雅清街西美五洲大廈1805號)	2015.10.9	Lv Haijun (呂海軍)	0311-66500778
92	Hengtai Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Unit 1208, Zhengzhong Times Building, No.89 Longcheng Avenue, Longcheng Street, Longgang District, Shenzhen, Guangdong (廣東省深圳市龍崗區龍城街道龍城大道89號正中時代大廈1208單元)	2015.10.9	Long Xiaoling (龍小玲)	0755-89452231
93	Hengtai Securities Co., Ltd. Shenzhen Fuzhong Road North Securities Branch (恒泰证券股份有限公司深圳福中北路證券營業部)	Room 1603, New World Business Center, No.6009 Yitian Road, Lianhua Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區蓮花街道益田路6009號新世界商務中心1603室)	2015.10.9	Shen Jing (沈靜)	0755-23909699

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
94	Hengtai Securities Co., Ltd. Jiaxing Nanhu Avenue Securities Branch (恒泰证券股份有限公司嘉兴南湖大道證券營業部)	Room B1601, Building 1, Business & Finance Tower, Economic and Technological Development Zone, Jiaxing, Zhejiang (浙江省嘉興市經濟技術開發區商務金融大廈1幢辦B1601室)	2015.10.13	Zheng Yi (鄭逸)	0573-82513531
95	Hengtai Securities Co., Ltd. Taiyuan Pingyang Road Securities Branch (恒泰证券股份有限公司太原平陽路證券營業部)	Shops 1001,1002 & 1003, 3/F, 14 #, No.65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店區平陽路65號14#三層1001、1002、1003號商鋪)	2015.10.13	He Xuguang (何旭光)	0351-3958073
96	Hengtai Securities Co., Ltd. Shanghai Huayuan Road Securities Branch (恒泰证券股份有限公司上海花園路證券營業部)	Room 1717, No.16 Huayuan Road, Hongkou District, Shanghai (上海市虹口區花園路16號1717室)	2015.10.13	Zhang Baichuan (張柏川)	021-66081821
97	Hengtai Securities Co., Ltd. Shanghai Shangzhong Road Securities Branch (恒泰证券股份有限公司上海上中路證券營業部)	Room 509, 5th Floor, Block B, No. 495 Shangzhong Road, Xuhui District, Shanghai (上海市徐匯區上中路495號B座5樓509室)	2015.10.19	Huang Dan (黃丹)	021-64321658
98	Hengtai Securities Co., Ltd. Liuzhou Tianshan Road Securities Branch (恒泰证券股份有限公司柳州天山路證券營業部)	2-2-9 Tianshangcheng Community, No.245 Shuinan Road, Liuzhou, Guangxi (廣西省柳州市水南路245號天山上城小區2-2-9號)	2015.10.21	Yu Jing (于婧)	0772-8807519
99	Hengtai Securities Co., Ltd. Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南寧民族大道證券營業部)	Rooms 2207 and 2208, 22/F, Bogongguoji, No. 127 Minzu Avenue, Qingxiu District, Nanning, Guangxi (廣西省南寧市青秀區民族大道127號鉞宮國際22樓2207、2208號房)	2015.10.27	Ou Chi (區馳)	0771-5535796
100	Hengtai Securities Co., Ltd. Beijing Agriculture Exhibition Hall South Road Securities Branch (恒泰证券股份有限公司北京農展館南路證券營業部)	Room 903, 8th Floor, No. 13, Agriculture Exhibition Hall South Road, Chaoyang District, Beijing (北京市朝陽區農展館南路13號8層903室)	2015.11.2	Lin Pu (蘭璞)	010-84464188
101	Hengtai Securities Co., Ltd. Shanghai Qihe Road Securities Branch (恒泰证券股份有限公司上海齊河路證券營業部)	Block B, 1st floor, No. 251 Qihe Road, Pudong New District, Shanghai (上海市浦東新區齊河路251號一層B座)	2015.11.3	Zhang Hongjia (張弘佳)	021-50308398
102	Hengtai Securities Co., Ltd. Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Room 1806, Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1806室)	2015.11.3	Wang Bao (王寶)	0571-86979032
103	Hengtai Securities Co., Ltd. Rui'an Gongruishan Road Securities Branch (恒泰证券股份有限公司瑞安拱瑞山路證券營業部)	No.422, 424 Gongruishan Road, Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577-66889168
104	Hengtai Securities Co., Ltd. Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司北京新華大街證券營業部)	Room 2302,23/F, Building 3, No. 58 Xinhua West Street, Tongzhou District, Beijing (北京市通州區新華西街58號院3號樓23層2302)	2015.11.11	Feng Zhaojin (封照金)	010-85772321

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
105	Hengtai Securities Co., Ltd. Wuhan Guanggu Valley International Square Securities Branch (恒泰证券股份有限公司武汉光谷国际广场证券营业部)	Room 1706, 17/F, Rongzhong International Office Building, the north of Luoyu Road and the west of Lumo Road, East Lake High-Tech Development Zone, Wuhan City, Hubei (湖北省武汉市东湖新技术开发区珞瑜路以北·鲁磨路以西融众国际写字楼17层1706号)	2015.11.18	Li Jing (李晶)	027-87680670
106	Hengtai Securities Co., Ltd. Shenzhen Liyuan Road Securities Branch (恒泰证券股份有限公司深圳梨园路证券营业部)	Unit 10, 6th Floor, Material Holdings Land Building, No. 6, Liyuan Road, Sunxi Community, Sungang Street, Luohu District, Shenzhen (深圳市罗湖区笋岗街道荷西社区梨园路6号物资控制置地大厦六层10单元)	2015.11.24	Qiu Weizhong (邱伟忠)	0755-82529525
107	Hengtai Securities Co., Ltd. Shanghai Boshan Road Securities Branch (恒泰证券股份有限公司上海博山路证券营业部)	Room 109B and Room C, No. 6, Lane 202, Boshan Road, China (Shanghai) Pilot Free Trade Zone (中国(上海)自由贸易试验区博山路202弄6号109B·C室)	2015.12.9	Wang Yonghong (王勇宏)	021-68781070
108	Hengtai Securities Co., Ltd. Beijing Nanhu South Road Securities Branch (恒泰证券股份有限公司北京南湖南路证券营业部)	Room 102, Building 4, No. 16 Nanhu South Road, Chaoyang District, Beijing (北京市朝阳区南湖南路16号院4号楼102室)	2015.12.12	Zhang Ge (张戈)	010-64738862
109	Hengtai Securities Co., Ltd. Shenyang Hunnan Third Road Securities Branch (恒泰证券股份有限公司沈阳浑南三路证券营业部)	Room 902, Block A, Tongfang Building, No. 1-8 Hunnan Third Road, Hunnan District, Shenyang, Liaoning (辽宁省沈阳市浑南区浑南三路1-8同方大厦A座902室)	2015.12.14	Gao Xiufeng (高秀峰)	024-82573500
110	Hengtai Securities Co., Ltd. Beijing Wanfeng Road Securities Branch (恒泰证券股份有限公司北京万丰路证券营业部)	Unit A2-13, 2nd Floor, Block A, Wankai Center, No. 316 Wanfeng Road, Fengtai District, Beijing (北京市丰台区万丰路316号万开中心A座2层A2-13单元)	2015.12.14	Xue Fenxia (薛粉霞)	010-83669805
111	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路证券营业部)	30A, Shidai-Caifu Building, Futian Street, Futian District, Shenzhen, Guangdong (广东省深圳市福田区福田街道福田时代财富大厦30A)	2015.12.16	Li Na (李娜)	0755-23913045
112	Hengtai Securities Co., Ltd. Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路证券营业部)	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江干区钱江国际时代广场2幢2605室)	2015.12.16	Yan Yueping (严躍平)	0571-87899209
113	Hengtai Securities Co., Ltd. Shaoxing Shengli Road Securities Branch (恒泰证券股份有限公司绍兴胜利路证券营业部)	Room 1301, Shimao Horizon Center, 379 Shengli East Road, Yuecheng District, Shaoxing, Zhejiang (浙江省绍兴市越城区胜利东路379号世贸天際中心1301室)	2016.1.18	Zhang Ye (章焯)	0575-88002391

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
114	Hengtai Securities Co., Ltd. Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 04, 9th Floor, Jinbilanwan Phase I Office Building, Shangyang Village, Danshui Kaicheng Avenue, Huiyang District, Huizhou, Guangdong (廣東省惠州市惠陽區淡水開城大道上陽村地段金碧藍灣一期寫字樓9層04號房)	2016.1.18	Liu Wei (劉威)	0752-7399009
115	Hengtai Securities Co., Ltd. Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部)	Room 602, Rongqiao Center Office Building, the intersection of Changjiang Avenue and Nankai Sixth Road, Nankai District, Tianjin(天津市南開區長江道與南開六馬路交口融橋中心寫字樓602室)	2016.1.19	Li Qiang (李強)	022-83698158
116	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Golden Central Tower Securities Branch (恒泰证券股份有限公司深圳金田路金中環證券營業部)	Room 4702, Golden Central Tower Commercial Building, No. 3037 Jintian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道金田路3037號金中環商務大廈4702房)	2016.1.21	Yao Zhongyuan (姚中元)	0755-22922980
117	Hengtai Securities Co., Ltd. Shaoxing Zhongxing South Road Securities Branch (恒泰证券股份有限公司紹興中興南路證券營業部)	103 & 105, 1/F, Zhongxing South Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區中興南路103、105一層)	2016.1.27	Shen Liuyue (沈柳月)	0575-85223533
118	Hengtai Securities Co., Ltd. Shanghai Xinjinqiao Road Securities Branch (恒泰证券股份有限公司上海新金橋路證券營業部)	Room 303, Building 7, No. 1599 Xinjinqiao Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區新金橋路1599號7幢303室)	2016.1.28	Fu Lei (付磊)	021-60758505
119	Hengtai Securities Co., Ltd. Changsha Xiaoxiang North Road Securities Branch (恒泰证券股份有限公司長沙瀟湘北路證券營業部)	No. 2707, Block C, Kailin Business Center, 53 Binjiang Road, Yuelu District, Changsha, Hunan (湖南省長沙市嶽麓區濱江路53號楷林商務中心C座2707號)	2016.1.29	Hu Zhiyu (胡治宇)	0731-85562029
120	Hengtai Securities Co., Ltd. Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司上海中山西路證券營業部)	Room 904, No.1065 West Zhongshan Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)	2016.2.2	Feng Yuangang (馮元剛)	021-23560170
121	Hengtai Securities Co., Ltd. Zhengzhou Nanyang Road Securities Branch (恒泰证券股份有限公司鄭州南陽路證券營業部)	Room 1, East of 1/F and 2/F, Building 24, No. 206, Nanyang Road, Jinshui District, Zhengzhou, Henan (河南省鄭州市金水區南陽路206號24號樓1-2層東1號)	2016.2.15	Shi Jin (史進)	0371-55268382

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
122	Hengtai Securities Co., Ltd. Shenzhen Qianhai Securities Branch (恒泰证券股份有限公司深圳前海證券營業部)	Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong (9J, Fengye Tower, Nanshan Avenue, Nanshan District, Shenzhen) (廣東省深圳市前海深港合作區前灣一路1號A棟201室(深圳市南山區南山大道楓葉大廈9J))	2016.2.24	He Ling (何玲)	0755-86969582
123	Hengtai Securities Co., Ltd. Dalian Huizhan Road Securities Branch (恒泰证券股份有限公司大連會展路證券營業部)	No. 2, 11th floor, Unit 3, No. 67 Huizhan Road, Shahekou District, Dalian, Liaoning (遼寧省大連市沙河口區會展路67號3單元11層2號)	2016.3.16	Wang Yu (王鈺)	0411-82310300
124	Hengtai Securities Co., Ltd. Zibo Jinjing Road Securities Branch (恒泰证券股份有限公司淄博金晶路證券營業部)	Shop 22, Yijielongfengyuan Community, Jinjing Road, Boshan District, Zibo, Shandong (山東省淄博市博山區金晶路益傑龍鳳緣小區二十二號商鋪)	2016.3.17	Li Lei (李雷)	0533-4913277
125	Hengtai Securities Co., Ltd. Linyi Guangzhou Road Securities Branch (恒泰证券股份有限公司臨沂廣州路證券營業部)	North side of 3/F, Block A of Yanjie Building, Daguanyuan Community, Intersection of Guangzhou Road and Menghe Road, Liuqing Avenue, Lanshan District, Linyi, Shandong (山東省臨沂市蘭山區柳青街道廣州路與蒙河路交匯大官苑沿街樓A區三樓北側)	2016.3.17	Wang Jingbao (王京寶)	0539-8606369
126	Hengtai Securities Co., Ltd. Xianyou Xuefu East Road Securities Branch (恒泰证券股份有限公司仙遊學府東路證券營業部)	No. 2068, 2072 Xuefu East Road, Residents' Committee, Balong Community, Licheng Street, Xianyou County, Putian, Fujian (福建省莆田市仙遊縣鯉城街道壩壘社區居委會學府東路2068號、2072號)	2016.3.25	Zheng Zhangwen (鄭章文)	0594-8097766
127	Hengtai Securities Co., Ltd. Xi'an Gaoxin Third Road Securities Branch (恒泰证券股份有限公司西安高新三路證券營業部)	Room 1803, PICC (Shaanxi) Financial Building, No. 12 Gaoxin Third Road, Zhangba Street Office, Gaoxin District, Xi'an, Shaanxi (陝西省西安市高新區丈八街辦高新三路12號中國人保大廈(陝西)金融大廈1803室)	2016.3.29	Wang Hao (王浩)	029-89132956
128	Hengtai Securities Co., Ltd. Shenzhen Xianglin Road Securities Branch (恒泰证券股份有限公司深圳香林路證券營業部)	11LMN, Building A, Haoming Fortune Plaza, 7002 Shennan Blvd, Xiangmihu Avenue, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區香蜜湖街道深南大道7002浩銘財富廣場A座11LMN)	2016.4.6	Wu Gang (吳剛)	0755-83980166

