



# 海通证券股份有限公司

## HAITONG SECURITIES CO., LTD.\*

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

Stock Code: 6837



# 2019

## Annual Report

*\*For identification purpose only*

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## IMPORTANT NOTICE

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

This Report was considered and approved at the seventh meeting of the seventh session of the Board. All the Directors of the Company attended the Board meeting.

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

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

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

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

The Company has made appropriations of 10% of its net profit for the year 2019 to statutory surplus reserve, general risk reserve and transaction risk reserve, respectively, in the aggregate amount of RMB2,023,482,191.79 as audited. The distributable profit for the year 2019 after such appropriations was RMB3,267,779,604.81 and the Company’s retained profits amounted to RMB24,708,236,893.88 at the end of 2019.

## IMPORTANT NOTICE

As prescribed in the article 18 of the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) issued by the CSRC, the listed companies shall only issue securities after submitting the profit distribution plan and plan for conversion of the capital reserve into share capital to the general meeting for approval and putting such plans approved at the general meeting into implementation. Therefore, if the Company implements the profit distribution plan of 2019, it shall not proceed with the non-public issuance of A Shares until completion of the profit distribution.

Given the Company is currently proceeding with the non-public issuance of A Shares, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company will not make profit distribution for 2019, nor will it convert its capital reserve funds into share capital.

The Company intends to subsequently proceed with the related matters for profit distribution as soon as practicable following completion of the non-public issuance of A Shares of the Company in accordance with requirements of relevant regulatory authorities and the Articles of Association.

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

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

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

# SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

## I. DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“CMBS”	commercial mortgage-backed securities
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director	the director(s) of Haitong Securities
“ETF”	exchange traded fund
“EUR”	the official currency of the Eurozone
“FICC”	fixed-income instruments, currencies, and commodities
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
“Group”	the Company and its subsidiaries
“Gui’an UT”	Gui’an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司)
“H Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“Haitong Bank”	Haitong Bank, S.A
“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)
“Haitong Futures”	Haitong Futures Co., Ltd. (海通期貨股份有限公司)
“Haitong Innovation Securities”	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
“Haitong International Holdings”	Haitong International Holdings Limited (海通國際控股有限公司)
“Haitong International”	Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange, stock code: 665
“Haitong Resource”	Shanghai Haitong Resource Management Co., Ltd. (上海海通資源管理有限公司)
“Haitong UniFortune”	Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司)
“Haitong UniTrust Financial Leasing (Shanghai)”	Haitong UniTrust Financial Leasing (Shanghai) Corporation (海通恒信融資租賃(上海)有限公司)
“Haitong UT Capital”	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)
“Haitong UT Holdings”	Haitong UT Holdings Limited (海通恒信融資租賃控股有限公司)
“Haitong UT Leasing HK”	Haitong UT Leasing HK Limited (海通恒信租賃(香港)有限公司)
“Haitong UT”	Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司), listed on the Hong Kong Stock Exchange, stock code: 1905
“Haitong-Fortis PE”	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
“HFT Investment”	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HT Asset Management”	Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司)
“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NSSF”	the National Council for Social Security Fund of the PRC
“PRC”	the People’s Republic of China, and for the purposes of this Report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2019 to 31 December 2019
“RMB” or “Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Weitai Properties”	Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)
“SSE”	the Shanghai Stock Exchange
“Supervisor”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

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

### II. MATERIAL RISK WARNINGS

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

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

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

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

### Registered Capital and Net Capital of the Company

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of last year
Registered capital	11,501,700,000.00	11,501,700,000.00
Net capital	72,874,787,826.92	71,377,006,860.38

### Business scope of the Company

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

### Qualification for each individual business of the Company

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

9. Qualification for trading on integrated electronic platform of fixed-income securities at Shanghai Stock Exchange (Shang Zheng Hui Han [2007] No. 86)
10. Qualification for National Association of Financial Market Institutional Investors (August 2007)
11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
13. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi [2010] No. 122)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
16. Qualification for providing trading units for insurance agency investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
18. Qualification for engaging in stock index futures hedging business through proprietary trading of the company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
19. Qualification for securities house assigned by NSSF (August 2011)
20. Qualification for fund evaluation business (Zhong Zheng Xie Fa [2010] No. 070)
21. Qualification for engaging of stock index futures through asset management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
22. Stock repurchase transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821) (H Share)
24. Trial business of bond collateralised repurchase with quotes (Ji Gou Bu Bu Han [2011] No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
26. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
27. Pilot qualification of engaging in margin and securities refinancing business (Zhong Zheng Jin Han [2012] No. 113)
28. Pilot qualification of underwriting of private debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. Qualification for agency sale of financial products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
31. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
32. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No.204)
33. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
34. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
35. Qualification for agency business of securities pledge registration (February 2014)
36. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
37. Membership qualification of the gold exchange (Certificate No.: T004)
38. Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies (Shenzhen Han [2014] No. 321)
39. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
40. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

41. Business qualification for options settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
42. Futures membership certificate (Certificate number: NO. G02008)
43. Certificate of Membership of the Asset Management Association of China (Certificate number: 00000147)
44. Qualification for offshore proprietary business (Ji Gou Bu Han [2015] No. 1204)
45. No comment letter on innovative program of one-way video account opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
46. Qualification for inter-bank gold price asking transactions (Shang Jin Jiao Fa [2015] No. 120)
47. Qualification for carrying on main underwriting business of debt financial instruments for non-financial enterprises (August 2016)
48. Qualification for note dealing (Yin Ban Fa [2016] No. 224)
49. Qualification for relevant business on tools mitigating credit risk (January 2017)
50. Qualification for secondary dealers for OTC options business (Zhong Zheng Xie Fa [2018] No. 386)
51. Qualification for credit derivatives business (Ji Gou Bu Han (2019) No. 469)
52. Qualification for sale and settlement of foreign exchange business (Ji Gou Bu Han [2019] No. 2496)
53. Qualification for recording military confidential business consultancy services in a secured and confidential condition (October 2019)
54. Stock index and options market making business (Ji Gou Bu Han (2019) No. 3073)

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

## II. CONTACT PERSON AND CONTACT METHODS

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### III. BASIC CORPORATE INFORMATION

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

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER INFORMATION OF THE COMPANY

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

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

History of Haitong Securities:

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

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

Upon approval by the CSRC with the Reply concerning Approval of the Share Increase Plan and the Application for being a Comprehensive Securities Company of Haitong Securities Company Limited (海通證券有限公司) (Zheng Jian Ji Gou Zi [2000] No. 296), on 29 December 2000, Haitong Securities Company Limited (海通證券有限公司) completed capital increase with its registered share capital increased to RMB3,746.928 million. Its scope of business was issuance of securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; principal and interest repayment for securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities on consignment; securities investment consultation; and securities investment fund business.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

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

On 31 July 2007, A Shares of Haitong Securities were listed on the SSE.

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

### (II) Organisational Structure of the Company

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. ***Organisational structure of the Company (see Appendix I of this Report)***
2. ***Principal subsidiaries and joint-stock companies of the Company***

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

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

Establishment date: 18 April 2003

Registered capital: RMB300 million

Shareholding percentage: 51%

Legal representative: Yang Cangbing

Tel: 021-38650999

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

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

Registered address: 27-30/F, Century Link Office Tower 2, No. 1196, Century Avenue, China (Shanghai) Free Trade Pilot Zone

Establishment date: 13 April 1999

Registered capital: RMB520 million

Shareholding percentage: 27.775%

Legal representative: Pei Changjiang

Tel: 021-20361818

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

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

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

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: 021-62883005

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 18 March 1993

Registered capital: RMB1,301.5 million

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

Tel: 021-38917000

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

(5) *Haitong International Holdings Limited*

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

Establishment date: 24 July 2007

Authorised capital: HK\$11,180 million

Issued capital: HK\$11,180 million

Paid-in capital: HK\$11,180 million

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment holdings

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

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

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

Establishment date: 23 October 2008

Registered capital: RMB10,650 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021- 63410311

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 24 April 2012

Registered capital: RMB4,100 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

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

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

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

Establishment date: 26 June 2012

Registered capital: RMB2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

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

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

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

Establishment date: 8 January 2014

Registered capital: RMB10 million

Shareholding percentage: 100%

Legal representative: Gong Zhihong

Tel: 021-23219000

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

### (III) Number and layout of securities branches of the Company

As at the end of the Reporting Period, the Company had 300 securities branches (see Appendix II of this Report for details).