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
129	Hengtai Securities Co., Ltd. Dongguan Huangjiang Securities Branch(恒泰证券股份有限公司东莞黄江证券营业部)	No.1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong(廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)	2016.4.6	Li Sutaο (李蘇濤)	0769-82226576
130	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch(恒泰证券股份有限公司温州錦繡路證券營業部)	Room 515, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang(浙江省溫州市鹿城區錦繡路1067號置信中心1幢515室)	2016.4.8	Feng Xiao (馮笑)	0577-85228658
131	Hengtai Securities Co., Ltd. Shenzhen Gaoxinnan No. 1 Road Securities Branch(恒泰证券股份有限公司深圳高新南一道證券營業部)	Room 104, Block A, Skyworth Building, No. 008Gaoxinnan No. 1 Road, Yuehai Avenue, Nanshan District, Shenzhen, Guangdong(廣東省深圳市南山區粵海街道高新南一道008號創維大廈A座104室)	2016.4.12	Yin Wenzhu (印文柱)	0755-26911575
132	Hengtai Securities Co., Ltd. Guangzhou Tianhe North Road Securities Branch(恒泰证券股份有限公司廣州天河北路證券營業部)	Room 1505, Office Tower, CITIC Plaza, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong(廣東省廣州市天河區天河北路233號中信廣場辦公大樓1505室)	2016.4.13	Liu Haitao (劉海濤)	020-38909661
133	Hengtai Securities Co., Ltd. Fuzhou Software Avenue Securities Branch (恒泰证券股份有限公司福州軟體大道證券營業部)	Room B, 24/F, Building 3, Block F, Fuzhou Software Park, No. 89 Software Avenue, Gulou District, Fuzhou, Fujian(福建省福州市鼓樓區軟體大道89號福州軟體園F區3號樓24層B)	2016.4.14	Zhou Xin (周頌)	0591-83300507
134	Hengtai Securities Co., Ltd. Beijing Jiancaicheng West Road Securities Branch (恒泰证券股份有限公司北京建材城西路證券營業部)	Room 1005, Unit 2, 10/F, Building 2, No. 87 Jiancaicheng West Road, Huilongguan Town, Changping District, Beijing (北京市昌平區回龍觀鎮建材城西路87號2號樓10層2單元1005)	2016.4.15	Zhang Xiaoming (張曉明)	010-82916166
135	Hengtai Securities Co., Ltd. Beijing Guangqu Road Securities Branch (恒泰证券股份有限公司北京廣渠路證券營業部)	A302, Inside Room 301, 3 (3)/F, Building 1, No. 11 Guangqu Road, Chaoyang District, Beijing (北京市朝陽區廣渠路11號院1號樓3(3)層301內A302)	2016.4.22	Zhang Weiqing (張偉清)	010-87775097
136	Hengtai Securities Co., Ltd. Shenzhen Longxiang Blvd Securities Branch (恒泰证券股份有限公司深圳龍翔大道證券營業部)	Room 1308, Vanke Tower, Longxiang Blvd, Longcheng Avenue, Longgang District, Shenzhen, Guangdong (廣東省深圳龍崗區龍城街道龍翔大道萬科大廈1308)	2016.4.25	Zhu Ming (朱明)	0755-88312899
137	Hengtai Securities Co., Ltd. Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海閘殷路證券營業部)	Room 404, No.1599 Zhayin Road, Yangpu District, Shanghai (上海市楊浦區閘殷路1599號404室)	2017.2.17	Xu Ming (徐明)	021-58358085

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
138	Hengtai Securities Co., Ltd. Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司宁波甬江大道證券營業部)	No. (2-2), Block 005, No. 48, Block 6, No. 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省宁波市鄞州区甬江大道168號6幢48號005幢(2-2)號)	2017.2.24	Chen Lin (陳麟)	0574-55337786
139	Hengtai Securities Co., Ltd. Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街19號中紡大廈0510室)	2017.2.27	Wu Xiaohui (伍小輝)	010-65262718
140	Hengtai Securities Co., Ltd. Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Room 1001, 10/F, Building 17, No. 17, 17A, 17B, and 17C Financial Street, Xicheng District, Beijing (北京市西城區金融大街17號、甲17號、乙17號、丙17號17號樓10層1001)	2017.3.6	Zi Wei (紫巍)	010-83270885
141	Hengtai Securities Co., Ltd. Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京廣安路證券營業部)	Room 404, 4th Floor, Building 6, No. 9 Guang'an Road, Fengtai District, Beijing (北京市豐台區廣安路9號院6號樓4層404)	2017.3.17	Liu Yuqing (劉宇清)	010-63361221
142	Hengtai Securities Co., Ltd. Chengdu Renmin South Road Securities Branch (恒泰证券股份有限公司成都人民南路證券營業部)	No. 1001, Building 2, Shangshan International, No.46-1 Renmin South Road Forth Portion, Wuhou District, Chengdu, Sichuan (四川省成都市武侯區人民南路四段46號附1號上善國際2棟1001號)	2017.4.24	Wang Wei (王偉)	028-85011007
143	Hengtai Securities Co., Ltd. Beijing Beichen West Road Securities Branch (恒泰证券股份有限公司北京北辰西路證券營業部)	1009, Unit 4, 9-10/F, 69 Beichen West Road, Chaoyang District, Beijing (北京市朝陽區北辰西路69號9至10層4單元1009)	2017.5.8	Li Jianjun (李建軍)	010-58772228
144	Hengtai Securities Co., Ltd. Shenzhen Tongluo Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Unit 34E1, Block E, Building 6, Dachong Business Center (Block E, CR Land Building), No. 9672 Shennan Blvd, Shahe Street, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區沙河街道深南大道9672號大沖商務中心6號樓E座(華潤置地大廈E座)34E1單元)	2017.5.10	Hao Ying (郝瑩)	0755-86713626

Independent Auditor's Report

To the shareholders of Hengtou Securities

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

OPINION

We have audited the consolidated financial statements of Hengtou Securities (the “Company”) and its subsidiaries (the “Group”) set out on pages 194 to 324, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 (the “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 Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 HKICPA's 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 (Continued)

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
<p>Assessment of control over structured entities</p> <p>Refer to Notes 3.3, 4.1 and 55 to the consolidated financial statements.</p> <p>The Group has interests in a number of structured entities. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over the structured entities by taking into consideration of power arising from rights, exposure of variable returns and the linkage between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgement on factors, such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, remuneration and performance fee.</p> <p>Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, we identified consolidation assessment of structured entities as a key audit matter.</p>	<p>Our procedures in relation to consolidation assessment of control over structured entities included:</p> <ul style="list-style-type: none">• Reviewing the key contractual provisions of the relevant legal documents including the management agreements of the structured entities;• Evaluating the risk and reward structure of the structured entities including any return guarantee, commission basis and distribution of returns and assessing the management's judgement as to exposure and right to variable returns from the Group's involvement; and• Evaluating the management's analysis of structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Fair value measurements of Level 3 financial instruments</p> <p>Refer to Note 60 to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group's financial assets at fair value through profit or loss categorised as Level 3 amounted to approximately RMB241,600,000.</p> <p>Due to the significance of the judgement and estimates made by the management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs, we identified the fair value measurements of Level 3 financial instruments as a key audit matter.</p>	<p>Our procedures in relation to fair value measurements of Level 3 financial instruments included:</p> <ul style="list-style-type: none">• Evaluating whether the valuation methodologies, inputs and assumptions adopted by management were appropriate;• Evaluating the rationale of management's judgement on the significant unobservable inputs;• Testing the evidence supporting the unobservable inputs utilised in the Level 3 fair value measurements; and• Evaluating the adequacy of the Level 3 fair value measurement disclosures in the consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of financial assets</p> <p>Refer to Notes 3.14, 4.4, 29, 30, 33 and 34 to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group has financial assets held under resale agreements, refundable deposits, margin account receivables and accounts receivable with carrying amounts of RMB760,800,000, RMB448,059,000, RMB3,969,330,000 and RMB387,021,000, respectively.</p> <p>The Group's impairment are estimated based on expected credit loss ("ECL") model. We identified impairment of financial assets as a key audit matter because the Group's measurement of ECL involves significant management estimates and judgements in consideration of various factors, include but not limited to the customers' payment history, credit rating and realisable value of securities or collaterals from customers.</p>	<p>Our procedures in relation to the impairment assessment of financial assets included:</p> <ul style="list-style-type: none">• Understanding management impairment provisioning policy in respect of financial assets;• Evaluating techniques and methodology in the Group's ECL model;• Evaluating management's assessment of significant increases in credit risk;• Evaluating the parameters used by management in estimating the ECL rate and testing the evidence supporting the parameters to the model; and• Evaluating the adequacy of the disclosures in respect of impairment of other financial assets in the consolidated financial statements.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the audit committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27 March 2020

Chiu Wing Ning

Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Fees and commission income	7	1,715,193	1,475,729
Interest income	8	649,882	790,041
Net investment income/(loss)	9	757,351	(180,418)
Other income and gains	10	724,678	14,302
Total operating income		3,847,104	2,099,654
Fees and commission expenses	11	(177,679)	(147,339)
Interest expenses	12	(467,939)	(535,691)
Staff costs	13	(1,090,724)	(863,721)
Depreciation and amortisation	14	(170,939)	(97,149)
Taxes and surcharges		(16,412)	(16,130)
Other operating expenses	15	(610,322)	(669,579)
Impairment losses	16	(339,201)	(152,078)
Fair value losses from financial assets at fair value through profit or loss		(1,606)	(436,719)
Total operating expenses		(2,874,822)	(2,918,406)
Operating profit/(loss)		972,282	(818,752)
Share of profits/(losses) of associates		2,668	(1,668)
Profit/(Loss) before tax		974,950	(820,420)
Income tax (expenses)/credit	17	(212,104)	184,440
Profit/(Loss) and total comprehensive income/(loss) for the year		762,846	(635,980)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

for the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Attributable to:			
Ordinary shareholders of the Company		740,538	(673,446)
Non-controlling interests		22,308	37,466
		762,846	(635,980)
Earnings/(Loss) per share			
Basic and diluted	18	RMB0.25	RMB(0.30)

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(a).

The notes on pages 201 to 324 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Non-current assets			
Property and equipment	22	536,041	521,781
Right-of-use assets	23	157,857	–
Investment properties	24	40,784	42,758
Goodwill	25	43,739	43,739
Intangible assets	26	129,696	115,268
Interests in associates	28	–	12,557
Refundable deposits	30	448,059	480,502
Deferred tax assets	31	205,287	231,103
Other non-current assets	32	46,237	41,033
Total non-current assets		1,607,700	1,488,741
Current assets			
Margin account receivables	33	3,969,330	3,237,924
Other current assets	34	716,325	559,242
Financial assets held under resale agreements	29	760,800	1,161,988
Financial assets at fair value through other comprehensive income	35	–	55,426
Financial assets at fair value through profit or loss	36	10,726,761	11,840,596
Cash held on behalf of brokerage clients	37	8,824,504	7,475,631
Clearing settlement funds	38	800,821	980,059
Cash and bank balances	39	2,108,972	3,115,472
Assets classified as held for sale	40	11,768	–
Total current assets		27,919,281	28,426,338
Total assets		29,526,981	29,915,079
Current liabilities			
Debt instruments	41	1,609,985	3,853,082
Placements from a financial institution	42	1,500,000	500,000
Account payables to brokerage clients	43	9,071,688	7,691,497
Employee benefit payables	44	466,913	287,689
Contract liabilities	45	34,322	34,331
Lease liabilities	46	67,106	–
Other current liabilities	47	1,270,105	1,616,090
Current tax liabilities		19,578	10,280
Financial assets sold under repurchase agreements	48	3,189,085	3,742,325
Total current liabilities		17,228,782	17,735,294

Consolidated Statement of Financial Position (Continued)

as at 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Net current assets		10,690,499	10,691,044
Total assets less current liabilities		12,298,199	12,179,785
Non-current liabilities			
Debt instruments	41	1,500,000	2,218,236
Lease liabilities	46	87,718	–
Deferred tax liabilities	31	132,068	16,728
Total non-current liabilities		1,719,786	2,234,964
Net assets		10,578,413	9,944,821
Equity			
Share capital	49(a)	2,604,567	2,604,567
Share premium	49(b)	1,665,236	1,665,236
Perpetual capital securities	50	1,500,000	1,500,000
Reserves	51	4,405,144	3,766,606
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		10,174,947	9,536,409
Non-controlling interests		403,466	408,412
Total equity		10,578,413	9,944,821

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(a).

Approved by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Pang Jiemin

Chairman of Board of Directors

Wu Yigang

Vice Chairman of Board of Directors

Yang Shufei

Chief Financial Officer

The notes on pages 201 to 324 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities									
	Share capital	Share premium	Perpetual capital securities	Surplus reserve*	General risk reserve*	Transaction risk reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	Note 49(a)	Note 49(b)	Note 50	Note 51(a)	Note 51(b)	Note 51(c)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	2,604,567	1,665,236	1,500,000	509,130	709,492	610,220	2,973,667	10,572,312	370,946	10,943,258
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(673,446)	(673,446)	37,466	(635,980)
Dividends paid (Note 21)	-	-	-	-	-	-	(362,457)	(362,457)	-	(362,457)
Appropriation to general risk reserve	-	-	-	-	24,893	-	(24,893)	-	-	-
Appropriate to transaction risk reserve	-	-	-	-	-	904	(904)	-	-	-
Changes in equity for the year	-	-	-	-	24,893	904	(1,061,700)	(1,035,903)	37,466	(998,437)
At 31 December 2018	2,604,567	1,665,236	1,500,000	509,130	734,385	611,124	1,911,967	9,536,409	408,412	9,944,821
At 1 January 2019	2,604,567	1,665,236	1,500,000	509,130	734,385	611,124	1,911,967	9,536,409	408,412	9,944,821
Profit and total comprehensive income for the year	-	-	-	-	-	-	740,538	740,538	22,308	762,846
Disposal of a subsidiary (Note 61a)	-	-	-	-	-	-	-	-	(7,706)	(7,706)
Dividends paid to holders of perpetual capital securities (Note 21)	-	-	-	-	-	-	(102,000)	(102,000)	-	(102,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(19,548)	(19,548)
Appropriation to surplus reserve	-	-	-	48,088	-	-	(48,088)	-	-	-
Appropriation to general risk reserve	-	-	-	-	84,641	-	(84,641)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	-	53,755	(53,755)	-	-	-
Changes in equity for the year	-	-	-	48,088	84,641	53,755	452,054	638,538	(4,946)	633,592
At 31 December 2019	2,604,567	1,665,236	1,500,000	577,218	819,026	664,879	2,364,021	10,174,947	403,466	10,578,413

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2a.

* The total of these amounts as at the reporting date represent "Reserves" in the consolidated statement of financial position.

The notes on pages 201 to 324 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Cash flows from operating activities			
Profit/(loss) before tax		974,950	(820,420)
Adjustments for:			
Interest expenses		467,939	535,691
Share of (profits)/losses of associates		(2,668)	1,668
Depreciation and amortisation		170,939	97,149
Impairment losses		339,201	152,078
(Gain)/loss on disposal of property and equipment and intangible assets		(671)	3,631
Net changes in fair value of financial instruments at fair value through profit or loss and derivative financial instruments		(709,509)	436,169
Gain on disposal of an associate	28	(6,543)	(17)
Loss on disposal of a subsidiary	61(a)	277	–
Operating profit before working capital changes		1,233,915	405,949
Change in working capital:			
Refundable deposits		32,443	134,004
Receivables and prepayments		(308,047)	140,581
Margin account receivables		(741,553)	2,103,618
Financial assets held under resale agreements		193,992	7,149
Financial assets at fair value through profit or loss		1,731,703	1,486,544
Financial assets at fair value through other comprehensive income		55,124	743,328
Cash held on behalf of brokerage clients		(1,348,873)	2,016,035
Restricted bank deposits		(56,639)	(39,365)
Placements from a financial institution		1,000,000	(200,000)
Account payables to brokerage clients		1,380,191	(2,336,836)
Employee benefit payables		179,224	(128,043)
Other payables and accruals		(183,970)	(2,003,907)
Contract liabilities		(9)	19,099
Financial assets sold under repurchase agreements		(553,240)	(1,913,453)
Cash generated from operations		2,614,261	436,703
Income tax paid		(27,604)	(156,417)
Interest paid for operating activities		(277,892)	(272,971)
Net cash generated from operating activities		2,308,765	7,315

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Cash flows from investing activities			
Proceeds from disposal of property and equipment and intangible assets		1,569	314
Proceeds from disposal of an associate		–	204
Dividend income received from an associate		–	1,689
Purchases of property and equipment, intangible assets and other non-current assets		(136,782)	(129,959)
Net cash outflow from the disposal of a subsidiary	61(a)	(2,539)	–
Decrease/(increase) in time deposits with original maturities exceeding three months		84,000	(115,700)
Net cash used in investing activities		(53,752)	(243,452)
Cash flows from financing activities			
Proceeds from issuance of debt instruments	61(b)	916,620	2,946,630
Repayment of debt instruments	61(b)	(3,921,030)	(1,740,000)
Interest paid for financing activities	61(b)	(281,894)	(236,805)
Dividends paid to perpetual capital securities		(102,000)	(102,000)
Dividends paid to shareholders		–	(260,457)
Dividends paid to non-controlling interests		(19,548)	–
Payment of lease liabilities	61(b)	(64,340)	–
Other net cash flows from financing activities		(1,714)	(4,325)
Net cash (used in)/generated from financing activities		(3,473,906)	603,043
Net (decrease)/increase in cash and cash equivalents		(1,218,893)	366,906
Cash and cash equivalents at 1 January		3,998,650	3,632,643
Effect of foreign exchange rate changes		499	(899)
Cash and cash equivalents at 31 December	39	2,780,256	3,998,650

The notes on pages 201 to 324 are an integral part of these financial statements.

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(a).

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Hengtou Securities (a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)) (the “Company”) was set up in Inner Mongolia Autonomous Region by Inner Mongolia Branch of People's Bank of China (“PBOC”) in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the China Securities Regulatory Commission (“CSRC”) in 2008. The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region. As at 31 December 2019, the share capital of the Company is RMB2,604,567,412.

The Company and its subsidiaries (collectively, the “Group”) principally engaged in securities underwriting and sponsorship, agency sale of securities and financial product, securities and futures brokerage, assets management, investment consultancy, margin financing and securities lending, fund establishing and management, and other business as approved by the CSRC.

The Company listed its H shares on the Main Board of the Stock Exchange of Hong Kong Limited on 15 October 2015.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019

In the current year, the Group has adopted for the first time the following the new and amended IFRSs, which collective term includes all applicable individual International Financial Reporting Standards; International Accounting Standards (“IASs”); and Interpretations issued by the International Accounting Standards Board (the “IASB”) that are relevant to the Group’s operations and effective for its accounting year beginning on 1 January 2019.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 16 “Leases”

IFRS 16 “Leases” supersedes IAS 17 “Leases” IFRIC 4 “Determining whether an Arrangement contains a Lease” (“IFRIC 4”), SIC- 15 “Operating Leases-Incentives” and SIC- 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 January 2019. Accordingly, the comparative information of prior periods has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	31 December 2019 RMB'000	1 January 2019 RMB'000
Properties	157,857	166,000

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

(ii) *As a lessee (continued)*

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, the Group classified property leases as operating leases under IAS 17. These include premises for office usage. The leases typically run for a period from 1 to 6 years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

(ii) As a lessee (continued)

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for short term leases and leases with less than 12 months as at initial application of IFRS 16.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(iii) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

(iv) *Impacts on transition*

The change in accounting policy affected the following items in the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	<i>RMB'000</i>
Assets	
Right-of-use assets	166,000
Prepayments	(5,735)
Total assets	160,265
Liabilities	
Lease liabilities	161,377
Other current liabilities	(1,112)
Total liabilities	160,265

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.79%.

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(a) New and amended IFRSs that are effective for the annual periods beginning on 1 January 2019 (continued)

IFRS 16 “Leases” (continued)

(iv) Impacts on transition (continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>RMB'000</i>
Operating lease commitments at 31 December 2018 and operating leases liabilities before discounting	220,753
Discounting using incremental borrowing rate as at 1 January 2019	(11,851)
Discounted using the incremental borrowing rate as at 1 January 2019	208,902
Less: Recognition exemption for lease with less than 12 months of leases term at transition	(47,525)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	161,377
Classified as:	
Current lease liabilities	58,749
Non-current lease liabilities	102,628
	161,377

Notes to the Consolidated Financial Statements (Continued)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(b) New and amended IFRSs in issue but not yet effective

The Group has not early applied new and amended IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and amended IFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 3	Definition of a Business	1 January 2020*
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IAS 1	Classification of Liabilities As Current or Non- current	1 January 2022

* 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

The directors of the Group anticipate that all of the new and amended IFRSs will be adopted in the Group’s accounting policies for the first period beginning after the effective date of these new and amended IFRSs. The adoption of the new and amended IFRSs are not expected to have a material impact on the Group’s consolidated financial statements, except the following:

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current

The amendments modify one of the criteria in IAS 1 that if an entity does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period, then it must be classified as current.

Amendments to IAS 1 is effective for annual reporting period beginning on or after 1 January 2022, the Group is yet to assess the full impact of this amendment.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared on the historical cost basis, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measure at fair value and assets held for sale that are stated the lower of carrying amount and fair value less cost to sell).

The consolidated financial statements for the year ended 31 December 2019 comprise the Company, its subsidiaries and the Group’s interests in associates.

3.2 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.8) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 3.4).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3.14(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3.4 Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3.5 and Note 3.14(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.8).

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") (See Note 3.19).

3.5 Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (i) is greater than (ii), the excess is recognised as goodwill. When (ii) is greater than (i), then this excess, after reassessment, is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3.14(i)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss upon disposal.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

Transactions and balances in each entity's financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currency are translated into RMB at the foreign exchange rate ruling at the end of the reporting date and translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value was measured.

Non-monetary items measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate ruling at the transaction dates.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value having been within three months of maturity at acquisition.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The 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.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- Amortised cost; if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”); recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL; if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as investment income.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include debt instruments, placements from a financial institution, account payables to brokerage clients, employee benefit payables, lease liabilities, other current liabilities and financial assets sold under repurchase agreements.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expenses or other income and gains.

The Group's financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Accounting policies of lease liabilities are set out in Note 3.17.

3.9 Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as receivables carried at amortised cost, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

3.11 Property and equipment and construction in progress

Recognition and measurement

Property and equipment (other than construction in progress as stated below) are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 3.14(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Property and equipment and construction in progress (continued)

Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Property and equipment and construction in progress (continued)

Depreciation

Property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives at the followings rate per annum:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	5 years	0%	20%

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 3.14(i)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Investment properties	35 years	3%	2.77%

The gain or loss in disposal of an investment property is the difference between the net sale proceeds and the carrying amount of property, and is recognised in profit or loss.

3.13 Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3.14(i)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Types of assets	Estimated useful lives
Trading rights	5 years
Software	5 years

Both the amortisation period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment

(i) Impairment of non-financial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or, except goodwill, an impairment loss recognised previously no longer exists or may have decreased:

- property and equipment
- investment properties
- intangible assets
- right-of-use assets
- equity investment in subsidiaries and associates (except for associate classified as held for sale)
- goodwill
- leasehold improvements, long-term prepaid expenses and other foreclosed assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (i.e. a cash-generating unit, or CGU). Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (continued)

(i) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, accounts receivable and other receivables (i.e. margin account receivables, financial assets held under resale agreements, interest receivables, other receivables, refundable deposits and bank deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (continued)

(ii) Impairment of financial assets (continued)

Lifetime ECL represents the credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (continued)

(ii) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (a) The financial instrument has a low risk of default,
- (b) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (c) 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 financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (continued)

(ii) Impairment of financial assets (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (continued)

(ii) Impairment of financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor 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. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, 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 original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases

Definition of a lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (continued)

Definition of a lease and the Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

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

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (continued)

Definition of a lease and the Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

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

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

Lessor accounting

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3.11. Impairment losses are recognised in accordance with the accounting policies described in Note 3.14(i). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use and a sale is considered highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

3.20 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

3.21 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at the transaction price, being the amount of consideration which the Group expects to be entitled to in exchange for transferring the promised goods or services to the customer, net of taxes. The transaction price is allocated to each performance obligation of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Commission income from brokerage business

Brokerage commission income is recognised at a single point in time, i.e. on a trade date when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Revenue recognition (continued)

Underwriting and sponsor fees

Underwriting and sponsor fees are recognised at a single point in time when the performance obligation is satisfied, that is, the economic benefits may flow into the Group and the relevant revenue and costs may be calculated reliably.

Assets management, advisory and custody fees

Assets management, advisory and custody fees are recognised over time as services rendered.

Rental income

Rental income is recognised on a straight-line basis over the lease terms.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.22 Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

3.23 Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the reporting date, are not recognised as a liability at the end of the year but disclosed in the notes to the consolidated financial statements separately.

Notes to the Consolidated Financial Statements (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under " Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

3.25 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's senior management, being the chief operating decision-makers, to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statement regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3.26 Events after reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting year are adjusting events and are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Notes to the Consolidated Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting judgement

4.1 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether 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 assets management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes that is of such significance indicating that the Group is a principal. The assets management schemes shall be consolidated if the Group acts in the role of principal.

Details of interest in assets management schemes is disclosed in Note 55 to the consolidated financial statements.

4.2 Business model assessment

Classification and measurement of financial assets depends on the results of whether the contractual cash flow represents the solely payments of principal and interest 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 the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. 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. No such changes were required during the years presented.

Notes to the Consolidated Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties

4.3 Fair value of financial instruments

Financial instruments at FVTPL are measured at fair value at the reporting date and it is usually possible to determine their fair values within a reasonable range of estimate. For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets for which there is no observable market price, requires the use of valuation technique. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details of fair value measurements are disclosed in Note 60 to the consolidated financial statements.

4.4 Impairment of financial assets

The measurement of impairment losses of financial assets under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Details of impairment of receivables are disclosed in Notes 29, 30, 33, 34 and 59(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

4.5 Impairment of goodwill

Determining whether goodwill (Note 25) is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The calculations requires the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. No impairment loss on goodwill is made for the year ended 31 December 2019 (2018: Nil).

4.6 Current and deferred income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Group evaluates carefully tax implication of transaction and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. The amount of income tax recognised in profit or loss based on the estimated profit from operations was disclosed in Note 17 to the consolidated financial statements.

4.7 Depreciation, amortisation and impairment of non-financial assets

Property and equipment, investment properties, intangible assets, leasehold improvements, long-term prepaid expenses and other foreclosed assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting date. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised. The depreciation and amortisation charged for the year were disclosed in Note 14 to the consolidated financial statements.

Property and equipment, investment properties, leasehold improvements, long-term prepaid expenses, other foreclosed assets and intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. Please refer to Notes 22, 23, 24, 32 and 26 to the consolidated financial statements for the carrying amounts of these non-financial assets.