### (IV) Number and layout of other securities branch offices

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)
	Office address	30/F, Bund Center, No. 222 East Yanan Road, Shanghai, PRC
	Signatory accountants	Hu Xiaojun, Gong Mingliang
Accounting firm appointed by the Company (overseas)	Name	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Signatory accountants	Eric Tong
Legal Adviser to the Company, as to PRC law	Grandall Law Firm (Shanghai)	
Legal Adviser to the Company, as to Hong Kong law	Clifford Chance	

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OVER THE PAST THREE YEARS

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

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

Items	2019	2018	As compared to the corresponding period of last year	2017
<b>Results of operations (RMB'000)</b>			<i>Change</i>	
Total revenue, gains and other income	<b>51,552,112</b>	38,669,707	33.31%	41,324,502
Profit before income tax	<b>13,871,921</b>	7,570,366	83.24%	12,889,397
Profit for the year – attributable to owners of the Company	<b>9,523,248</b>	5,211,093	82.75%	8,618,423
Net cash from operating activities	<b>8,556,205</b>	5,197,832	64.61%	-37,213,456
<b>Other comprehensive income</b>	<b>660,096</b>	-1,586,714	N/A	793,729
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	<b>0.83</b>	0.45	84.44%	0.75
Diluted earnings per share	<b>0.83</b>	0.45	84.44%	0.74
<b>Index of profitability</b>				
Weighted average returns on net assets (%)	<b>7.81</b>	4.42	+ 3.39 percentage points	7.56

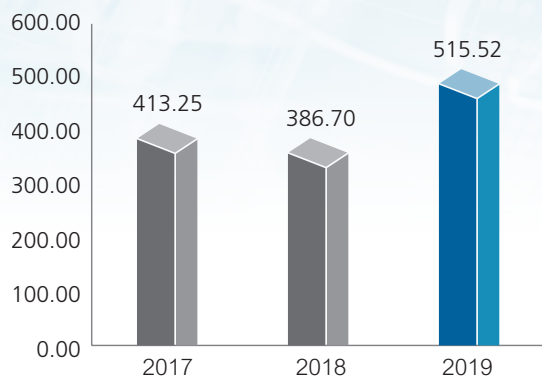
## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Items	<b>31 December 2019</b>	31 December 2018	As compared to the end of the corresponding period of last year	31 December 2017
<b>Indices of size (RMB'000)</b>				
Total assets	<b>636,793,631</b>	574,623,634	10.82%	534,706,333
Total liabilities	<b>495,674,888</b>	444,437,715	11.53%	405,012,029
Accounts payable to brokerage clients	<b>87,464,142</b>	71,893,535	21.66%	83,774,388
Equity attributable to owners of the Company	<b>126,090,993</b>	117,858,575	6.98%	117,755,479
Total share capital ('000)	<b>11,501,700</b>	11,501,700	–	11,501,700
<b>Net assets per share attributable to owners of the Company (RMB/share)</b>	<b>10.96</b>	10.25	6.93%	10.24
<b>Gearing ratio (%)<sup>(1)</sup></b>	<b>74.31</b>	74.10	+0.21 percentage point	71.24

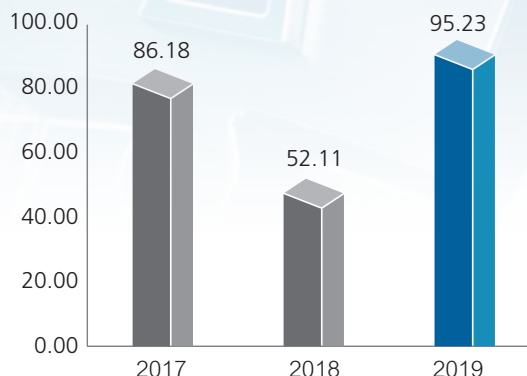
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

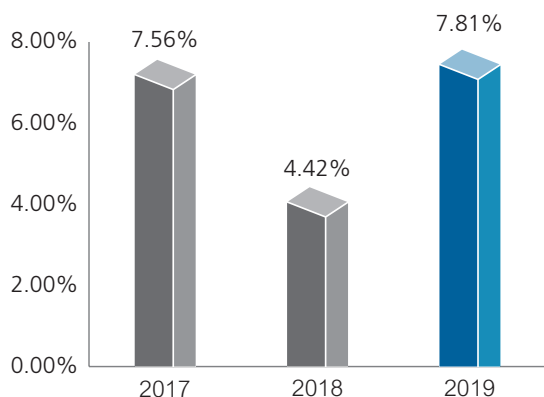
**Total revenue, gains and other income  
(RMB in 100 million)**



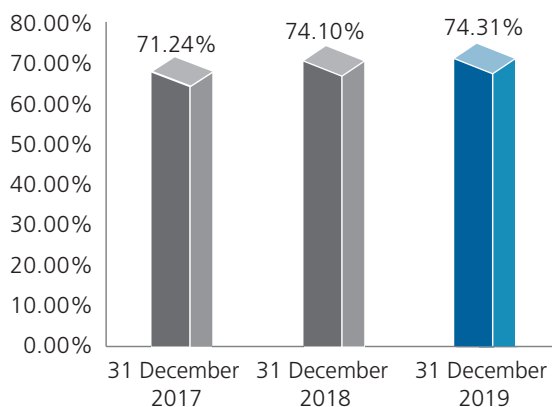
**Profit for the year - attributable to owners of the Company  
(RMB in 100 million)**



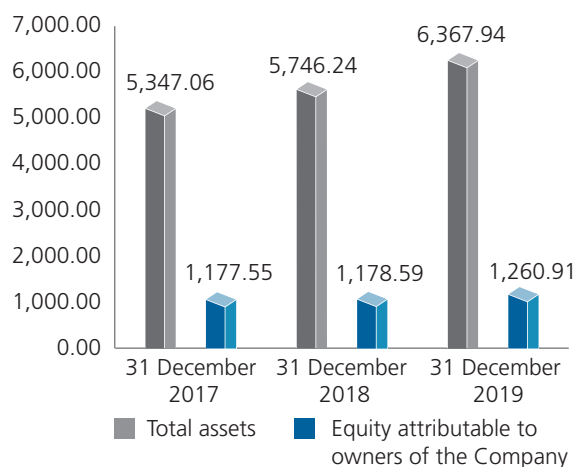
**Weighted average returns on net assets**



**Gearing ratio**



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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

#### 1. Profitability

	2019	2018	2017	2016	RMB'000 2015
Total revenue, gains and other income	51,552,112	38,669,707	41,324,502	42,492,256	55,285,553
Total expenses	37,829,835	31,132,050	29,143,592	31,530,964	34,648,129
Profit before income tax	13,871,921	7,570,366	12,889,397	11,161,727	21,118,869
Profit for the year – attributable to owners of the Company	9,523,248	5,211,093	8,618,423	8,043,334	15,838,851

#### 2. Financial Position

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	RMB'000 31 December 2015
Total assets	636,793,631	574,623,634	534,706,333	560,865,846	576,448,892
Total liabilities	495,674,888	444,437,715	405,012,029	438,907,445	459,521,221
Accounts payable to brokerage clients	87,464,142	71,893,535	83,774,388	104,059,287	129,026,336
Equity attributable to owners of the Company	126,090,993	117,858,575	117,755,479	110,130,127	107,694,545
Share capital	11,501,700	11,501,700	11,501,700	11,501,700	11,501,700

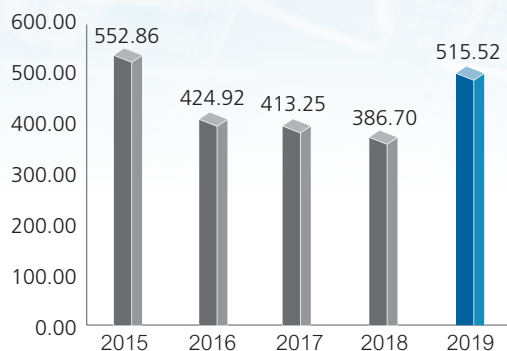
#### 3. Key financial indicators

	2019	2018	2017	2016	2015
Basic earnings per share (RMB/share)	0.83	0.45	0.75	0.70	1.48
Diluted earnings per share (RMB/share)	0.83	0.45	0.74	0.70	1.48
Weighted average returns on net assets (%)	7.81	4.42	7.56	7.39	17.56
Gearing ratio (%) <sup>(1)</sup>	74.31	74.10	71.24	73.30	73.87
Net assets per share attributable to owners of the Company (RMB/share)	10.96	10.25	10.24	9.58	9.36

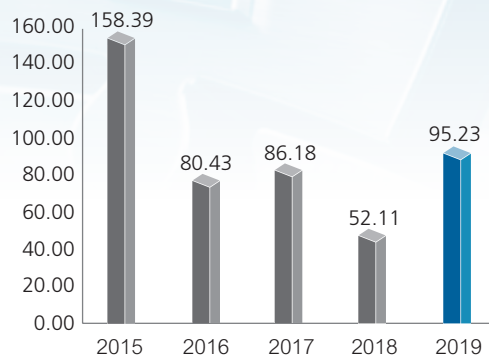
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

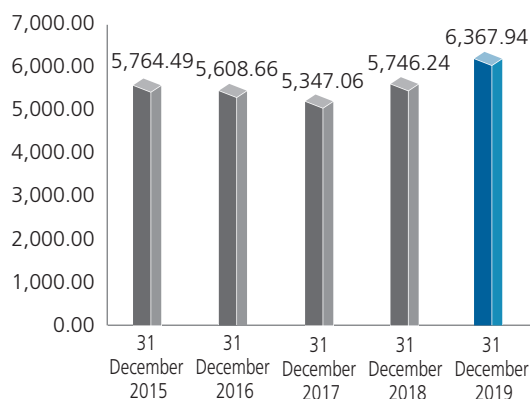
**Total revenue, gains and other income  
(RMB in 100 million)**