Notes to the Consolidated Financial Statements (Continued)

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current assets		
Property and equipment	498,894	487,319
Right-of-use assets	123,636	–
Investment properties	10,966	11,532
Intangible assets	111,568	98,966
Investments in subsidiaries	1,726,583	1,996,583
Refundable deposits	170,711	200,040
Deferred tax assets	164,480	260,809
Other non-current assets	28,814	25,739
Total non-current assets	2,835,652	3,080,988
Current assets		
Margin account receivables	3,969,330	3,237,924
Other current assets	372,437	424,790
Financial assets held under resale agreements	749,410	1,084,889
Financial assets at fair value through profit or loss	7,668,273	8,729,918
Cash held on behalf of brokerage clients	8,285,509	7,133,835
Clearing settlement funds	772,337	711,108
Cash and bank balances	858,384	1,908,182
Total current assets	22,675,680	23,230,646

Notes to the Consolidated Financial Statements (Continued)

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current liabilities		
Debt instruments	1,609,985	2,161,070
Placements from a financial institution	1,500,000	500,000
Account payables to brokerage clients	8,288,060	6,916,864
Employee benefit payables	289,468	175,784
Contract liabilities	1,965	1,569
Lease liabilities	120,686	–
Other current liabilities	109,691	290,442
Financial assets sold under repurchase agreements	2,848,360	3,491,425
Total current liabilities	14,768,215	13,537,154
Net current assets	7,907,465	9,693,492
Total assets less current liabilities	10,743,117	12,774,480
Non-current liabilities		
Debt instruments	1,500,000	3,910,248
Net assets	9,243,117	8,864,232

Notes to the Consolidated Financial Statements (Continued)

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Equity		
Share capital	2,604,567	2,604,567
Share premium	1,665,236	1,665,236
Perpetual capital securities	1,500,000	1,500,000
Reserves (<i>Note 52</i>)	3,473,314	3,094,429
Total equity	9,243,117	8,864,232

Approved by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Pang Jiemin
Chairman of Board of Directors

Wu Yigang
Vice Chairman of Board of Directors

Yang Shufei
Chief Financial Officer

Notes to the Consolidated Financial Statements (Continued)

6. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax rate
Corporate income tax	25%
Value-added tax ("VAT")	2% – 11%
City maintenance and construction tax	7%
Education surcharge and local education surcharge	2% – 3%

7. FEES AND COMMISSION INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Fees and commission income arising from:		
– Securities brokerage business	802,978	624,216
– Assets management business	441,315	548,784
– Underwriting and sponsoring business	290,737	115,114
– Financial advisory business	45,734	58,231
– Futures brokerage business	47,850	61,279
– Investment advisory business	37,928	17,220
– Custody business	48,651	50,885
Revenue from contracts with customers within the Scope of IFRS 15	1,715,193	1,475,729

Notes to the Consolidated Financial Statements (Continued)

7. FEES AND COMMISSION INCOME (CONTINUED)

(a) The following table shows revenue disaggregation by timing of revenue recognition:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
For year ended 31 December 2019					
Over time	-	524,977	-	48,651	573,628
Point in time	850,828	-	290,737	-	1,141,565
For year ended 31 December 2018					
Over time	-	624,235	-	50,885	675,120
Point in time	685,495	-	115,114	-	800,609

Notes to the Consolidated Financial Statements (Continued)

7. FEES AND COMMISSION INCOME (CONTINUED)

(b) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 and the expected timing of recognising revenue as follows:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2019					
Within one year	-	32,356	-	1,966	34,322
As at 31 December 2018					
Within one year	-	32,914	-	1,417	34,331

8. INTEREST INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest income arising from:		
- Margin financing and securities lending	305,967	370,799
- Deposits in financial institutions	286,908	318,953
- Financial assets held under resale agreements	57,007	85,792
- Others	-	14,497
	649,882	790,041

Notes to the Consolidated Financial Statements (Continued)

9. NET INVESTMENT INCOME/(LOSS)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net (loss)/gain on disposal of financial assets at FVTOCI	(85)	896
Dividend income from financial assets at FVTPL	348,932	474,050
Net realised gains/(losses) from disposal of financial assets at FVTPL and derivative financial instruments <i>(note)</i>	402,238	(656,176)
Loss on disposal of a subsidiary <i>(Note 61(a))</i>	(277)	–
Gain on disposal of an associate <i>(Note 28)</i>	6,543	17
Others	–	795
	757,351	(180,418)

Note: Unrealised fair value gain and unrealised fair value loss of financial assets at FVTPL were recorded under “Other income and gain” and “Fair value losses from financial assets at fair value through profit or loss” in the consolidated statement of profit or loss and other comprehensive income, respectively.

10. OTHER INCOME AND GAINS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Foreign exchange gains/(losses), net	499	(899)
Rental income	2,657	3,017
Government grants <i>(note a)</i>	9,430	14,006
Gain/(Loss) on disposal of property and equipment and intangible assets	671	(3,631)
Fair value gain from financial assets at FVTPL and derivative financial instruments <i>(note b)</i>	711,115	550
Others	306	1,259
	724,678	14,302

Note:

- (a) Government grants were received from several local government authorities for supporting the Group’s operation, of which the entitlement was unconditional.
- (b) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group’s position in stock index futures and treasury futures contracts were settled daily and the corresponding payments or receipts were included in “clearing settlement funds” (Note 38) as at 31 December 2019 and 2018. Accordingly, the net position of the stock index futures and treasury future contracts in derivative instruments was nil at the end of reporting period. For the year ended 31 December 2019, the fair gain from derivative financial instruments was RMB31,069,000 (2018 loss: RMB30,129,000).

Notes to the Consolidated Financial Statements (Continued)

11. FEES AND COMMISSION EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Expenses arising from:		
– Securities brokerage business	157,538	121,823
– Underwriting and sponsoring business	20,141	25,472
– Custody business	–	44
	177,679	147,339

12. INTEREST EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest expenses arising from:		
– Account payables to brokerage clients	34,118	33,700
– Placements from a financial institutions	25,882	28,282
– Financial assets sold under repurchase agreements	94,282	235,143
– Finance charges on lease liabilities	8,234	–
– Debt instruments	221,562	262,720
– Other investors of consolidated asset management schemes	83,077	(24,442)
– Others	784	288
	467,939	535,691

Notes to the Consolidated Financial Statements (Continued)

13. STAFF COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Short-term benefits	1,015,460	791,296
Severance payment	893	–
Defined contribution plan	74,371	72,425
	1,090,724	863,721

The Group is required to participate in pension schemes in the PRC whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

14. DEPRECIATION AND AMORTISATION

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Depreciation of:		
– property and equipment (<i>Note 22</i>)	46,948	40,736
– right-of-use assets (<i>Note 23</i>)	63,048	–
– investment properties (<i>Note 24</i>)	1,974	826
Amortisation of:		
– intangible assets (<i>Note 26</i>)	44,092	38,640
– leasehold improvements, long-term prepaid expenses and other foreclosed assets (<i>Note 32</i>)	14,877	16,947
	170,939	97,149

Notes to the Consolidated Financial Statements (Continued)

15. OTHER OPERATING EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Auditors' remuneration	5,942	4,804
Business entertainment expenses	26,679	27,227
Business travel expenses	32,995	38,032
Consulting fees	50,038	82,037
Electronic equipment operating expenses	97,495	76,629
Lease charges:		
– Premises held under operating leases	–	118,485
– Short-term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	41,424	–
Miscellaneous office expenses	8,223	9,362
Other commission expenses	92,922	82,750
Outsourcing fee	72,572	83,982
Postal and communication expenses	17,452	18,902
Securities investor protection funds	15,531	9,055
Utilities and building management fees	15,189	17,880
Others	133,860	100,434
	610,322	669,579

16. IMPAIRMENT LOSSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Impairment losses on:		
– margin financing and securities lending (<i>Note 33</i>)	10,147	4,125
– financial assets at FVTOCI	–	58
– financial assets held under resale agreements (<i>Note 29</i>)	147,179	7,433
– other current assets (<i>Note 34</i>)	181,875	140,462
	339,201	152,078

Notes to the Consolidated Financial Statements (Continued)

17. INCOME TAX EXPENSE/(CREDIT)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax	71,242	39,851
Deferred tax <i>(Note 31)</i>	140,862	(224,291)
	212,104	(184,440)

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2018: 25%). Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable tax rate:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit/(loss) before tax	974,950	(820,420)
Tax at the PRC statutory income tax rate of 25% (2018: 25%)	243,737	(205,105)
Tax effect of non-deductible expenses	5,014	7,716
Tax effect of non-taxable income	(2,386)	(2,624)
Tax exemption	-	(2,500)
Tax deduction for dividends paid on perpetual capital securities	(25,500)	-
Others	(8,761)	18,073
Income tax expense/(credit)	212,104	(184,440)

Notes to the Consolidated Financial Statements (Continued)

18. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	2019	2018
	RMB'000	RMB'000
Earnings/(Loss)		
Profit/(Loss) for the year attributable to ordinary shareholders of the Company	740,538	(673,446)
Less: Dividends for cumulative perpetual capital securities	(102,000)	(102,000)
	638,538	(775,446)
Number of shares		
Weighted average number of ordinary shares used in basic earnings/(loss) per share calculation (<i>in thousands</i>)	2,604,567	2,604,567

For the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares hence the diluted earnings/(loss) per share equals to the basic earnings/(loss) per share.

Notes to the Consolidated Financial Statements (Continued)

19. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' remuneration

	2019				
	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
Executive directors					
Pang Jiemin	-	1,877	3,849	50	5,776
Wu Yigang	-	863	2,138	45	3,046
Non-executive directors					
Yu Lei ¹	19	-	-	-	19
Wang Linjing ¹	19	-	-	-	19
Zhang Tao ²	56	-	-	-	56
Sun Chao ²	56	-	-	-	56
Dong Hong ³	75	-	-	-	75
Gao Liang ⁴	75	-	-	-	75
Independent non-executive directors					
Zhou Jianjun	150	-	-	-	150
Lam Sek Kong	150	-	-	-	150
Lv Wendong ⁵	150	-	-	-	150
Supervisors					
Guo Liwen	-	743	2,138	45	2,926
Wang Hui	-	517	462	50	1,029
Pei Jingjing	45	-	-	-	45
	795	4,000	8,587	190	13,572

Notes to the Consolidated Financial Statements (Continued)

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (continued)

	2018				
	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
Executive directors					
Pang Jiemin	-	1,888	-	55	1,943
Wu Yigang	-	871	-	49	920
Non-executive directors					
Zhang Tao ²	75	-	-	-	75
Sun Chao ²	75	-	-	-	75
Dong Hong ³	75	-	-	-	75
Gao Liang ⁴	69	-	-	-	69
Independent non-executive directors					
Zhou Jianjun	150	-	-	-	150
Lam Sek Kong	150	-	-	-	150
Lv Wendong ⁵	150	-	-	-	150
Supervisors					
Guo Liwen	-	750	-	49	799
Wang Hui	-	518	-	52	570
Pei Jingjing	45	-	-	-	45
	789	4,027	-	205	5,021

Notes to the Consolidated Financial Statements (Continued)

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (continued)

- ¹ On 20 September 2019, Mr. Yu Lei and Ms. Wang Linjing were appointed to be non-executive director.
- ² On 20 September 2019, Mr. Zhang Tao and Mr. Sun Chao ceased to be non-executive director.
- ³ On 5 January 2018, Ms. Dong Hong was appointed to be non-executive director.
- ⁴ On 31 January 2018, Ms. Gao Liang was appointed to be non-executive director.
- ⁵ On 5 January 2018, Mr. Lv Wendong was appointed to be independent non-executive director.

There were no arrangements under which a director of the Company waived or agreed to waive any emolument during the years ended 31 December 2019 and 2018.

(b) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company and the director's or supervisor's connected party had a material interest, whether directly or indirectly, subsisted at the reporting date or at any time during the year.

20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, excluding amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid individuals include two directors (2018: one), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries and allowances	3,189	1,860
Discretionary bonuses	8,125	9,633
Employer's contribution to pension schemes	150	213
	11,464	11,706

Notes to the Consolidated Financial Statements (Continued)

20. INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	2019	2018
	<i>Number of individuals</i>	
HKD2,500,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD3,500,000	2	2
HKD4,500,001 to HKD5,000,000	–	1
HKD6,000,001 to HKD6,500,000	1	–

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2019 and 2018.

21. DIVIDENDS

	2019	2018
	<i>RMB'000</i>	
Final dividend in respect of the financial year ended 31 December 2017 of RMB0.10 per ordinary share (<i>Note i</i>)	–	260,457
Dividend paid to holders of perpetual capital securities (<i>Note ii</i>)	102,000	102,000
	102,000	362,457

Notes:

- (i) The dividends paid for year ended 31 December 2018 was approximately RMB260,457,000 being final dividend of RMB0.10 per ordinary shares in respect of the year ended 31 December 2017.
- (ii) The dividend paid for the year ended 31 December 2019 was approximately RMB102,000,000 (2018: RMB102,000,000) being dividend calculated at 6.8% per annum on the nominal value of perpetual capital securities.

The directors do not recommend the payment of dividend for the year ended 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

22. PROPERTY AND EQUIPMENT

	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
As at 1 January 2018	179,332	25,767	203,295	24,846	315,405	748,645
Additions	–	1,102	16,613	3,496	65,597	86,808
Transfer	145,861	–	11,897	1,134	(214,818)	(55,926)
Disposals	–	(3,370)	(17,139)	(1,636)	–	(22,145)
At 31 December 2018	325,193	23,499	214,666	27,840	166,184	757,382
Additions	–	2,290	46,768	1,563	16,189	66,810
Transfer	–	–	6,142	522	(11,368)	(4,704)
Disposals	–	(5,185)	(35,050)	(4,262)	–	(44,497)
At 31 December 2019	325,193	20,604	232,526	25,663	171,005	774,991
Accumulated depreciation						
At 1 January 2018	(53,805)	(21,849)	(137,716)	(17,098)	–	(230,468)
Charge for the year	(6,861)	(1,312)	(29,470)	(3,093)	–	(40,736)
Disposals	–	3,299	16,990	1,440	–	21,729
Transfer	15,260	–	–	–	–	15,260
At 31 December 2018	(45,406)	(19,862)	(150,196)	(18,751)	–	(234,215)
Charge for the year	(9,588)	(1,282)	(32,953)	(3,125)	–	(46,948)
Disposals	–	4,734	34,843	4,000	–	43,577
At 31 December 2019	(54,994)	(16,410)	(148,306)	(17,876)	–	(237,586)
Accumulated impairment						
As at 1 January 2018	(719)	–	(625)	(60)	–	(1,404)
Disposals	–	–	15	3	–	18
At 31 December 2018	(719)	–	(610)	(57)	–	(1,386)
Disposals	–	–	4	18	–	22
At 31 December 2019	(719)	–	(606)	(39)	–	(1,364)
Carrying amount						
At 31 December 2019	269,480	4,194	83,614	7,748	171,005	536,041
At 31 December 2018	279,068	3,637	63,860	9,032	166,184	521,781

Notes to the Consolidated Financial Statements (Continued)

22. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2019, the carrying amount of buildings without title deeds is amounted to RMB22,466,000 (2018: RMB23,370,000). The Group is still in the midst of applying for the outstanding title deeds of these premises. The management of the Group expected that there would be no significant cost in obtaining the title deeds.

23. RIGHT-OF-USE ASSETS

	Properties RMB'000
As at 31 December 2018	
Net book amount as at 31 December 2018	–
Adjustment from the adoption of IFRS 16 (Note 2(a))	166,000
Net book amount as at 1 January 2019, restated	166,000
Year ended 31 December 2019	
Opening net book amount	166,000
Additions	59,658
Lease modification	(4,753)
Depreciation	(63,048)
Closing net book amount	157,857
As 31 December 2019	
Cost	219,102
Accumulated depreciation	(61,245)
Net book amount	157,857

The Group has obtained the right to use premises through tenancy agreements. The leases typically run on an initial period of one to six years.

The total additions to right-of-use assets amounted to RMB59,658,000 for the year ended 31 December 2019. The details in relations to these leases are set out in Note 46.