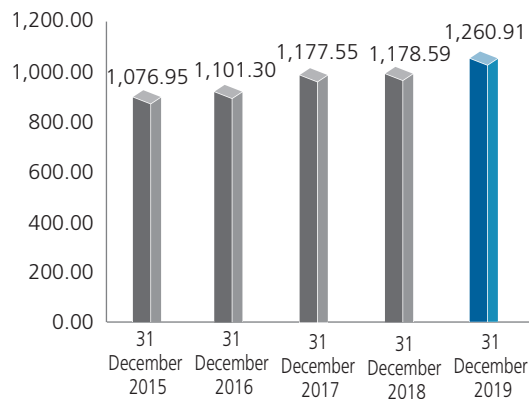
**Profit for the year – attributable to owners of  
the Company (RMB in 100 million)**



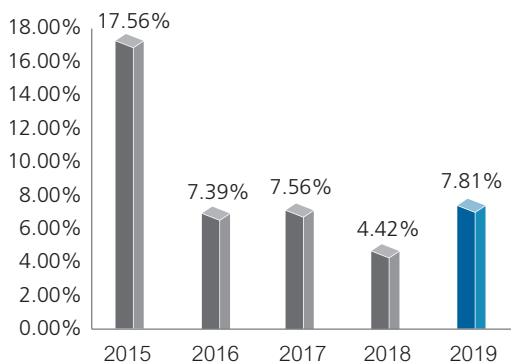
**Total assets  
(RMB in 100 million)**



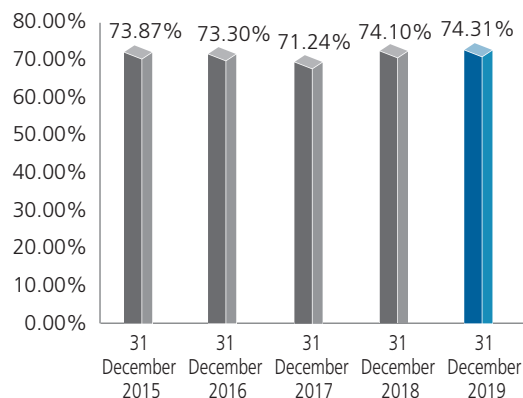
**Equity attributable to owners of the Company  
(RMB in 100 million)**



**Weighted average returns  
on net assets**



**Gearing ratio**



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

The net profits for the year 2019 and 2018 and the net assets as at 31 December 2019 and 21 December 2018 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

As at 31 December 2019, the net capital of the Company as calculated in accordance with PRC GAAP was RMB72,875 million, representing an increase of RMB1,498 million as compared to such amount as at the end of the previous year (RMB71,377 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	2019 31 December	2018 31 December
Net capital	<b>72,874,787,826.92</b>	71,377,006,860.38
Net assets	<b>113,687,270,831.72</b>	108,194,829,712.33
Risk coverage ratio (%)	<b>265.49</b>	253.27
Capital leverage ratio (%)	<b>24.52</b>	26.03
Liquidity coverage ratio (%)	<b>311.25</b>	477.91
Net stable funding rate (%)	<b>146.28</b>	137.11
Net capital/net assets (%)	<b>64.10</b>	65.97
Net capital/liabilities (%)	<b>42.42</b>	46.07
Net assets/liabilities (%)	<b>66.17</b>	69.84
Proprietary equity securities and securities derivatives/net capital (%)	<b>34.40</b>	28.94
Proprietary non-equity securities and securities derivatives/net capital (%)	<b>150.50</b>	117.20

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

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

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

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

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

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

Asset management mainly refers to the provision of comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services. HT Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business. The principal businesses of HFT Investment and Fullgoal Fund include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment financing services for investors. The Company also operates a number of professional investment management platforms for private equity (PE) investment business, which provides services including management of industrial investment funds, investment consultation, promotion and establishment of investment funds, etc.

Trading and institutional client services mainly refers to the provision of stock sale and trading, prime brokerage, stock borrowing and lending and stock research services in major global financial markets for global institutional investors, as well as the issuance and market making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. Meanwhile, the Company exerts and enhances the advantage of synergies among business segments through investment funds and private equity projects and focuses on exploring investment opportunities with reasonable capital returns and further expands client relationships and promotes the overall growth of its business.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

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

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

#### **(1) Market environment**

In 2019, China's overall macroeconomy remained stable. With huge progress having been made in three key strategic tasks including prevention of systematic risks, poverty alleviation and pollution prevention, Chinese economy overcame difficulties and challenges, showcased the tendency from stability to strong development, highlighting its strong resilience and huge potentiality. Major reform measures were introduced in the capital market. The opening up level of the capital market was enhanced significantly. The ecological environment of the capital market itself was experiencing material changes. The strategic role of the capital market in supporting and driving high quality economic development has become increasingly important. In 2019, three stock market indexes recovered significantly, with SSE Composite Index rising around 22%, SZSE Composite Index rising around 44% and GEM index rising around 44%. Aggregate trade turnover of stocks and funds in the Shanghai and Shenzhen stock markets increased by 35.9% year-on-year.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

In 2019, efforts for reform, innovation and opening up in the capital market has been significantly accelerated. The market witnessed the establishment of the Sci-Tech Innovation Board featured with the pilot registration system (the "Sci-Tech Innovation Board"), the introduction of new regulations governing major assets restructuring and spin off, the deepening of the reform of NEEQ, the launch of CSI 300 index linked option products, the promulgation of the amended PRC Securities Law, all of which further create room of development for securities industry. CSRC announced nine measures on further opening up of the capital market, and the Financial Stability and Development Committee under the State Council released eleven measures on further opening-up of the financial industry, indicating the acceleration of the opening up of the capital market. SAFE cancelled QFII and RQFII investment quota limit. CSRC clarified the timing in 2020 of the cancellation of the share percentage restriction of foreign investors in the securities company. Shanghai-London Stock Connect, China-Japan ETF and Shanghai/Shenzhen-Hong Kong Stock Connect Southbound identification code were successively implemented. The first stage of inclusion of "A shares" into MSCI, FTSE Russell and S&P Dow Jones came into close. Reforms in the capital market created a favourable policy environment for the securities industry enabling the industry to reap the benefits of reform. The deepened opening up of the capital market will further enhance marketisation of the domestic capital market, and urge the domestic securities companies to further improve their service level and management capabilities.

### **(2) Industry landscape**

The continuous reform and innovation and the further opening up in the industry will profoundly change the competitive landscape of this industry. The regulators are keen on seeing the creation of the "carrier" level securities companies and support the optimization and development of the industry. In the future, market leaders will benefit more from the policies, and the tendency of concentration of market resources to market leaders will become more apparent. Securities companies will rely more on their overall competitive competence to develop businesses. Market leaders with deeper pocket, larger client base and richer projects reserve will find themselves in a more dominant positions in competition. The deepening of opening up will lead to the internationalization of the industry, and market leaders with strong overall competency will grow and thrive through competition. In the future, securities company having strong capabilities in wealth management, institutional client services and capital intermediary business, boasting extensive international layout and coverage, equipped with stronger technology empowerment and outstanding corporate culture will possess stronger market competitiveness.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### **(3) Position of the Group in the industry**

In 2019, the Group realised an operating income of RMB51,552 million and a net profit of RMB9,523 million, the total assets of RMB636,794 million and the net asset attributable to the Company of RMB126,091 million. The main financial indicators of the Company remained at the forefront of the industry. The Company obtained highest rating of Grade AA under Category A in classification and evaluation of securities firms.

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

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

Of which: the Group's overseas assets was RMB275,908,283,007.59, accounting for 43.33% of its total assets.

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

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

### **1. Solid capital strength**

From 2007 to 2019, the Company seized market opportunities, rapidly enhanced and attained its solid capital strength through several strategic equity financings and bond financings including A-share and H-share listing and secondary offering. In 2019, the Company obtained the approval from the People's Bank of China in respect of the qualification for the issuance of short-term financing bills on a rolling basis, enhancing the flexibility of liquidity management; the Company also obtained the qualification for the issuance of financial bonds and issued successfully, continuously improving its service capability for real economy. On 6 December 2019, the issuance review committee of CSRC reviewed and approved the Company's application for non-public issuance of A Shares, making progress in the non-public issuance of A Shares. Haitong UT was also listed on the Hong Kong Stock Exchange on 3 June 2019 and became the first listed securities firm-featured financial leasing company in the PRC. In 2019, the Group fully satisfied the growth needs of each domestic and foreign business and increased its fund scale steadily on the premise that liquidity risks were maintained at the stable and controllable level. Meanwhile, the Group improved level of meticulous debt financing through increasing fund management efficiency and enhanced the competitiveness of the Group's assets and liabilities business by emphasizing on market research, industry benchmarking, customer maintenance, channel expansion and compliance execution and by focusing on lowering financing cost. Adequate capital has laid a solid foundation for the Company's business optimisation and transformation as well as satisfying domestic and overseas customers' diversified needs for financial services.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### 2. Outstanding comprehensive financial service platform

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

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

The Company's branch network covered six international financial centres in New York, London, Tokyo, Singapore, Honk Kong and Shanghai. The Company had 340 securities and futures branches (including 300 securities branches and 40 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC. The Company also established branches or subsidiaries in 14 countries and regions in 5 continents (Asia, Europe, North America, South America and Oceania). With a nationwide branch network and a strategic international presence, the Company has built a large and stable customer base. As of 31 December 2019, the Company had approximately 15.50 million domestic and overseas customers.

### 4. Industry-leading international cross-border service platform

By acquisition and consolidation of Haitong International and Haitong Bank, and establishment of a branch in Shanghai Freed Trade Zone ("FTZ"), the Company has established an industry-leading international business platform and hence acquired the first-mover advantages in the Asian-Pacific region, as well as the forward-looking strategic reserve in Europe and the United States.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

In 2019, Haitong International continued to maintain its leading position among investment banks in Hong Kong. It ranked first among all investment banks in Hong Kong in terms of its numbers of IPOs and equity financing projects underwritten, of which, the Luckin Coffee IPO project, underwritten and completed by Haitong International with the US stock exchange, was the second largest IPO in terms of offering size among all Asian companies listed on NASDAQ in 2019; in China Risk G3 and RMB bond issuance markets, Haitong International ranked second among global financial institutions in terms of the number of transactions; in the Asian G3 high yield corporate bond issuance market (excluding Japan), Haitong International ranked first among global financial institutions in terms of the amount and number of bonds financing underwritten; The merger and acquisition business of the Company was comprehensively transformed and upgraded and the Company has become the main investment bank for cross-border mergers and acquisitions. As the first PRC securities company in Hong Kong that issues warrants/CBBCs, the Company has achieved another breakthrough in stock derivative market, and was approved by the Hong Kong Stock Exchange to be one of the first Inline Warrant securities issuers. The Company was also the first PRC securities company conducting Inline Warrant business. Its Hong Kong stock option business currently ranked fourth among market makers in terms of the volume of market-making targets. Meanwhile, Haitong International has made a string of breakthroughs in its expansion into overseas markets. In the US market, Haitong International has become the first Chinese market maker on NASDAQ and established a set of cross-border, cross-market and cross-department trading and clearing system; Haitong International Asset Management (Singapore) Pte. Ltd., a subsidiary of Haitong International, obtained Capital Market Service License (CMS License) from the Monetary Authority of Singapore (MAS) in August 2019, being permitted to conduct assets management business in Singapore, and therefore has become one of the Chinese financial institutions offering the widest business coverage for Singapore investment banking. Haitong International (Australia) Pty Ltd, a subsidiary of Haitong International, successfully obtained a financial service licence from Australian Securities and Investments Commission in February 2020, being permitted to provide securities transaction and advisory services for institutional investors in Australia.

Haitong Bank is an important part of the Company for deepening the Company's globalisation strategy and an important platform for the Company to implement the "Belt and Road" initiative. Haitong Bank specializes in the local market in the European Union and South America with over 20 years' experience. With all bank licenses, its current business development focuses on three areas, including corporate banking, investment banking and asset management. Relying on the network in Lisbon, Madrid, London, Warsaw and Sao Paulo, Haitong Bank strengthens its strategy of "China Element (中國元素)" during its business expansion to deepen the cross-border cooperation between China and Europe and between China and Latin America and provide cross-border financial service supports for the "Belt and Road" policy.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

The Company's FTZ branch, as one of the first securities institutions participating in the FTU system of the free trade zone, has become the first PRC securities firm completed in the cross-border financing project under FT. In May 2016, it became a Class A international member of Shanghai Gold Exchange, and it obtained the foreign currency lending membership of China Foreign Exchange Trade System in November 2018. In 2019, the Company's FTZ branch paid close attention to the policy trend of financial reforms in the FTZ, docked the global capital market platform of the Company and leveraged the cross-border capital advantage of FT accounts to implement and explore various cross-border business models.

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

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

Upholding the compliance and risk management philosophy of "prudence and even conservativeness", the Company has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations in the past 31 years of operations. Among the Chinese securities firms established in 1980s, the Company is the only large-scale securities firm which is still in operation under the same brand without state-owned capital injection or being acquired or restructured. The Company has established a company-wide risk management system to robustly implement the requirements for overall risk management and to effectively manage market risks, credit risks, liquidity risks and operational risks. The Company has also established effective risk isolation mechanism and appropriate precautionary mechanism across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralised internal audit and compliance system to effectively monitor and supervise the compliance, authenticity, completeness, and effectiveness of its operations and transactions.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### 6. Technology-empowered business has shown its value

The Company has always adhered to the development strategy of informatisation, and has successively obtained international authoritative certifications such as ISO20000, ISO27001 and CMMI Level 3. It has led a number of technological innovations in the industry and become an explorer and pioneer in digitalisation of the industry. Firstly, regarding investments in technology, the Group's investment in technology amounted to RMB1,448 million in the preceding year and accounted for 4.21% of the Group's operating income, and the Group has 670 technical staff, representing 6.18% of the total employees, remained at the forefront in the industry. Secondly, regarding the transformation of infrastructure, the Company was the first in the industry to launch hybrid financial cloud platform and SD-WAN application. With the cloudification of office works exceeding 68% and that of R&D and testing exceeding 71%, the Company has been widely recognized by the relevant government departments of Shanghai Municipality and the industry at large. Thirdly, regarding inclusiveness and empowerment of customers, the self-developed, one-stop online financial platform "e-Haitongcai" remained a leader in the industry in terms development of intelligence, personalization and community-based service. Its number of APP users exceeded 32 million and that of monthly active users exceeded 3.5 million. The volume of off-site business accounted for 99.4% business of the Company. Fourthly, regarding empowerment of institutional customers, the Company's self-developed technical platform capable of providing high-speed, algorithm-powered trading and high-speed coverage of market situation and information at microsecond effectively meets the needs of high-net-worth, professional and public and private institutional customers. Fifthly, regarding artificial intelligence, the Company remained an industry leader in terms of the level of intelligentisation in areas such as technology uses and maintenance, financial management, business operations and risk management, and received a number of awards from the relevant departments of the Shanghai municipally, the SSE and the SZSE. Sixthly, regarding construction of middle-tier data platform, the Company's has built and launched enterprise-level data storage, big data platforms, statement and analysis platforms and unified information centre, which have been put into use. With the total capacity exceeding 1.5 PB and connected with over 90 sets of various application system, they conducted over 8,000 data operation tasks per day. Its new enterprise-level data storage system created the first self-initiated and controllable enterprise-level application in the industry.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Company seized the opportunities of reforms in the capital market, achieved excellent operating results, and successfully accomplished major strategic tasks. The Company ranked second in the industry in terms of key financial indicators such as total assets, operating income and net profit. The Company's application for non-public offering of A-shares was approved by the CSRC Issuance Examination Committee. Haitong UT successfully completed its listing on the Hong Kong Stock Exchange. Haitong Bank's application for the establishment of the Macau branch was approved by the Banco de Portugal. Despite of increased regulatory scrutiny, the frequent occurrence of "black swan" events and credit defaults in the market, the Company firmly held the bottom line of no systematic risks, and well responded to risk events and attained the regulatory rating of Grade AA, the highest in the industry, for three consecutive years.

For the next step, the Company will continue to promote comprehensive synergy, enhance the integration of resources in its international business segments, expedite the transformation of its wealth management business and construction of the Group's IT infrastructure. The Company also will further improve its market-oriented assessment and incentive mechanism, and give full play to the comprehensive advantages of the Company as a conglomerate with global presence and further promote high-quality development of the Company.

### II. OPERATIONS DURING THE REPORTING PERIOD

As of 31 December 2019, the total assets of the Group amounted to RMB636,794 million, and the net assets attributable to the parent company amounted to RMB126,091 million. In 2019, the Group realised revenue of RMB51,552 million, and net profit attributable to the parent company amounted to RMB9,523 million. The weighted average return on net assets was 7.81%. Its subsidiaries realized revenue of RMB30,080 million, accounting for 57% of the total revenue of the Group and its overseas business realised revenue of RMB17,068 million, accounting for 33% of the total revenue of the Group.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (I) Analysis of principal operations

#### 1. Wealth management business

##### *Market conditions:*

As the market expectation and liquidity improved, domestic stock market trading volume increased significantly in 2019. According to WIND, the average daily turnover of stocks and funds in Shanghai Stock Exchange and Shenzhen Stock Exchange amounted to RMB559,900 million in 2019, representing a year-on-year increase of 35.3%. Traditional brokerage business has bid farewell to the era of aggressive client acquisition, and shifted to wealth management business with a focus on exploiting the value of existing customers.