Notes to the Consolidated Financial Statements (Continued)

24. INVESTMENT PROPERTIES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Cost		
As at 1 January	70,220	29,664
Transfer	-	40,556
As at 31 December	70,220	70,220
Accumulated depreciation		
As at 1 January	(27,462)	(11,376)
Charge for the year	(1,974)	(826)
Transfer	-	(15,260)
As at 31 December	(29,436)	(27,462)
Carrying amount		
As at 31 December	40,784	42,758

The fair value of the Group's investment properties as at 31 December 2019 amounted to RMB294,648,000 (2018: RMB295,370,000). The fair value was derived using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition. The higher the market price per square metre, the higher the fair value. This is categorised as Level 3 fair value measurement.

Notes to the Consolidated Financial Statements (Continued)

25. GOODWILL

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
As at 1 January and 31 December		43,739	43,739
Funds management	1	30,604	30,604
Futures brokerage	2	13,135	13,135
		43,739	43,739

- (1) In 2015, the Group further acquired equity interest in New China Fund Management Co., Ltd. ("New China Fund"), and accordingly obtained control of New China Fund. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill arising from funds management CGU.
- (2) In 2009, the Group acquired the entire equity interest in Hengtai Futures Co., Ltd ("Hengtai Futures"). The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group performed goodwill impairment assessment at each reporting date. The recoverable amount for the CGUs was determined based on value-in-use calculations covering a detailed five-year budget plan of each CGU followed by an extrapolation of expected cash flows at nil (2018: nil) growth rate. Discount rate of futures brokerage CGU and funds management CGU is 12.15% (2018: 11.60%) and 12.26% (2018: 11.60%), respectively, which is pre-tax and reflect specific risks relating to the relevant CGUs.

No impairment losses were recognised for the goodwill related to futures brokerage CGU and funds management CGU as the recoverable amount exceeded their carrying amount. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

26. INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
As at 1 January 2018	9,589	259,764	5,288	274,641
Transfer	–	13,662	–	13,662
Additions	–	26,328	–	26,328
Disposal	–	(3,639)	–	(3,639)
As at 31 December 2018	9,589	296,115	5,288	310,992
Additions	–	58,520	–	58,520
As at 31 December 2019	9,589	354,635	5,288	369,512
Accumulated amortisation				
As at 1 January 2018	(9,289)	(142,600)	(5,288)	(157,177)
Charge for the year	–	(38,640)	–	(38,640)
Disposal	–	93	–	93
As at 31 December 2018	(9,289)	(181,147)	(5,288)	(195,724)
Charge for the year	–	(44,092)	–	(44,092)
As at 31 December 2019	(9,289)	(225,239)	(5,288)	(239,816)
Carrying amount				
As at 31 December 2019	300	129,396	–	129,696
As at 31 December 2018	300	114,968	–	115,268

The remaining amortisation period of trading rights and software ranged from 1 to 5 years (2018: 1 to 5 years).

Notes to the Consolidated Financial Statements (Continued)

27. INVESTMENTS IN SUBSIDIARIES

	2019	2018
	RMB'000	<i>RMB'000</i>
Unlisted shares, at cost	1,726,583	1,996,583

Details of principal subsidiaries are as follows:

Name of company	Place of establishment	Registered Capital	Equity interest directly held by the Company		Principal activities
			2019	2018	
Hengtai Changcai Securities Co., Ltd. 恒泰長財證券有限責任公司 ("Hengtai Changcai")	Changchun, PRC	RMB200 million (2018: RMB200 million)	100%	100%	Securities underwriting and sponsoring business, securities investment fund marketing
Hengtai Futures 恒泰期貨股份有限公司	Shanghai, PRC	RMB125 million (2018: RMB125 million)	80%	80%	Futures brokerage business
New China Fund 新華基金管理股份有限公司	Chongqing, PRC	RMB217.5 million (2018: RMB217.5 million)	58.62%	58.62%	Funds management
Hengtai Pioneer Investments Co., Ltd. 恒泰先鋒投資有限公司 ("Hengtai Pioneer")	Beijing, PRC	RMB100 million (2018: RMB100 million)	100%	100%	Investment, advisory and business management
Hengtai Capital Investment Co., Ltd. 恒泰資本投資有限責任公司 ("Hengtai Capital")	Shenzhen, PRC	RMB800 million (2018: RMB1,200 million)	100%	100%	Equity investment, and funds management

Apart from the above subsidiaries, the Company has consolidated certain structured entities which are controlled by the Company (Note 55(a)).

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese name of those companies as no English names have been registered or available.

Notes to the Consolidated Financial Statements (Continued)

28. INTERESTS IN ASSOCIATES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Share of net assets	–	12,557

As at 31 December 2019, the Group had interests in the following associates, all of which are unlisted corporate entities whose quoted market price is not available and considered not individually material to the Group:

Name	Place of registration	Registered capital	Equity interests held		Principal activities
			2019	2018	
Yifeng Internet Financial Information Services (Shanghai) Co., Ltd (“Yifeng”)	Shanghai, PRC	RMB9.8 million	Nil	49%	Internet financial services
Beijing Hengtai Puhui Information Service Co., Ltd. (“Hengtai Puhui”)	Beijing, PRC	RMB10.0 million	30%	30%	Investment management and consultancy

The associates are accounted for using the equity method in the consolidated financial statements. The Group’s share of profit from associates was amounted to RMB2,668,000 (2018: losses of RMB1,668,000) for the year ended 31 December 2019.

In December 2019, the Group disposed Yifeng with carrying amount of RMB3,457,000 to an independent third parties in exchange of an unlisted equity investment with an initial fair value of RMB10,000,000. Accordingly, the Group recorded a gain on disposal of an associate of RMB6,543,000 in profit or loss for the year ended 31 December 2019 (Note 9). This also constituted a non-cash transactions during the year ended 31 December 2019.

During the year ended 31 December 2019, the investment in Hengtai Puhui of RMB11,768,000 was reclassified as “Assets classified as held for sale” (Note 40) as the Group intends to dispose of the investment in coming year. The Group has entered sale and purchase agreement with an independent third party to dispose Hengtai Puhui as at 31 December 2019 and the disposal subsequent to the year ended 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Analysis by collateral type:		
– Equity securities	559,008	753,157
– Debt securities	383,240	443,100
Less: Accumulated impairment losses	(181,448)	(34,269)
	760,800	1,161,988
Analysis by market:		
– Shenzhen Stock Exchange	208,600	753,157
– Shanghai Stock Exchange	634,148	341,100
– Interbank	95,000	102,000
– Others	4,500	–
Less: Accumulated impairment	(181,448)	(34,269)
	760,800	1,161,988

The resale agreements are those agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified debt securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the Group's consolidated statement of financial position but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises as collateralised lending asset for the price paid to purchase the assets. As at 31 December 2019 and 2018, the maturities of these resale agreements are all within one year.

As at 31 December 2019, the fair value of the collaterals were amounted to RMB886,315,000 (2018: RMB1,439,474,000).

As at 31 December 2019, the financial asset held under resale agreements carried interests at 1.0% to 8.0% (2018:0.95% to 7.9%) per annum.

An impairment loss on financial assets held under resale agreements of RMB147,179,000 (2018: RMB7,433,000) was made for the year ended 31 December 2019 (Note 16).

Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

30. REFUNDABLE DEPOSITS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	32,875	39,262
– Shenzhen Branch	31,181	28,962
– Beijing Branch	898	999
	64,954	69,223
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	25,175	146,983
– Shanghai Futures Exchange	72,395	88,791
– Shanghai International Energy Exchange	100,065	13,926
– Dalian Commodity Exchange	57,126	44,439
– Zhengzhou Commodity Exchange	20,896	28,438
	275,657	322,577
Deposits with other institution		
– China Securities Finance Corporation Limited	107,448	88,702
	448,059	480,502

As at 31 December 2019, the Group's long-term refundable deposits of RMB107,488,000 (2018: RMB88,702,000) were pledged to China Securities Finance Corporation Limited ("CSFC") as collateral for the placements (Note 42).

Notes to the Consolidated Financial Statements (Continued)

31. DEFERRED TAXATION

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred taxation arising from:	Notes	Impairment losses RMB'000	Employee benefit payables RMB'000	Changes in fair value of financial assets at FVTPL RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018		23,532	88,209	(160,470)	38,813	(9,916)
Recognised in profit or loss	17	28,082	(27,930)	170,203	53,936	224,291
As at 31 December 2018 and 1 January 2019		51,614	60,279	9,733	92,749	214,375
Recognised in profit or loss	17	84,795	46,739	(164,755)	(107,641)	(140,862)
Disposal of a subsidiary	61(a)	–	–	–	(294)	(294)
As at 31 December 2019		136,409	107,018	(155,022)	(15,186)	73,219

(a) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	205,287	231,103
Net deferred tax liabilities recognised in the consolidated statement of financial position	(132,068)	(16,728)
	73,219	214,375

(b) Deferred tax assets not recognised

As at 31 December 2019, the Group had unused tax losses of approximately RMB65,697,000 (2018: RMB364,041,000) to carry forward against future taxable income of the group entities, all of which are recognised as deferred assets.

The Group has no material unrecognised deferred tax assets or liabilities as at 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Statements (Continued)

32. OTHER NON-CURRENT ASSETS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Leasehold improvements, long-term prepaid expenses and other foreclosed assets <i>(note)</i>	40,266	32,710
Prepayments	5,971	8,323
	46,237	41,033

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At 1 January	32,710	38,954
Transfer	4,704	–
Additions	17,729	10,703
Amortisation	(14,877)	(16,947)
At 31 December	40,266	32,710

Notes to the Consolidated Financial Statements (Continued)

33. MARGIN ACCOUNT RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Individual receivables	3,851,795	3,227,675
Institution receivables	138,438	21,005
Less: Accumulated impairment losses	(20,903)	(10,756)
	3,969,330	3,237,924

The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Equity securities	530,414	8,070,585
Cash	11,672,014	567,343
	12,202,428	8,637,928

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables and has a credit risk management department to monitor credit risks.

As at 31 December 2019, the margin account receivables carried interest at 7.0% to 8.6% (2018: 7.0% to 8.6%) per annum.

The concentration of credit risk of margin account receivables is limited due to the size and uncorrelated nature of the customer base.

An impairment loss on margin account receivables of RMB10,147,000 (2018:RMB4,125,000) was made for the year ended 31 December 2019 (Note 16).

Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

34. OTHER CURRENT ASSETS

	2019	2018
	RMB'000	RMB'000
Accounts receivable (<i>note a</i>)	387,021	209,215
Interest receivables (<i>note b</i>)	230,878	222,056
Prepaid expenses	10,312	13,130
Income tax recoverable	19,157	53,497
Other receivables (<i>note c</i>)	68,957	61,344
	716,325	559,242

Notes:

(a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	2019	2018
	RMB'000	RMB'000
Within one year	602,538	324,820
Over one year	733	865
Less: Accumulated impairment losses	(216,250)	(116,470)
	387,021	209,215

During the year ended 31 December 2019, accounts receivable of RMB6,060,000 were settled by the debtor by certain foreclosed assets. The settlement constituted a non-cash transaction during the year. The foreclosed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding receivables. The foreclosed assets will be used by the Group for its ordinary course of business.

Notes to the Consolidated Financial Statements (Continued)

34. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(b) Interest receivables

	2019	2018
	RMB'000	RMB'000
Interest receivables arising from:		
– Financial assets at FVTPL	179,880	179,273
– Margin financing and securities lending	60,953	48,299
– Bank deposits	6,552	8,505
– Financial assets held under resale agreements	39,033	9,678
Less: Accumulated impairment losses	(55,540)	(23,699)
	230,878	222,056

(c) Other receivables

	2019	2018
	RMB'000	RMB'000
Other receivables	143,987	86,120
Less: Accumulated impairment losses	(75,030)	(24,776)
	68,957	61,344

A total impairment loss on other current assets of RMB181,875,000 (2018: RMB140,462,000) were made for the year ended 31 December 2019 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current:		
– Debt securities	–	55,426
Analysis into:		
– Unlisted	–	55,426

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Held for trading:		
– Debt securities	5,728,934	6,398,431
– Equity securities	3,106,255	3,617,252
– Investment funds	1,530,226	1,228,268
– Assets management schemes	361,346	596,645
	10,726,761	11,840,596
Analysis into:		
– Listed in Hong Kong	120,841	75,805
– Listed outside Hong Kong	6,241,190	6,390,496
– Unlisted	4,364,730	5,374,295
	10,726,761	11,840,596

During the year ended 31 December 2019, financial assets at FVTPL of RMB60,572,000 were derecognised upon the Group de-invested the investments following the occurrence of default events by the debt issuers. The debt issuers will compensate the Group with agreed bases or amounts, and accordingly, the Group has recognised the relevant compensations under “other current assets” as at 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

37. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with CSRC regulations.

38. CLEARING SETTLEMENT FUNDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Deposits with stock exchanges China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	488,245	464,694
– Shenzhen Branch	300,529	365,204
– Beijing Branch	2,047	51,200
Deposits with futures and commodity exchanges	10,000	98,961
	800,821	980,059

As at 31 December 2019, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB27,520,000 (2018: RMB15,873,000).

Notes to the Consolidated Financial Statements (Continued)

39. CASH AND CASH EQUIVALENTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Cash in hand	51	82
Bank balances	2,108,921	3,115,390
Cash and bank balances per the consolidated statement of financial position	2,108,972	3,115,472
Add: Clearing settlement funds (<i>Note 38</i>)	800,821	980,059
Add: Financial assets held under resale agreements with original maturity within three months	383,240	443,257
Less: Time deposits with original maturities exceeding three months	(231,700)	(315,700)
Less: Restricted bank deposits	(281,077)	(224,438)
	2,780,256	3,998,650

As at 31 December 2019, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB18,800,000 (2018: RMB14,079,000).

Bank balances comprise time and demand deposits which bear interests at the prevailing market rates.

As at 31 December 2019, included in bank balances and cash of RMB281,077,000 (2018: RMB224,438,000) are restricted for general risk reserve purpose.

40. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2019, interest in an associate with a carrying amount of RMB11,768,000 (Note 28) was reclassified as assets classified held for sale as the Group intends to dispose of the investment in coming year. The Group has entered sale and purchase agreement with an independent third party to dispose the associate and completed the disposal subsequent to the year ended 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

41. DEBT INSTRUMENTS

	2019	2018
	RMB'000	<i>RMB'000</i>
Beneficiary certificates	1,609,985	3,071,318
Subordinated bonds	1,500,000	1,500,000
Long-term corporate bond	-	1,500,000
	3,109,985	6,071,318
Analysis by remaining maturity:		
Current		
Within one year	1,609,985	3,853,082
Non-current		
Between one year and two years	-	718,236
Between two years and five years	1,500,000	1,500,000
	1,500,000	2,218,236
	3,109,985	6,071,318

Notes to the Consolidated Financial Statements (Continued)

41. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2019					
					Par value			Accrued		Book value as at 31 December 2019
					As at 1 January 2019 RMB'000	Issuance RMB'000	Redemption RMB'000	As at 31 December 2019 RMB'000	Interest RMB'000	
恒創泰富No.6	100,000	24.02.2017	22.02.2019	5.70%	110,557	-	(110,557)	-	-	-
恒創泰富No.13	500,000	14.03.2018	14.03.2019	6.20%	500,000	-	(500,000)	-	-	-
恒創泰富No.14	500,000	04.07.2018	04.07.2019	5.85%	500,000	-	(500,000)	-	-	-
恒創泰富No.15	500,000	25.07.2018	25.07.2019	5.50%	500,000	-	(500,000)	-	-	-
恒創泰富No.16	80,000	31.08.2018	28.11.2019	5.40%	81,456	-	(81,456)	-	-	-
恒創泰富No.17	300,000	27.09.2018	26.09.2019	5.40%	300,000	-	(300,000)	-	-	-
恒創泰富No.19	300,000	16.11.2018	16.11.2020	5.75%	302,174	-	-	302,174	17,250	319,424
恒富No.14	60,130	18.01.2018	17.01.2019	5.50%	60,130	-	(60,130)	-	-	-
恒富No.16	140,140	11.04.2018	13.04.2020	6.20%	146,448	-	-	146,448	8,689	155,137
恒富No.17	140,940	27.06.2018	26.06.2019	5.60%	140,940	-	(140,940)	-	-	-
恒富No.18	148,350	11.07.2018	08.01.2020	5.80%	152,452	-	-	152,452	8,604	161,056
恒富No.19	160,000	25.07.2018	24.07.2019	5.60%	160,000	-	(160,000)	-	-	-
恒富No.20	85,090	26.12.2018	21.12.2020	5.00%	85,160	-	-	85,160	4,254	89,414
恒富No.21	31,980	27.12.2018	22.12.2020	5.00%	32,001	-	-	32,001	1,599	33,600
恒創泰富No.20	200,000	01.03.2019	28.02.2020	5.00%	-	200,000	-	200,000	-	200,000
恒創泰富No.21	200,000	19.04.2019	21.10.2020	5.20%	-	200,000	-	200,000	7,323	207,323
恒富No.22	39,990	29.05.2019	27.08.2019	4.40%	-	39,990	(39,990)	-	-	-
恒富No.23	39,990	30.05.2019	26.11.2019	4.60%	-	39,970	(39,970)	-	-	-
恒富No.24	160,420	12.06.2019	15.06.2020	4.80%	-	160,420	-	160,420	4,283	164,703
恒富No.25	116,240	13.06.2019	16.06.2020	4.80%	-	116,240	-	116,240	3,088	119,328
恒富No.26	160,000	15.08.2019	10.08.2020	4.90%	-	160,000	-	160,000	-	160,000
					3,071,318	916,620	(2,433,043)	1,554,895	55,090	1,609,985

Notes to the Consolidated Financial Statements (Continued)

41. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (continued)

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2018					
					Par value			Accrued		Book value as at 31 December 2018
					As at 1 January 2018 RMB'000	Issuance RMB'000	Redemption RMB'000	As at 31 December 2018 RMB'000	Interest RMB'000	
恒創泰富No.6	100,000	24.02.2017	22.02.2019	5.70%	104,857	-	-	104,857	5,700	110,557
恒創泰富No.8	300,000	08.03.2017	08.03.2018	5.20%	300,000	-	(300,000)	-	-	-
恒創泰富No.9	200,000	10.03.2017	09.03.2018	5.20%	200,000	-	(200,000)	-	-	-
恒創泰富No.11	500,000	27.06.2017	27.06.2018	5.78%	500,000	-	(500,000)	-	-	-
恒創泰富No.12	500,000	21.07.2017	20.07.2018	5.45%	500,000	-	(500,000)	-	-	-
恒創泰富No.13	500,000	14.03.2018	14.03.2019	6.20%	-	500,000	-	500,000	-	500,000
恒創泰富No.14	500,000	04.07.2018	04.07.2019	5.85%	-	500,000	-	500,000	-	500,000
恒創泰富No.15	500,000	25.07.2018	25.07.2019	5.50%	-	500,000	-	500,000	-	500,000
恒創泰富No.16	80,000	31.08.2018	28.11.2019	5.40%	-	80,000	-	80,000	1,456	81,456
恒創泰富No.17	300,000	27.09.2018	26.09.2019	5.40%	-	300,000	-	300,000	-	300,000
恒創泰富No.19	300,000	16.11.2018	16.11.2020	5.75%	-	300,000	-	300,000	2,174	302,174
恒富No.14	60,130	18.01.2018	17.01.2019	5.50%	-	60,130	-	60,130	-	60,130
恒富No.16	140,140	11.04.2018	13.04.2020	6.20%	-	140,140	-	140,140	6,308	146,448
恒富No.17	140,940	27.06.2018	26.06.2019	5.60%	-	140,940	-	140,940	-	140,940
恒富No.18	148,350	11.07.2018	08.01.2020	5.80%	-	148,350	-	148,350	4,102	152,452
恒富No.19	160,000	25.07.2018	24.07.2019	5.60%	-	160,000	-	160,000	-	160,000
恒富No.20	85,090	26.12.2018	21.12.2020	5.00%	-	85,090	-	85,090	70	85,160
恒富No.21	31,980	27.12.2018	22.12.2020	5.00%	-	31,980	-	31,980	21	32,001
					1,604,857	2,946,630	(1,500,000)	3,051,487	19,831	3,071,318

Notes to the Consolidated Financial Statements (Continued)

41. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds

Name	Par value RMB'000	Issuance date	Due date	Nominal interest rate RMB'000	2019		
					Book value as at 1 January 2019 RMB'000	Redemption RMB'000	Book value as at 31 December 2019 RMB'000
					Unlisted instruments		
恒泰証券股份有限公司 2017次級債	1,500,000	01.11.2017	01.11.2022 (with early redemption option on 01.11.2020)	5.90%	1,500,000	-	1,500,000
					2018		
Name	Par value RMB'000	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2018 RMB'000	Redemption RMB'000	Book value as at 31 December 2018 RMB'000
Listed instrument							
14 恒泰債(123262) *	200,000	30.01.2015	30.01.2020 (with early redemption option on 30.01.2018)	6.70%	200,000	(200,000)	-
Unlisted instruments							
恒泰証券股份有限公 司2017次級債	1,500,000	01.11.2017	01.11.2022 (with early redemption option on 01.11.2020)	5.90%	1,500,000	-	1,500,000
恒泰期貨股份有限公 司次級債	40,000	15.08.2016	15.08.2020 (with early redemption option on 15.08.2018)	6.00%	40,000	(40,000)	-
					1,740,000	(240,000)	1,500,000

* The subordinated bond was listed at Shanghai Stock Exchange.

Notes to the Consolidated Financial Statements (Continued)

41. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	2019		
				Book value as at 1 January 2019	Redemption	Book value as at 31 December 2019
				RMB'000	RMB'000	RMB'000
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	1,500,000	(1,500,000)	-

Name	Issuance date	Due date	Nominal interest rate	2018		
				Book value as at 1 January 2018	Redemption	Book value as at 31 December 2018
				RMB'000	RMB'000	RMB'000
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	1,500,000	-	1,500,000

42. PLACEMENTS FROM A FINANCIAL INSTITUTION

	2019 RMB'000	2018 RMB'000
Placements from CSFC	1,500,000	500,000

As at 31 December 2019, the placements from CSFC bear interests ranging from 3.25% to 3.65% (2018: 4.6% to 5.5%) per annum, with remaining maturities within 1 and 6 months (2018: 1 and 3 months).

As at 31 December 2019, the Group's long-term refundable deposits of RMB107,488,000 (2018: RMB88,702,000) were pledged to CSFC as collateral for the placements.

Notes to the Consolidated Financial Statements (Continued)

43. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Clients' deposits for:		
– margin financing and securities lending	551,801	574,109
– other brokerage business	8,519,887	7,117,388
	9,071,688	7,691,497

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business, such as margin financing and securities lending. Only the amounts in excess of the required amount of margin deposits and cash collateral 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.

Notes to the Consolidated Financial Statements (Continued)

44. EMPLOYEE BENEFIT PAYABLES

	2019			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits	287,365	1,016,353	(837,117)	466,601
Defined contribution plans	324	74,371	(74,383)	312
	287,689	1,090,724	(911,500)	466,913

	2018			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits	415,243	791,296	(919,174)	287,365
Defined contribution plans	489	72,425	(72,590)	324
	415,732	863,721	(991,764)	287,689

45. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers and deferred revenue in relation to assets management, financial, investment advisory businesses and custody business.

During the year ended 31 December 2019, the Group has recognised revenue of RMB34,331,000 (2018: RMB15,080,000) that was included in the contract liabilities balance at the beginning of the year. The Group does not have any contract that contains significant financing component, as all of the contract liabilities are expected to be recognised as revenue within 1 year.

Notes to the Consolidated Financial Statements (Continued)

46. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Total minimum lease payments:		
– Due within one year	73,092	–
– Due over one year but less than two years	56,458	–
– Due over two years but less than five years	36,553	–
– Due over five years	2,533	–
	168,636	–
Future finance charges on leases liabilities	(13,812)	–
Present value of leases liabilities	154,824	–
Present value of minimum lease payments:		
– Due within one year	67,106	–
– Due over one year but less than two years	51,834	–
– Due over two years but less than five years	33,558	–
– Due over five years	2,326	–
	154,824	–
Less: Portion due within one year included under current liabilities	(67,106)	–
Portion due after one year included under non-current liabilities	87,718	–

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Details for transitions to IFRS 16 are set out in Note 2(a).

During the year ended 31 December 2019, the total cash outflows for the leases (including short-term leases) are RMB105,764,000.

As at 31 December 2019, the Group has entered into 125 leases for with range of remaining lease term of one to six years. These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

Notes to the Consolidated Financial Statements (Continued)

47. OTHER CURRENT LIABILITIES

	2019	2018
	RMB'000	RMB'000
Third-party interests in consolidated asset management schemes <i>(note)</i>	1,050,410	1,205,222
Future risk reserve	20,890	18,497
Other payables	127,023	193,846
Interest payables	32,095	175,252
Taxes and surcharges payables	14,907	23,273
Provision of compensation	24,780	–
	1,270,105	1,616,090

Note: Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.

Notes to the Consolidated Financial Statements (Continued)

48. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Analysis by collateral type:		
Debt securities	3,189,085	3,197,325
Equity securities	–	45,000
Rights and interests in margin financing	–	500,000
	3,189,085	3,742,325
Analysis by market:		
Inter-bank market	1,772,460	968,825
Shanghai Stock Exchange	1,291,380	1,783,000
Shenzhen Stock Exchange	100,000	347,500
Bank and other financial institutions	25,245	643,000
	3,189,085	3,742,325
Analysis by transaction type:		
Pledged	3,189,085	3,538,750
Sold	–	203,575
	3,189,085	3,742,325

Repurchase agreements are transactions in which the Group sells or places a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in Note 53.

As at 31 December 2019, the financial assets sold under repurchase agreement carried interests at 3.0% to 5.0% (2018: 2.6% to 10.0%) per annum.

Notes to the Consolidated Financial Statements (Continued)

48. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

As at 31 December 2019, the carrying amount of the financial assets at FVTPL and margin account receivables that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Financial assets at FVTPL	3,730,458	4,016,882
Margin account receivables	–	559,372
	3,730,458	4,576,254

49. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2019		2018	
	Number of shares (in thousands)	RMB'000	Number of shares (in thousands)	RMB'000
At 1 January and 31 December:				
– Domestic shares	2,194,707	2,194,707	2,194,707	2,194,707
– H shares	409,860	409,860	409,860	409,860
	2,604,567	2,604,567	2,604,567	2,604,567

(b) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

Notes to the Consolidated Financial Statements (Continued)

50. PERPETUAL CAPITAL SECURITIES

On 29 June 2015, the Group issued a perpetual subordinated debt (the “Debt”) with nominal value of RMB1,500 million. The Debt is undated and bears a 6.80% coupon rate until the first redemption date on 29 June 2020. The coupon rate will be reset every five years if the Debt are not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

51. RESERVES

(a) Surplus reserve

Under the relevant PRC Laws, the Company and its subsidiaries in PRC are required to appropriate 10% of its net profit, as determined under the PRC Generally Accepted Accounting Principles (“PRC GAAP”), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to make offset prior year losses, if any, and may convert into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(b) General risk reserve

- (i) In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (ii) In accordance with the requirements of the CSRC Interim Measures for Supervision and Administration on Risk Reserve for Public Securities Investment Fund Raising (Zhengjianhui Ling [No. 94]), the Group’s subsidiary, New China Fund, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (iii) In accordance with the requirements of the Ministry of Finance Circular regarding the Issuance of Implementation Guidance on Financial Planning of Financial Institutions (Caijin [2007] No. 23) issued on 30 March 2007, the Group’s subsidiary, Hengtai Futures, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

Notes to the Consolidated Financial Statements (Continued)

51. RESERVES (CONTINUED)

(c) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

52. MOVEMENT IN THE COMPANY'S RESERVES

	Surplus reserve <i>RMB'000</i>	General risk reserve <i>RMB'000</i>	Transaction risk reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	509,130	575,396	563,189	2,384,721	4,032,436
Loss and total comprehensive loss for the year	–	–	–	(575,550)	(575,550)
Dividend paid (<i>Note 21</i>)	–	–	–	(362,457)	(362,457)
At 31 December 2018 and 1 January 2019	509,130	575,396	563,189	1,446,714	3,094,429
Profit and total comprehensive income for the year	–	–	–	480,885	480,885
Appropriation to surplus reserve	48,088	–	–	(48,088)	–
Appropriation to general risk reserve	–	49,059	–	(49,059)	–
Appropriation to transaction risk reserve	–	–	48,088	(48,088)	–
Dividend paid (<i>Note 21</i>)	–	–	–	(102,000)	(102,000)
At 31 December 2019	557,218	624,455	611,277	1,680,364	3,473,314

Notes to the Consolidated Financial Statements (Continued)

53. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

	2019		2018	
	Carrying amount of transferred assets <i>RMB'000</i>	Carrying amount of related liabilities <i>RMB'000</i>	Carrying amount of transferred assets <i>RMB'000</i>	Carrying amount of related liabilities <i>RMB'000</i>
Repurchase agreements	-	-	207,016	203,575

54. COMMITMENTS

Capital commitments

As at 31 December 2019, the capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Acquisition of property and equipment	355,950	369,396
Acquisition of intangible assets	211,310	146,400
	567,250	515,796

Notes to the Consolidated Financial Statements (Continued)

54. COMMITMENTS (CONTINUED)

Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year (inclusive)	8,076	94,937
Later than 1 year and not later than 2 years	–	62,240
Later than 2 years and not later than 3 years	–	42,231
After 3 years	–	21,345
	8,076	220,753

The Group as lessor

At 31 December 2019, the total future minimum lease receivables under non-cancellable operating leases failing due as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year (inclusive)	3,250	350
Later than 1 year and not later than 2 years	3,280	–
Later than 2 years and not later than 3 years	3,280	–
Later than 3 years and not later than 4 years	3,300	–
Later than 4 years and not later than 5 years	2,358	–
After 5 years	11,324	–
	26,792	350

Underwriting commitments

As at 31 December 2019, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB60,580,000,000(2018: RMB46,347,000,000).