In 2019, the margin financing and securities lending business ushered in a series of innovations such as the launch of the Sci-Tech Innovation Board, the improvement in long and short sell mechanism in the market, the increase of number of securities eligible for margin financing and short selling. The market size exceeded RMB1,000,000 million. The function of financing secured by stock pledge to serve the real economy was further strengthened, meanwhile the use of the proceeds of stock pledge secured financing and risk control indicators were further tightened.

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

In 2019, the Company continued to strengthen its wealth management capabilities, and improved its wealth management service system. During the Reporting Period, the Company's stock and fund trading volume amounted to RMB10,500,000 million, representing a year-on-year increase of 37.6%. The number of customers of the wealth management business totaled 11.49 million, representing a year-on-year increase of 10.7%. The customers' assets at the end of the period totaled RMB1,830,000 million (tradable), representing an increase of 34.3% compared with the end of last year. The Company's customer structure was further improved. The assets of high-net worth customers increasing by over 40% year-on-year. The users of "e-Haitong Cai" (e海通財) mobile platform topped 32 million. The monthly active users of the platform exceeded 3.5 million, ranking top five in the industry.

#### ***Changes in Trading Volume of the Company in 2019***

	<b>The Reporting Period</b>	<b>The corresponding period of previous year</b>
Trading volume of stocks (RMB100 million)	101,535	75,014
Trading volume of funds (RMB100 million) <sup>(1)</sup>	3,930	1,660
<b>Total (RMB100 million)</b>	<b>105,465</b>	<b>76,674</b>

(1) excluding trading volume of on-market currency funds

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (1) Retail and Internet finance

The Company continued to optimize the layout of its outlets, strengthened customer service and expansion, and solidly advanced the ground work of its wealth management business. During the Reporting Period, the Company strengthened business outlets management system focusing on “standardization, informatization and lightweight”. The Company also gave full play to the role of outlets in supporting business development and enhanced the integration of “online to offline” services. In 2019, the Company fully implemented the customer manager system and made full use of the positive incentives to spark the enthusiasm of customer managers for business development and successfully promoted the rapid improvement of core performance indicators of its branches.

### (2) Internet finance

As the gateway and portal of the Company’s online customer services, “e-Haitong Cai” (e海通財) continuously provided customers with professional, intelligent and customized services covering professional trading services, online investment consultation, product sales and refined customer operations. In 2019, e-Haitong Cai continued to improve its professional trading functions and services for the Sci-Tech Innovation Board and Shenzhen options and launched strategic services featuring convertible bonds, automatic investment plan, purchase of new bonds and further improved the quality of its online investment advisory services to meet the comprehensive needs of its customers for investment and wealth management. In terms of improving the customer experience of services provided to professional investors, the Company continued to optimize its “ShareEBook” (e海方舟) and launched such service functions as quick trading, arbitrage trading, portfolio trading and strategy algorithms. During the Reporting Period, the number of the ShareEBook customers increased rapidly, the monthly average trading volume of customers increased by 1.4 times year-on-year and the monthly average customer assets increased by 1.9 times year-on-year.

### (3) The sales of financial products

The Company continued to enhance the development of its financial products portfolio and built up the product portfolio covering cash management products, fixed income products, equity products, quantitative and hedging products and alternative investments products, triggering a steady increase of product sales. As for cash management products, the average daily asset size of the “Tongcai wallet (通財錢包)” increased by 412%, the number of users increased by 144% to 1.39 million. As for quantitative hedging products, the average daily asset size of the “Tongjuhuicui (通聚薈萃)” series products increased by 89%. As for the fixed income products, the average daily asset size of the “Huao” (華澳) series products increased by 113%. The average daily asset size of other mutual funds products increased by 32% for the year.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (4) Financing business

The Company continued to optimize the structure of its financing business. As at 31 December 2019, the size of its financing business was RMB83,643 million (excluding asset management), representing a year-on-year decrease of RMB7,056 million, among which, the balance of margin financing and securities lending grew to RMB41,763 million, the balance of stock pledge financing decreased by 24.85% to RMB41,787 million. The Company seized the opportunity of piloting the Sci-Tech Innovation Board and obtained the qualification for piloting margin financing and securities lending business in the Science and Technology Innovation Board, which helped it secure a group of core customers. During the Reporting Period, the Company continued to manage the legacy risks through traditional measures such as active structure adjustment, assets portfolios consolidation and default treatment, and to this end the Company also engaged innovative measures such as cooperation and coordination with private enterprises supporting programs.

#### *Changes in the scale of the financing business of the Company in 2019*

	<b>As at the end of the Reporting Period</b>	<b>As at the end of the corresponding period of previous year</b>
Balance of margin financing and securities lending business (RMB100 million)	417.63	347.16
Balance of stock pledge business (RMB100 million) <sup>(2)</sup>	417.87	556.04
Balance of stock repo transaction (RMB100 million)	0.93	3.79
<b>Total (RMB100 million)</b>	<b>836.43</b>	<b>906.99</b>

During the Reporting Period, the Company cooperated with state-owned investment platforms in Shanghai, Anhui, Xiamen, Shaanxi, etc. in setting up plans to support private enterprises. At the end of 2019, the total invested amount was about RMB6,467 million (including parent funds, sub-funds and other asset management products). These private enterprises supporting plans reduced the risk exposure of the Company in stock pledge financing and promoted the cooperation between the Company and the listed companies and their major shareholders. These plans also enhanced the strategic cooperation relationship between the Company and leading companies in industry segments, and increase the overall value of the Company's financing business.

<sup>(2)</sup> it does not include stock pledged repo business operated through off-balance sheet asset management activities, the scale of such business as at the end of the Reporting Period was RMB22,014 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (5) Futures Brokerage

Haitong Futures endeavored in the arrangement and market development of new future products, its market share and trading volume of future products ranked top in the industry.

## 2. *Investment banking business*

### *Market conditions:*

In 2019, the equity capital market witnessed the introduction of various major reforms, including the launch of the Sci-Tech Innovation Board with the pilot registration system, the introduction of new regulation on major asset restructuring, and public consultation on regulation governing secondary offering and fund raising. A-share equity capital market rebounded obviously in 2019. According to WIND, the issuance proceeds in A-share equity market (including IPO, secondary offering, rights issue, preference shares and convertible bonds) amounted to RMB1.5 trillion in 2019, representing a year-on-year increase of 26.6%. The issuance proceeds in Hong Kong IPOs amounted to RMB460,150 million, representing a year-on-year increase of 63.5%. Activities of domestic merger and acquisition market drop slightly. The total value of announced M&A transactions in the market was RMB2.5 trillion, representing a year-on-year decrease of 26.6%.

The domestic bond issuances remained steady in 2019. The total underwritten amount was RMB45.2 trillion in 2019, increased by 3.07% over 2018. A total of 179 bonds defaulted, involving bonds amounting to over RMB140,000 million. Risk appetite level of investors decreased. Bonds coupon rates fell and market competition continued to optimize.

### *Operating measures and performance:*

#### (1) Equity financing

Regarding domestic equity financing business, in line with the guidelines of "Fighting for the final victory on the Sci-Tech Innovation Board and embracing the registration system", the Company was among the first batch of companies the projects underwritten by whom were approved by CSRC and listed on the Sci-Tech Innovation Board. The Company also and gradually established competitive edges in sectors including semiconductor integrated circuits, biopharmaceuticals, and smart manufacturing. As at the end of the Reporting Period, six IPO projects on the Sci-Tech Innovation Board underwritten by the Company were under CSRC review, ranking fourth in the industry. The Company also seized market opportunities and actively promoted the IPO applications. The Company submitted 22 IPO applications in 2019, ranking first in the industry. A total of 30 IPO projects underwritten by the Company were currently under CSRC review, ranking fifth in the industry. The Company also successfully completed innovative projects such as "Goldwind A + H Rights Issue" and "AMEC's IPO on the Sci-Tech Innovation Board", which highlighted the market competitiveness of the investment banking business of the Company.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

Regarding overseas equity financing business, Haitong International completed 49 IPOs and 58 equity financing deals in the global market, including 44 IPOs and 48 equity financing deals in Hong Kong, both ranking first among the investment banks in Hong Kong. Haitong International also completed two secondary financing projects in Singapore. In US, Haitong International completed five IPOs and three secondary financing deals in the US stock market during the year by leveraging upon its comparative advantages of full range of licenses and being the first Chinese invested market maker. The IPO of Luckin Coffee was the second largest IPO of Asian companies in terms of offering size on the NASDAQ this year.

### (2) Bond financing

In 2019, the Group completed 644 tranches of underwriting bond project as lead underwriter, with a total underwritten amount of RMB376,200 million, representing a year-on-year increase of 47.5%. In 2019, the Company ranked third in the industry in terms of the number of bonds underwritten and ranked sixth in terms of the underwritten amount. Regarding unsecured credit bonds issued by non-financial institutions (including enterprise bonds, corporate bonds, debt financing instruments for non-financial enterprises), which is the traditional business in which the Company enjoys competitive edge, the Company ranked third in the industry in terms of the number of bond issuance and the underwritten amount, and ranked first in terms of the number of bond issuance and the underwritten amount of corporate bonds. Despite of the market status of increasing number of bond defaults the Company continued to increase its customer structure. A total of 119 issuers of the bonds underwritten by the Company received AAA-rated, increasing 49% compared to the last year. The Company completed several landmark bond issuance deals, including “CMBS Project of Magnolia Plaza”, which is the largest CMBS issuance in China.