Notes to the Consolidated Financial Statements (Continued)

55. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the assets management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2019, the total assets of the consolidated assets management schemes are RMB1,395,137,000 (2018: RMB1,574,610,000), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB9,738,000 (2018: RMB57,812,000), which are accounted for as financial assets at FVTPL in respective financial statements of the entities.

Notes to the Consolidated Financial Statements (Continued)

55. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include assets management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issuance of investment units to investors.

As at 31 December 2019, the amount of financial assets in the consolidated statement of financial position which represent the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions, are listed as below:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Financial assets at FVTPL	9,949	308,576

Notes to the Consolidated Financial Statements (Continued)

55. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are assets management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 55(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. Accordingly, the Group therefore did not consolidate these structured entities.

As at 31 December 2019, the details of these unconsolidated structured entities managed by the Group are as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets of unconsolidated structured entities	5,559,328	40,669,350
Carrying amount of the investments held by the Group	131,187	643,192
Fees receivables by the Group	3,077	12,188

Notes to the Consolidated Financial Statements (Continued)

56. CONTINGENT LIABILITIES

As at 31 December 2019, the Group involved in the following legal, arbitration or administrative proceedings:

- i) Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司) and Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), the preferential holders (collectively the "Plaintiffs") of the Qinghui leasing asset-backed specialised schemes Phase I (the "Special Scheme"), claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

The first instance court ruled and rejected the lawsuit filed by Galaxy Jinhui Securities Asset Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. In 2018, the three companies have filed an appeal to the People's High Court of Beijing. As of 31 December 2019, all three companies above have withdrawn their lawsuits. In addition, during the year ended 31 December 2019, the Company also received a lawsuit brought by China Resources SZITIC Trust Co., Ltd (華潤深國投信託有限公司), another holder of the Special Scheme, claiming for the repayment of the outstanding principals of RMB30.0 million and the interest payable and relevant charges from the Company. The Company has filed a jurisdictional objection to the People's Court of Futian District of Shenzhen. The People's Court of Futian District of Shenzhen has ruled that the case will be transferred to the People's Court of Xicheng District, Beijing. China Resources SZITIC Trust Co., Ltd. has filed an appeal to the Intermediate People's Court of Shenzhen. On 25 July 2019, the Intermediate People's Court of Shenzhen ruled that the case was under the jurisdiction of the People's Court of Futian District of Shenzhen. On 12 October 2019, the People's Court of Futian District of Shenzhen ruled and rejected the lawsuit filed by the plaintiff.

Notes to the Consolidated Financial Statements (Continued)

56. CONTINGENT LIABILITIES (CONTINUED)

- ii) Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership) (北京漢富融信資產管理合夥企業(有限合夥)), as the manager, set up the fund product Zhaoyang Zengli No. 8 private investment fund (the “No. 8 Private Investment Fund”) on 28 June 2017, the fund product Zhaoyang Zengli No. 10 private investment fund (the “No. 10 Private Investment Fund”) on 24 October 2017 and the fund product Zhaoyang Zengli No. 11 private investment fund (the “No. 11 Private Investment Fund”) on 5 December 2017. The Company was the custodian of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund. As the investment targets of the abovementioned three funds failed to achieve full realisation, the three funds failed to be fully settled on time upon expiry.

On 27 May 2019, Beijing Arbitration Commission issued a notice to the Company on its acceptance of the application in relation to three arbitration cases filed by Mr. Liu Chaoyang, an investor of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund, claiming joint repayment investment principal of RMB50 million and relevant income by Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership), as the first respondent, and the Company, as the second respondent. Beijing Arbitration Commission opened a court session for the three arbitration cases mentioned above on 28 August 2019, the Company has defended the case, but no decision has been made at present.

Based on the assessment of the Group’s internal advisors, the Group considers the above case to be probable that the judgement will be in its favour and has therefore not recognised a provision in relation to these claims.

Notes to the Consolidated Financial Statements (Continued)

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	2019	2018
Baotou Huazi Industry Co., Ltd ("Baotou Huazi")*	11.83%	11.83%
Beijing Qingyun Intercontinental Technology Co., Ltd	8.71%	8.71%
Beijing Financial Street Xihuan Properties Co., Ltd	8.12%	8.12%
Beijing Huijin Jiaye Investment Ltd	7.92%	7.92%
Beijing Financial Street Investment (Group) Co., Ltd	6.35%	6.35%
Beijing Huarong Infrastructure Investment Co., Ltd	5.95%	5.95%
Beijing Hongzhi Huitong Industrial Co., Ltd	5.91%	5.91%
Tibet Dazi Huifa Investment Co., Ltd	5.91%	5.91%
Zhongchang Hengyuan Holding Co., Ltd ("Zhongchang Hengyuan")*	2.88%	2.88%
Shanghai Yida Technology Investment Co., Ltd ("Shanghai Yida")*	2.33%	2.33%

* Baotou Huazi is held by Tomorrow Holding Limited Company ("Tomorrow Holding") as to approximately 54.32%. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of the Company, entered into an acting-in-concert agreement. As at 31 December 2019, Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida aggregately are interested in approximately 17.04% of the Company's share capital.

(ii) Subsidiaries of the Company

The details of the Company's subsidiaries is set out in Note 27.

(iii) Associates

The details of the Group's associates is set out in Note 28.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the board of supervisors and senior management, and close family members of such individuals.

Notes to the Consolidated Financial Statements (Continued)

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances

The Group has following transactions/balances with the major shareholders:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Balances as at reporting date:		
– Account payables to brokerage clients	24,802	8,754
Transactions during the year:		
– Fees and commission income	115	3
– Interest expenses	63	39
– Lease expenses*	8,543	8,047

* These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 19 and certain of the highest paid employees as disclosed in Note 20, is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Fees, salaries, allowance and bonus	38,684	24,779
Contribution to pension schemes	578	906
	39,262	25,685

Total remuneration is included in "staff costs" as disclosed in Note 13.

Notes to the Consolidated Financial Statements (Continued)

58. SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, being the senior management of the Group, for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

- (a) Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products, margin financing and securities lending;
- (b) Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as over-the-counter services to institutional clients; Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations for share quotation and transfer;
- (c) Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;
- (d) Investment management segment includes businesses on assets management, private equity investments and alternative investments; and
- (e) Other segment mainly represents other operations of head office, including investments in associates, as well as interest income and interest expenses arising from general working capital.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expense and the share of profits/losses of its associates. Segment assets and liabilities are allocated to each segment, excluding deferred tax assets or liabilities.

Notes to the Consolidated Financial Statements (Continued)

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019						
Revenue						
– External	1,417,126	351,508	514,641	771,947	67,204	3,122,426
– Inter-segment	(4)	–	4	–	–	–
Other income and gains	5,519	(495)	533,149	176,069	10,436	724,678
Segment revenue and other income	1,422,641	351,013	1,047,794	948,016	77,640	3,847,104
Segment expenses	(1,337,370)	(292,924)	(362,614)	(606,197)	(275,717)	(2,874,822)
Segment operating profit/(loss)	85,271	58,089	685,180	341,819	(198,077)	972,282
Share of profits less losses of associates	–	–	–	–	2,668	2,668
Profit/(Loss) before tax	85,271	58,089	685,180	341,819	(195,409)	974,950
Other segment information:						
Interest income	565,771	14,594	13,255	18,715	37,547	649,882
Interest expenses	(168,850)	(796)	(198,054)	(97,239)	(3,000)	(467,939)
Depreciation and amortisation	(103,385)	(3,788)	(1,786)	(26,798)	(35,182)	(170,939)
Impairment losses	(175,827)	(1,542)	(101,947)	(12,895)	(46,990)	(339,201)
Capital expenditure	42,853	1,209	55	26,702	72,240	143,059
Right-of-use assets additions	40,758	–	7,694	11,206	–	59,658
At 31 December 2019						
Segment assets	15,947,895	602,555	2,847,614	4,107,803	5,815,827	29,321,694
Deferred tax assets						205,287
Total assets						29,526,981
Segment liabilities	12,141,840	167,058	4,487,051	1,679,350	341,201	18,816,500
Deferred tax liabilities						132,068
Total liabilities						18,948,568

Notes to the Consolidated Financial Statements (Continued)

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2018						
Revenue						
– External	1,330,443	190,661	(303,064)	806,802	60,510	2,085,352
– Inter-segment	(4)	–	4	–	–	–
Other income and gains	(3,804)	984	8	597	16,517	14,302
Segment revenue and other income						
	1,326,635	191,645	(303,052)	807,399	77,027	2,099,654
Segment expenses						
	(1,213,107)	(166,918)	(516,071)	(836,829)	(185,481)	(2,918,406)
Segment operating profit/(loss)						
	113,528	24,727	(819,123)	(29,430)	(108,454)	(818,752)
Share of losses of associates						
	–	–	–	–	(1,668)	(1,668)
Profit/(Loss) before tax						
	113,528	24,727	(819,123)	(29,430)	(110,122)	(820,420)
Other segment information:						
Interest income						
	642,083	17,316	30,528	39,604	60,510	790,041
Interest expenses						
	(270,864)	–	(262,206)	(2,621)	–	(535,691)
Depreciation and amortisation						
	(68,036)	(2,192)	(175)	(18,009)	(8,737)	(97,149)
(Impairment losses)/reversal of impairment losses						
	(18,307)	(135)	(131,781)	(2,236)	381	(152,078)
Capital expenditure						
	80,017	151	58	8,060	41,988	130,274
At 31 December 2018						
Segment assets						
	7,919,787	484,808	8,627,943	4,311,548	8,339,890	29,683,976
Deferred tax assets						
						231,103
Total assets						
						29,915,079
Segment liabilities						
	10,845,336	67,897	7,038,564	1,803,715	198,018	19,953,530
Deferred tax liabilities						
						16,728
Total liabilities						
						19,970,258

Notes to the Consolidated Financial Statements (Continued)

58. SEGMENT REPORTING (CONTINUED)

The Company and its subsidiaries mainly operate in the PRC. The Group's operating assets are substantially situated in the PRC. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

There is no single customer that contradicted to over 10% the Group's revenue for the years ended 31 December 2019 and 2018.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the year, the Group was exposed to three types of credit risk:

- (i) default risk of the issuer or counterparty in debt securities trading;
- (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending and stock repurchases; and
- (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measures the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the year. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determines the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

- (i) The maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Refundable deposits	448,059	480,502
Other current assets	686,856	546,104
Margin account receivables	3,969,330	3,237,924
Debt securities	5,728,934	6,453,857
Financial assets held under resale agreements	760,800	1,161,988
Clearing settlement funds	800,821	980,059
Cash held on behalf of brokerage clients	8,824,504	7,475,631
Bank balances	2,108,972	3,115,390
	23,328,276	23,451,455

- (ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as of 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit rating analysis of debt securities

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amount of debt securities at the reporting date are categorised by rating distribution as follows:

	2019	2018
	RMB'000	<i>RMB'000</i>
Rating		
– AAA	1,322,440	2,568,950
– From AA- to AA+	3,585,196	2,897,825
– A-1	20,410	–
	4,928,046	5,466,775
– B	3,310	64,800
– C	22,307	7,292
Non-rating	775,271	914,990
	5,728,934	6,453,857

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable as at 31 December 2019:

	Weighted- average ECL rate	2019 Gross carrying amount RMB'000	Loss allowance RMB'000
Within one year	35.84%	602,538	215,936
Over one year	42.84%	733	314
		603,271	216,250
		2018	
	Weighted- average ECL rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Within one year	35.75%	324,820	116,114
Over one year	41.16%	865	356
		325,685	116,470

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivables during the year is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At 1 January	116,470	832
Impairment losses recognised for the year	99,780	115,638
At 31 December	216,250	116,470

Except as disclosed in Note 36, all of the Group's debt securities are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses. Management considers 'low credit risk' for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The credit risk on liquid funds including bank balances, clearing settlement funds, cash held on behalf of brokerage clients and deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or banks with high credit ratings assigned by international credit-rating agencies. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds, deposits with exchanges and financial institutions, as at 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

To minimise the Group's exposure to credit risk on margin account receivables and its relevant interest receivables, the credit risk management team is responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management of the Group has set up the credit limits for each individual customer which could be changed at the Group's discretion. Any further extension of credit beyond these approval limits has to be first approved by the credit risk management team and then by the senior management of the Group on individual basis. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 31 December 2019 and 2018, the loans are repayable on demand subsequent to settlement date at predetermined interest rate. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of margin account receivables outstanding exceeds the value of securities deposited. As at 31 December 2019, margin account receivables were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB12,202,428,000 (2018: RMB8,637,928,000). The ECL rates, reflecting the credit quality of the respective margin account receivables, ranged from 0.01% to 19.7% (2018: 0.01% to 19.7%) as at 31 December 2019. Accordingly, an impairment loss on margin account receivables of RMB10,147,000 (2018: RMB4,125,000) was made for the year ended 31 December 2019 (Note 33).

The credit risk on financial assets held under resale agreements and its relevant interest receivables are managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral. Apart from the exposures to the concentration of credit risk from 4 (2018: 4) independent counterparties with aggregate amount of to RMB386,240,000 (2018: RMB635,364,000) as at 31 December 2019, the Group does not have any other significant concentration of credit risk on financial assets held under resale agreements. The ECL rates, reflecting the credit quality of the respective financial assets held under resale agreements, ranged from 0% to 46% (2018: 0% to 6.7%) as at 31 December 2019, and accordingly, an impairment loss of RMB147,179,000 (2018: RMB7,433,000) was provided for the year ended 31 December 2019 (Note 29).

In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. During the year ended 31 December 2019, based on the collective and individual assessment, the management is of the opinion that the credit risk of certain other receivables increased significantly and accordingly, an impairment loss of RMB50,524,000 (2018: RMB6,035,000) was made for the year ended 31 December 2019 (Note 34(c)).

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes:

- (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small;
- (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the reporting date of the Group's financial liabilities. Analysis of liquidity are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) of the financial liabilities and the earliest date the Group can be required to pay:

	2019							Total RMB'000
	Carrying amount RMB'000	Repayable on demand RMB'000	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 1 year but less than 5 years RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	
Financial liabilities								
Debt instruments	3,109,985	-	161,235	201,589	1,381,901	1,662,452	-	3,407,177
Placements from a financial institution	1,500,000	-	199,932	804,552	506,663	-	-	1,511,147
Account payables to brokerage clients	9,071,688	9,071,688	-	-	-	-	-	9,071,688
Other current liabilities	1,230,418	1,059,191	29,082	77,821	47,486	7,306	9,532	1,230,418
Financial assets sold under repurchase agreements	3,189,085	-	3,190,205	-	-	-	-	3,190,205
Lease liabilities	154,824	-	8,313	12,417	52,362	93,011	2,533	168,636
Employee benefit payable	466,913	-	466,913	-	-	-	-	466,913
	18,722,913	10,130,879	4,055,680	1,096,379	1,988,412	1,762,769	12,065	19,046,184

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	2018							
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 1 year but less than 5 years	More than 1 year but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities								
Debt instruments	6,071,318	-	1,504,076	677,868	1,811,422	2,547,923	-	6,541,289
Placements from a financial institution	500,000	-	200,386	302,647	-	-	-	503,033
Account payables to brokerage clients	7,691,497	7,691,497	-	-	-	-	-	7,691,497
Other current liabilities	1,592,817	1,309,822	75,293	55,335	116,512	31,793	4,062	1,592,817
Financial assets sold under repurchase agreements	3,742,325	-	3,699,324	483	47,174	-	-	3,746,981
Employee benefit payables	287,689	-	287,689	-	-	-	-	287,689
	19,885,646	9,001,319	5,766,768	1,036,333	1,975,108	2,579,716	4,062	20,363,306

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The cash held on behalf of brokerage clients and account payables to brokerage clients are not included in the analysis because the management considered the net impact arising from change of interest rate will not be significant to the Group. Other financial assets and liabilities, which carried at fixed interest rate, are also not included in the analysis, including financial assets held under resale agreement, fixed bank deposits, clearing settlement funds, debt instruments, lease liabilities, placements from a financial institution and financial assets sold under repurchase agreements. For those financial instruments held by the Group under proprietary trading portfolios and variable rate bank deposits which expose the Group to fair value and cash flows interest rate risk at the reporting date, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit/(loss) after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit			
	2019		2018	
	Decrease/ (Increase) in profit after tax RMB'000	Decrease/ (Increase) in equity RMB'000	Increase/ (Decrease) in loss after tax RMB'000	Decrease/ (Increase) in equity RMB'000
Interest rate:				
Increase 100 basis points	108,300	108,300	129,161	129,161
Decrease 100 basis points	(115,554)	(115,554)	(138,882)	(138,882)

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that the currency risk is immaterial.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Price risk

The Group is exposed to market price changes arising from equity investments, investment funds and assets management scheme concluded in financial assets at FVTPL. Price risk facing by the Group is mainly the fluctuation in the Group's net profit/(loss) due to the price fluctuation of the investments.

The analysis below shows the impact in the Group's net profit/(loss) after tax and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	2019		2018	
	Increase/ (Decrease) in profit after tax RMB'000	Increase/ (Decrease) in equity RMB'000	Decrease/ (Increase) in loss after tax RMB'000	Increase/ (Decrease) in equity RMB'000
Securities' price				
Increase by 10%	374,836	374,836	408,162	408,162
Decrease by 10%	(374,836)	(374,836)	(408,162)	(408,162)

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's and the Company's objectives of capital management are:

- (i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's and the Company's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk coverage ratio (the ratio of net capital divided by the sum of its various risk capital provisions) shall be no less than 100% ("Ratio 1");
- (ii) Capital leverage ratio (the ratio of net core capital divided by total assets on and off statement of financial position) shall be no less than 8% ("Ratio 2");
- (iii) Liquidity coverage ratio (the ratio of high quality liquid assets divided by net cash outflows in the coming 30 days) shall be no less than 100% ("Ratio 3");
- (iv) Net stable funding ratio (the ratio of stable funds available divided by stable funds required) shall be no less than 100% ("Ratio 4");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

(viii) The ratio of the value of proprietary equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and

(ix) The ratio of the value of proprietary non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2019, the Company maintained the above ratios as follows:

	2019	2018
Ratio 1	292.11%	258.75%
Ratio 2	31.18%	23.65%
Ratio 3	844.38%	245.10%
Ratio 4	166.26%	182.17%
Ratio 5	58.40%	68.64%
Ratio 6	67.67%	58.36%
Ratio 7	115.87%	85.02%
Ratio 8	33.04%	42.07%
Ratio 9	108.21%	113.38%
Net Capital (RMB'000)	5,506,325	6,183,124

Similar to the Company, certain subsidiaries of the Group is also subject to capital requirements set by the CSRC, and they have complied with the capital requirements as at 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Financial assets:		
Financial assets at FVTPL	10,726,761	11,840,596
Financial assets at amortised cost:		
– Refundable deposits	448,059	480,502
– Margin account receivables	3,969,330	3,237,924
– Other current assets	686,856	499,609
– Financial assets under resale agreements	760,800	1,161,988
– Financial assets at FVTOCI	–	55,426
– Cash held on behalf of brokerage clients	8,824,504	7,475,631
– Clearing settlement funds	800,821	980,059
– Cash and bank balances	2,108,972	3,115,472
	28,326,103	28,847,207
Financial liabilities:		
Financial liabilities at amortised cost:		
– Debt instruments	3,109,985	6,071,318
– Placements from a financial institution	1,500,000	500,000
– Employee benefit payable	466,913	287,689
– Account payables to brokerage clients	9,071,688	7,691,497
– Other current liabilities	1,230,418	1,592,817
– Financial assets sold under repurchase agreements	3,189,085	3,742,325
– Lease liabilities	154,824	–
	18,722,913	19,885,646

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial assets at FVTPL are stated at fair value. For the financial assets traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial assets without any market price or market rate, the Group determines the fair values of these financial assets by other appropriate valuation methods.

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

- (iii) The fair values of debt instruments are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flows.
- (iv) Margin account receivables and other current assets, account payables to brokerage clients are within one year. Accordingly, the carrying amounts approximate their fair values.

The carrying amount and fair value of debt instruments which are not presented at fair value are listed as below:

	2019		2018	
	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>
Carrying amount of financial liabilities:				
– subordinated bonds	1,500,000	1,516,590	1,500,000	1,509,325
– long-term corporate bond	–	–	1,500,000	1,498,827
	1,500,000	1,516,590	3,000,000	3,008,152

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy:

	2019			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
Financial assets at FVTPL:				
– Debt securities	1,021,617	4,646,850	60,467	5,728,934
– Equity securities	2,111,516	868,558	126,181	3,106,255
– Investment funds	423,260	1,052,014	54,952	1,530,226
– Assets management schemes	–	361,346	–	361,346
	3,556,393	6,928,768	241,600	10,726,761

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy: (continued)

	2018			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
Financial assets at FVTPL:				
– Debt securities	1,024,180	5,255,130	119,121	6,398,431
– Equity securities	2,495,734	1,002,593	118,925	3,617,252
– Investment funds	765,467	337,173	125,628	1,228,268
– Assets management schemes	–	596,645	–	596,645
	4,285,381	7,191,541	363,674	11,840,596
Financial assets at FVTOCI income				
– Debt securities	–	55,426	–	55,426
	4,285,381	7,246,967	363,674	11,896,022

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy: (continued)

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

2019

Ten equity securities with fair value of RMB240,595,000 were transferred from Level 3 to Level 1 due to resumption of public trading.

2018

Two equity securities with fair value of RMB877,214,000 which were successfully listed during the period was transferred from Level 3 to Level 2 and two equity securities with fair value of RMB5,348,000 million were transferred from Level 3 to Level 1 due to resumption of public trading.

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on Level 3:

	Financial assets at FVTPL RMB'000
At 1 January 2019	363,674
Changes in fair value recognised in profit or loss	99,927
Purchases	78,359
Transfer	(240,595)
Sales and settlements	(59,765)
At 31 December 2019	241,600
Total gains included in profit or loss for financial assets during the year	99,927

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on Level 3: (continued)

	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
At 1 January 2018	1,060,756	–	1,060,756
Reclassification on initial application of IFRS 9			
– from financial assets at FVTPL to financial assets at FVTOCI	(37,000)	37,000	–
– from other non-current assets to financial assets at FVTPL	20,300	–	20,300
Losses for the year	(1,752)	–	(1,752)
Changes in fair value recognised in profit or loss	(52,612)	–	(52,612)
Purchases	111,050	–	111,050
Transfer	(705,973)	–	(705,973)
Sales and settlements	(31,095)	(37,000)	(68,095)
At 31 December 2018	363,674	–	363,674
Total gains or losses included in profit or loss for financial assets during the year	(54,364)	–	(54,364)

The total gains or losses recognised in profit or loss including the financial assets held during the year are presented in net investment income in the consolidated statement of profit or loss and other comprehensive income

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Level 2 fair value measurements

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes, including Level 2 and Level 3 fair value measurements. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

As at 31 December 2019, financial assets at FVTPL classified as Level 2 fair value measurements consist of debt securities, equity securities, investment funds and assets management schemes and their fair value measurements were determined as follows:

For debt securities of RMB4,646,850,000 (2018: RMB5,255,130,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB868,558,000 (2018: RMB1,002,593,000), fair values are determined by the quoted market prices of the shares with adjustments of discount for lack of marketability.

For investment funds and assets management scheme of RMB1,052,014,000 (2018: RMB337,173,000) and RMB361,346,000 (2018: RMB596,645,000), fair values are determined by using the latest valuation results published by the relevant pricing systems.

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2019: (continued)

Level 3 fair value measurements

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurements within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement.

Description	2019			
	Carrying amount <i>RMB'000</i>	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Unlisted equity investments	126,181	Market comparable companies	Discount rate for lack of marketability (60%)	Decrease
Unlisted investment fund	54,952	Net assets value	Discount rate for lack of marketability (60%)	Decrease
Debt securities	60,467	Discounted cash flow	Risk adjusted discount rate (5.0%- 7.5%)	Decrease
	241,600			

Notes to the Consolidated Financial Statements (Continued)

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2019: (continued)

Level 3 fair value measurements (continued)

Description	2018			Effect on fair value for increase of inputs
	Description	Valuation	Unobservable	
	Carrying amount <i>RMB'000</i>	technique	inputs	
Unlisted equity investments	118,925	Market comparable companies	Discount rate for lack of marketability (60%)	Decrease
Unlisted investment fund	125,628	Net assets value	Discount rate for lack of marketability (60%)	Decrease
Debt securities	119,121	Discounted cash flow	Risk adjusted discount rate (5.0% – 7.5%)	Decrease
	363,674			

There were no changes in the valuation techniques used during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

In 2019, a subsidiary of the Company, Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司, "Hengtai Capital"), entered into an agreement to dispose 51% equity interests of its wholly owned subsidiary, Inner Mongolia Hengtai Sengta Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司, "Hengtai Sengta"), at a consideration of RMB7,744,000. The disposal was completed on 30 December 2019, and accordingly the Group recorded a loss on disposal of a subsidiary amounted to RMB277,000 for the year ended 31 December 2019 (Note 9).

As of the disposal date, the net assets of Hengtai Sengta were as follows:

	<i>RMB'000</i>
Deferred tax assets	294
Other current assets	94
Financial assets at FVTPL	5,060
Cash and bank balances	10,283
Other current liabilities	(4)
Non-controlling interests	(7,706)
Net assets disposed of	8,021
Loss on disposal of a subsidiary (<i>Note 9</i>)	(277)
Total consideration	7,744

Notes to the Consolidated Financial Statements (Continued)

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposal of a subsidiary (continued)

	<i>RMB'000</i>
<hr/>	
Consideration satisfied by:	
– Cash consideration	7,744
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration received	7,744
Cash and cash equivalents disposed of	(10,283)
	<hr/>
	2,539
	<hr/>

Notes to the Consolidated Financial Statements (Continued)

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt instruments <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	4,844,857	123,485	–	4,968,342
Financing cash flows				
– Inflow from financing activities	2,946,630	–	–	2,946,630
– Outflow from financing activities	(1,740,000)	(236,805)	–	(1,976,805)
Non-cash changes:				
Interest expenses	19,831	242,889	–	262,720
At 31 December 2018	6,071,318	129,569		6,200,887
Impact on initial application of IFRS 16 (<i>Note 20(a)</i>)	–	–	161,377	161,377
Adjusted balance as at 1 January 2019	6,071,318	129,569	161,377	6,362,264
Financing cash flows				
– Inflow from financing activities	916,620	–		916,620
– Outflow from financing activities				
– principal element	(3,921,030)	–	(56,106)	(3,977,136)
– interests element	(12,013)	(269,881)	(8,234)	(290,128)
Non-cash changes:				
Entering into new leases	–	–	59,658	59,658
Modification of lease	–	–	(10,105)	(10,105)
Interest expenses	55,090	166,472	8,234	229,796
At 31 December 2019	3,109,985	26,160	154,824	3,290,969