Regarding overseas bond financing, Haitong International achieved remarkable progress again since its big leap forward in 2018. As of the end of 2019, Haitong International completed 247 bond issuance projects, reflecting its absolute leading position in the bond market for Chinese property developers. In the ranking of Asian High-yield Corporate Bond Issuance Markets (excluding Japan), Haitong International ranked first among global financial institutions (commercial banks and investment banks) in terms of the amount and number of bonds underwritten. In Singapore, Haitong International completed four bond issuances for its Singaporean customers. In Indian market, Haitong International completed two bond issuances for Indian customers. Haitong Bank also actively expanded its “China Element (中國元素)” investment banking business and completed 20 cross-border bond underwriting projects. Haitong Bank continued to consolidate its leading position in the Portuguese market, and acted as the sole global coordinator in Portugal Airlines’ EUR200 million bond issuance project, which is the largest corporate bond issuance in Portugal for the past seven years.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (3) Merger and Acquisition Financing

Regarding domestic M&A, the Company enhanced its services for large enterprise groups. The Company actively assisted acquisition by state-owned enterprises of listed companies and supported the mixed-ownership reform of state-owned enterprises. On the other hand, the Company also expanded and developed new businesses by focusing on acquisition, reorganization and spin-off and other capital market operations of the Company's strategic customers and their shareholders. The major asset restructuring project that the Company completed, of which Jiefeng made a cross-border acquisition of Grammer AG, a German listed company, was the first cross-border acquisition of an overseas listed company that the acquiring entity maintains its listing status after such acquisition in the market. It was also the first acquisition that used targeted convertible bond financing instruments in the process of merger and acquisition in the market.

Regarding overseas M&A, Haitong International adhered to the strategy to serve the "Belt and Road" initiative, and continuously expanded its market share in global M&A projects by leveraging upon industry-leading professional capabilities and experiences. Haitong International successfully built its brand as a Chinese investment bank in the international M&A market, and acted as the sole financial advisor in several prominent cross-border M&A deals, including acquisition of 50% equity interest in Petroleum Group, the largest oil transportation company in Kazakhstan, the buyout of Kuwait Energy, and the acquisition of Elix Polymers, an engineering plastics company in Spanish. Haitong Bank won the mandate of Zhejiang Energy's overseas M&A after fierce competition with other internationally renowned investment banks. Its investment banking service capacity on the "Belt and Road" jurisdictions was further recognized by the market.

### 3. *Asset management business*

#### *Market conditions:*

As of the end of the Reporting Period, the regulation and policies respectively governing the wealth management subsidiaries of banks, the asset management business of securities companies, the asset management business insurance companies and other sub-industries have all been promulgated, reflecting the trend of unified, top-down regulatory oversight in terms of functions and operations under the top-level design. As these new regulations prohibit multi-levering and channel business, the AUM of asset management business of securities companies, trusts companies, fund subsidiaries, the asset management business of futures companies and other institutions declined significantly. Only the AUM of private funds, mutual funds and the asset management business of insurance companies increased. As of the end of 2019, the total AUM in the domestic asset management market fell below RMB100 trillion and amounted to about RMB98.8 trillion. The AUM of asset management business of securities companies was RMB11 trillion, the AUM of asset management business of fund companies and their subsidiaries was RMB8.7 trillion and the AUM of asset management business of futures companies was RMB0.14 trillion, down by 34.83%, 36.68% and 44% respectively compared with those before the promulgation of the new regulations at the end of 2017.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Operating measures and performance:*

Against the background of new regulations on asset management, the Company's asset management business timely adjusted its strategy and seized the opportunities for development in the market. Both its AUM and income grew rapidly. As of the end of the Reporting Period, the AUM of the asset management business amounted to RMB1.21 trillion, representing a year-on-year increase of 23%.

#### (1) HT Asset Management

Affected by regulatory policies and the market demand, HT Asset Management emphasized research on bonds, convertible bonds, exchangeable bonds, Class A Units of structured funds, bond funds, bond derivatives, commodities, equity pledge and other fields, and explored and expanded the Company's net income type portfolio using investment strategy of "fixed income" (固收) and "fixed income +" (固收+). HT Asset Management also closely followed the market dynamics, and the policies on IPO and listing on the Sci-Tech Innovation Board and its strategic placement, and develop asset management products related to the Sci-Tech Innovation Board and relevant offering. In 2019, the AUM of HT Asset Management's actively managed business increased by 29% to RMB139,800 million for the year, and the investment performance of its collective asset management products ranked the top 15% among similar products in the market. In 2019, HT Asset Management realized an operating income of RMB1,380 million, representing a year-on-year increase of 67%, and recorded a net profit of RMB696 million, representing a year-on-year increase of 48%.

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

	The Reporting Period		Last Corresponding Period	
	AUM (RMB100 million)	Net revenue (RMB10 thousand)	AUM (RMB100 million)	Net revenue (RMB10 thousand)
Collective asset management	772.60	8.19	611.38	5.48
Targeted asset management	1,506.42	1.29	2,171.17	1.35
Specialised asset management	304.72	0.16	161.88	0.09
Total	2,583.74	9.64	2,944.43	6.92

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (2) Fund management company

The AUM of the public funds of HFT Investment increased by 49% to RMB111,300 million, exceeding RMB100,000 million for the first time. The AUM of the public funds other than monetary funds increased by 61% to RMB51,500 million. The AUM of pension funds increased by 53% to RMB105,300 million. The investment performance of its funds improved continuously. The annual investment performance of three equity funds ranked among the top 5% in the industry. The investment performance of fixed income funds ranked first in the past five years. HFT Investment's five-year local government bond ETF on SSE broke the record for the issuance of the bond ETF, with an initial fundraising scale of nearly RMB11,000 million; the annual operating income and net profit reached RMB814 million and RMB223 million, representing a year-on-year increase of 21% and 29%, respectively.

The AUM of Fullgoal Fund increased by over 40% for the year, exceeding RMB600,000 million. The AUM of its public funds increased by more than RMB140,000 million, ranking first in the industry. The newly issued public funds raised approximately RMB60,000 million, ranking among the top three in the industry. Fullgoal Fund seized the market opportunity of the ETF market and continuously launched three ETF funds linked to the shares of central state-owned listed companies. The investment performance of its funds was outstanding, with the performance of several funds ranking among the top 5%. The operating income and net profit of Fullgoal Fund reached RMB2,855 million and RMB791 million respectively, representing a year-on-year increase of 19.9% and 12.7%.

### (3) Private equity investment funds

In 2019, Haitong Securities' PE business segment completed an overseas investment of more than RMB2,000 million, covering sectors of consumption, TMT, healthcare, cultural industry, high-end manufacturing and new energy. It established 4 new funds and raised over RMB2,000 million. Haitong Securities' 12 invested entities have either submitted IPO applications or achieved listing, including 5 in the Science and Technology Innovation Board. As of the end of 2019, Haitong's PE segment had 8 PE fund management subsidiaries, which managed over 30 private equity funds with a total AUM of nearly RMB30,000 million. Haitong Capital was ranked among the "China's Top 50 Private Equity Investment Institutions", "China's Top 10 Investment Institutions in Advanced Manufacturing Sector", and "China's Top 10 Investment Institutions in Corporate Service Sector"; the "Jifeng-Grammer" merger was awarded the "2019 Gold Prize of Excellent Cases of International Industrial Finance", which further increased the brand awareness of the Company's PE investment sector.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (4) Overseas asset management

The AUM of Haitong International reached HK\$53,500 million, of which the size of the USD bond funds topped RMB30,200 million. Haitong Asia High Yield Bond Fund (海通亞洲高收益債券基金) became the first fund for northbound trading issued by a Hong Kong-based Chinese brokerage firm. Tupo Anxin Selected Fund (突破安心優選基金) successfully landed in Singapore and Thailand. Haitong International Asset Management (Singapore) Pte. Ltd. obtained the business license for asset management, which made it one of the Chinese financial institutions with the biggest business coverage in Singapore.

### 4. *Trading and institutional client services*

#### *Market Conditions:*

In 2019, CSI 300 Index rose 36.07% and Hang Seng Index rose 9.07%. During the Report Period, derivatives market rapidly expanded. The launch of CSI 300 ETF options and CSI 300 Stock Index Options further enriched the profit models and risk management approaches of the securities industry. In 2019, the general market condition was favorable thanking to the tendency of loose monetary policy, CSI Aggregate Bond Total Return Index rose 3.76% during the year. The unsecured credit bonds outperformed the interest rate bonds, and the number of corporate default increased as well.

#### *Operating measures and performance:*

### (1) Trading business

In 2019, the Company increased the principal of fixed income investment and achieved good returns. The Company enhanced risk control and optimized the allocation of low-risk high-rated debt securities. In addition to the traditional bond investment, the Company actively engaged in other FICC businesses including treasury futures, interest rate swaps, gold lending, gold futures, gold options, crude oil futures. The Company seized market opportunities of equity trend investment and achieved good returns. In 2019, the Company to develop derivative product business, which has become a crucial instrument for the Company's risk management and product innovation. The Company was the first batch of securities company to be qualified for lead market maker of CSI 300 ETF Options at the SSE and Shenzhen Stock Exchange and CSI 300 Stock Index Options at China Financial Futures Exchange. The Company the Company was again awarded the SSE 50 ETF option main market maker Class A rating. It is the market leader in terms of the ETF core products turnovers.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

Haitong International, as the first Chinese market maker of NASDAQ, established a cross-border, cross-market and cross-sector trade clearing system, with the number of US underlying shares covered increased to 32 and HK underlying shares increased to 78 at exchange-traded options market; at the same time, benefitted from the Company's ever-improving execution capability in e-transaction, nearly 100 institutional clients have directly traded through Haitong International' algorithms. The FICC business was reorganized into three types: credit products, macro and hybrid products, and institutional customer solutions, made the management efficiency further improved. Interest rate and credit product transaction business has realized to provide bilateral liquidity quote for nearly 1000 institutional clients on a daily basis. The Company's business income in the trading desks at New York and London has grown steadily, which are expected to become new profit centres outside the Asia Pacific region. The position of the derivatives business in the first echelon of the Hong Kong market continued to be more stable: 2,975 warrants and CBCs were issued in the year of 2019, with a turnover of HK\$345,200 million, ranking second in the Hong Kong market. As the first Chinese securities company being eligible to issue Inline Warrants in the Hong Kong Stock Exchange, the Company started to provide investors with more diversified listed structured products.

### (2) Institutional client business

The Company persisted in establishing a leading research brand in the industry to foster institutional brokerage business development. During the year, the research sector of the Company published more than 5,500 reports, held 372 teleconferences, and served more than 15,000 person-times for engaged institutional customers. The research sector of the Company received 26 awards and was ranked 1st for the most influenced research institution; remained first in the social security research ranking. The Company maintained its leading position in the market with the foreign institutional business represented by QFII/RQFII and WOFE business, with relevant income achieving a record high in recent years.

The Company continued to improve PB system function, including business models such as algorithm transaction, margin financing and securities lending, over-the-counter funds and portfolio transactions, developed its own PB transaction system "e-Haitong" to form a foundation for expansion of institutional clients. The total transaction asset of PB business of the Company amounted to RMB231,200 million and the scale of all types of products RMB42,700 million, with the year-on-year growth of 90% and an aggregate turnover of RMB470,300 million.

Capital investment were the critical link of the Company to expand private equity manager clients. As of the end of 2019, existing investment of MOM product amounted to RMB521 million with an aggregate product scale of settled private placement amounted to RMB23,700 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

The Company made the selection of transaction dealers from wealth management subsidiary companies of commercial banks as an entry point, coordinate with multiple sectors in front-, middle- and backstage to develop and improve consolidated service system in order to enhance the consolidated service capability to large financial institutions.

Haitong International has set up prime brokerage trading business and bond income swap business, provided customers with investment plans across asset classes. It also independently developed the Exotics pricing model library, which can provide quotations for more than sixty structured products covering bills, over-the-counter (“OTC”) swaps and OTC options in multiple markets around the world.

### 5. *Financial leasing business*

#### *Market conditions:*

In 2019, China’s leasing industry was affected by factors such as the downward pressure of the macro economy and the tightening of the financial regulatory environment. The growth rate of the number of industry companies, registered capital and lease contract balances has slowed down, and the overall growth of the industry slowed down. In the long run, the penetration rate of the leasing business industry was still low. With the transformation and upgrading of the domestic economic structure, and the implementation of major national strategies, there was still room for further improvement. With the transformation of the regulatory regime of the leasing business, the industry has been showing an increasingly obvious tendency of survival of the fittest, and corporate differentiation has intensified. While maintaining the growth rate of assets, leading companies have demonstrated obvious advantages in terms of financing difficulty, asset quality, and profitability. In 2019, China’s prudent monetary policy has achieved remarkable results, and the scale of social financing has picked up. Financing channels and capital replenishment channels for leasing companies have gradually widened. Carrying out diversified financing through the capital market has gradually become one of the main financing channels for leasing companies.

#### *Operating measures and performance:*

Haitong UT successfully completed the H-share listing raising a total amount of HK\$2,320 million, which made it the third listing platform of the Company on Hong Kong Stock Exchange. The listing of Haitong UT H-share enhanced its capital capability, further broadened its financing channels, which strongly supported further expansion and strategic implementation of its business, and further improved its brand image, popularity, and talents attraction, as well as encouraged it to continue to enhance its consolidate governance. As of the end of 2019, Haitong UT recorded a total asset of RMB99,047 million, non-performing asset ratio of 1.08% and provision coverage ratio for non-performing asset of 265.19%, which remained stable.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### Analysis of the consolidated statement of profit or loss

#### (1) Composition of revenue

Unit: RMB'000

Items	2019	2018	Increase/decrease	
	Amount		Amount	Amount
Commission and fee income	<b>12,628,260</b>	9,852,687	2,775,573	28.17%
Interest income	<b>13,631,113</b>	14,248,355	-617,242	-4.33%
Finance lease income	<b>4,552,042</b>	3,698,412	853,630	23.08%
Investment income and gains (net)	<b>11,450,319</b>	3,483,520	7,966,799	228.70%
Other income and gains	<b>9,290,378</b>	7,386,733	1,903,645	25.77%
<b>Total revenue, gains and other income</b>	<b>51,552,112</b>	38,669,707	12,882,405	33.31%

In 2019, the total revenue, gains and other income realised by the Group amounted to RMB51,552 million, representing an increase of RMB12,882 million or 33.31% as compared to the corresponding period of last year, mainly due to focusing on clients, firmly adhering to the transformation of wealth management business, optimizing business structure and constantly improving comprehensive financial service abilities.

#### a. Commission and fee income

Unit: RMB'000

Items	2019	2018	Increase/decrease	
			Amount	Percentage
Commission and fee income of securities and futures brokerage business	<b>6,171,840</b>	4,266,797	1,905,043	44.65%
Financial advisory and consultancy fee income	<b>1,249,648</b>	1,154,101	95,547	8.28%
Underwriting and sponsors fees	<b>2,689,853</b>	2,390,967	298,886	12.50%
Asset management fee income (including fund management income)	<b>2,395,113</b>	1,925,194	469,919	24.41%
Others	<b>121,806</b>	115,628	6,178	5.34%
<b>Total commission and fee income</b>	<b>12,628,260</b>	9,852,687	2,775,573	28.17%

Commission and fee income amounted to RMB12,628 million, representing an increase of RMB2,776 million or 28.17% as compared to the corresponding period of last year, mainly due to strengthening the buildup of the wealth management business, exploring investment banking clients and increasing the AUM of active fund management business, and therefore leading to the increase in commission and fee income of various business lines.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### b. Interest income

Interest income amounted to RMB13,631 million, representing a decrease of RMB617 million or 4.33% as compared to the corresponding period of last year, mainly due to decrease of the stock pledged repo business and the decrease of the interest income.

### c. Net investment gains

Net investment gains amounted to RMB11,450 million, representing an increase of RMB7,967 million or 228.70% as compared to the corresponding period of last year, because the Group seized market opportunities, adjusted asset portfolio, resulting in an increase in investment gains arising from financial instruments held for trading.

### Statement of the Principal Businesses of the Group

#### Principal businesses by segment

Unit: RMB'000

By industry	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Wealth management business	14,877,254	10,059,301	32.38%	6.03%	10.55%	-2.76%
Investment banking business	4,194,445	2,685,484	35.98%	9.82%	6.48%	2.01%
Asset management business	3,006,879	1,668,325	44.52%	29.73%	34.40%	-1.93%
Trading and institutional client business	15,142,395	10,461,445	30.91%	105.84%	23.35%	46.21%
Financial leasing business	7,575,231	6,207,289	18.06%	33.18%	41.99%	-5.08%
Others	6,755,908	6,747,991	0.12%	23.79%	24.59%	-0.64%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### Principal businesses by region

Unit: RMB'000

By region	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Domestic business	34,484,550	24,060,198	30.23%	35.64%	19.34%	9.53%
Overseas business	17,067,562	13,769,637	19.32%	28.86%	25.51%	2.15%
Subtotal	51,552,112	37,829,835	26.62%	33.31%	21.51%	7.13%

### (2) Composition of expenses

Unit: RMB'000

Total expenses	2019	2018	Increase/decrease	
			Amount	Percentage
Depreciation and amortisation	1,128,068	558,166	569,902	102.10%
Staff costs	7,313,379	5,929,829	1,383,550	23.33%
Commission to account executives	454,539	504,297	-49,758	-9.87%
Brokerage transaction fees and other services expenses	2,244,365	834,025	1,410,340	169.10%
Interest expenses	14,035,306	13,126,493	908,813	6.92%
Impairment losses under expected credit loss	2,847,410	1,622,167	1,225,243	75.53%
Impairment losses of other assets	16,447	25,060	-8,613	-34.37%
Other expenses	9,790,321	8,532,013	1,258,308	14.75%
Total	37,829,835	31,132,050	6,697,785	21.51%

In 2019, total expenses of the Group amounted to RMB37,830 million, representing an increase of RMB6,698 million and 21.51% as compared to that for the same period in 2018, mainly due to business growth and the increase in the corresponding brokerage transaction fees and other services expenses.

In 2019, the Group realised a net profit attributable to owners of the Company of RMB9,523 million, representing an increase of 82.75% as compared to the corresponding period of last year. The Group realized basic earnings per share of RMB0.83, representing an increase of 84.44% as compared to the corresponding period of last year; the weighted average return on net assets amounted to 7.81%, representing an increase of 3.39 percentage points as compared to the corresponding period of last year.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (3) *Public welfare contributions*

In 2019, the Group contributed a total of RMB16,283.8 thousand in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

#### **Breakdown of public welfare contributions for 2019**

*Unit: RMB'000*

<b>Items</b>	<b>Amount during the Reporting Period</b>
Charity donations	16,283.8
<b>Total</b>	<b>16,283.8</b>

### (4) *Cash flow*

In 2019, the Group's net cash and cash equivalents increased by RMB2,757 million, in which:

- (1) net cash from operating activities was RMB8,556 million, which was mainly due to:
  - Cash inflow of RMB24,838 million caused by decrease in financial asset held under resale agreements;
  - Cash inflow of RMB22,770 million caused by increase in accounts payable brokerage clients and other payables and accounts;
  - Cash inflow of RMB12,413 million caused by increase in financial assets sold under repurchase agreements.
- (2) net cash from investing activities was RMB1,052 million, which was mainly due to the cash inflow of RMB12,090 million caused by proceeds from disposal of debt instrument at fair value through other comprehensive income.
- (3) net cash used in financing activities was RMB6,851 million, which was mainly due to the cash outflow of RMB151,481 million caused by repayment of borrowings, short-term financing bills payables, non-convertible bonds and others.

### (5) *Others*

During the Reporting Period, there were no material changes in the composition and sources of the Group's profits.

# SECTION IV REPORT OF THE BOARD OF DIRECTORS

## Analysis on major items of the consolidated statement of financial position

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

Unit: RMB'000

	2019		2018		Increase/decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Non-current assets</b>	<b>135,390,743</b>		113,939,923		21,450,820	18.83%
Of which: finance lease receivables	24,786,256	3.89%	30,824,664	5.36%	-6,038,408	-19.59%
Equity instruments at fair value through other comprehensive income	15,783,978	2.48%	15,228,291	2.65%	555,687	3.65%
Debt instruments measured at fair value through other comprehensive income	7,551,256	1.19%	5,768,988	1.00%	1,782,268	30.89%
Financial assets at fair value through profit or loss	21,562,385	3.39%	18,368,406	3.20%	3,193,979	17.39%
Other loans and receivables	4,761,754	0.75%	5,647,819	0.98%	-886,065	-15.69%
Investments accounted for using equity method	4,942,938	0.78%	5,312,881	0.92%	-369,943	-6.96%
Financial asset held under resale agreements	17,137,937	2.69%	11,002,055	1.91%	6,135,882	55.77%
Property and equipment	6,714,638	1.05%	6,044,423	1.05%	670,215	11.09%
Loans and advances	2,695,362	0.42%	3,744,563	0.65%	-1,049,201	-28.02%
Goodwill	4,134,434	0.65%	4,046,190	0.70%	88,244	2.18%
<b>Current assets</b>	<b>501,402,888</b>		460,683,711		40,719,177	8.84%
Of which: bank balances and cash	111,062,093	17.44%	97,423,052	16.95%	13,639,041	14.00%
Clearing settlement funds	8,611,101	1.35%	7,646,561	1.33%	964,540	12.61%
Financial assets at fair value through profit or loss	198,030,685	31.10%	158,837,008	27.64%	39,193,677	24.68%
Advances to customers on margin financing	52,797,926	8.29%	48,861,009	8.50%	3,936,917	8.06%
Accounts receivable	9,752,377	1.53%	8,257,214	1.44%	1,495,163	18.11%
Financial asset held under resale agreements	40,347,256	6.34%	71,676,737	12.47%	-31,329,481	-43.71%
Finance lease receivables	28,155,387	4.42%	30,828,048	5.36%	-2,672,661	-8.67%
Debt instruments measured at fair value through other comprehensive income	3,602,965	0.57%	9,362,242	1.63%	-5,759,277	-61.52%
Deposits with exchanges	9,603,759	1.51%	5,601,350	0.97%	4,002,409	71.45%
Derivative financial assets	1,516,496	0.24%	1,780,757	0.31%	-264,261	-14.84%
Other loans and receivables	20,222,329	3.18%	14,043,711	2.44%	6,178,618	44.00%
<b>Total assets</b>	<b>636,793,631</b>		574,623,634		62,169,997	10.82%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2019		2018		Increase/decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>355,497,271</b>		301,851,733		53,645,538	17.77%
Of which: accounts payable to brokerage clients	87,464,142	17.65%	71,893,535	16.18%	15,570,607	21.66%
Financial assets sold under repurchase agreements	68,877,678	13.90%	56,372,903	12.68%	12,504,775	22.18%
Borrowings	57,040,864	11.51%	52,489,162	11.81%	4,551,702	8.67%
Placements from banks and other financial institutions	14,421,611	2.91%	8,482,577	1.91%	5,939,034	70.01%
Financial liabilities at fair value through profit or loss	26,211,555	5.29%	23,862,827	5.37%	2,348,728	9.84%
Derivative financial liabilities	2,170,599	0.44%	2,218,774	0.50%	-48,175	-2.17%
Other payables and accruals	17,748,106	3.58%	13,455,014	3.03%	4,293,092	31.91%
Short-term financing bills payables	32,206,855	6.50%	26,537,968	5.97%	5,668,887	21.36%
Customer accounts	2,873,637	0.58%	2,160,326	0.49%	713,311	33.02%
Tax liabilities	1,976,794	0.40%	1,535,337	0.35%	441,457	28.75%
Bonds payables	43,699,917	8.82%	41,923,410	9.43%	1,776,507	4.24%
<b>Net current assets</b>	<b>145,905,617</b>		158,831,978		-12,926,361	-8.14%
<b>Non-current liabilities</b>	<b>140,177,617</b>		142,585,982		-2,408,365	-1.69%
Of which: bonds payable	89,042,454	17.96%	98,223,447	22.10%	-9,180,993	-9.35%
Long-term borrowings	31,084,259	6.27%	27,714,158	6.24%	3,370,101	12.16%
Financial liabilities at fair value through profit or loss	3,874,411	0.78%	2,338,127	0.53%	1,536,284	65.71%
Placements from banks and other financial institutions	6,200,903	1.25%	6,241,519	1.40%	-40,616	-0.65%
<b>Total liabilities</b>	<b>495,674,888</b>		444,437,715		51,237,173	11.53%
<b>Total equity</b>	<b>141,118,743</b>		130,185,919		10,932,824	8.40%

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As of 31 December 2019, the total assets of the Group amounted to RMB636,794 million, representing an increase of RMB62,170 million or 10.82% as compared to the end of 2018, and the total liabilities of the Group amounted to RMB495,675 million, representing an increase of RMB51,237 million or 11.53% as compared to the end of 2018.

As of 31 December 2019, the non-current assets amounted to RMB135,391 million, representing an increase of 18.83% as compared to the end of 2018, mainly due to increase of the financial asset held under resale agreements; the current assets amounted to RMB501,403 million, representing an increase of 8.84% as compared to the end of 2018, mainly due to increase of the financial assets at fair value through profit or loss. The current liabilities of the Group were RMB355,497 million, representing an increase of 17.77% as compared to the end of 2018, mainly due to increase of accounts payable to brokerage clients. The net current assets of the Group were RMB145,906 million, representing a decrease of 8.14% as compared to the end of 2018. The non-current liabilities of the Group were RMB140,178 million, representing a decrease of 1.69% as compared to the end of 2018, mainly due to reduce in bonds payable.

As of 31 December 2019, the Group's equity attributable to owners of the Company was RMB126,091 million, representing an increase of RMB8,232 million or 6.98% as compared to the end of 2018; excluding the influencing of accounts payable to brokerage customers, the Group's gearing ratio was 74.31%, representing an increase of 0.21 percentage points as compared to 74.10% as at the end of 2018. The Group's asset-liability structure remained relatively stable.

### *Borrowings and bond investment*

As of 31 December 2019, the total borrowings and bond financing of the Group amounted to RMB263,537 million. The following table sets forth the breakdown of the Group's borrowings and bond financing as at the end of December 2019:

*Unit: RMB'000*

	<b>31 December 2019</b>	31 December 2018
Bonds payables	<b>132,742,371</b>	140,146,857
Borrowings	<b>88,125,123</b>	80,203,320
Short-term financing bills payables	<b>32,206,855</b>	26,537,968
<b>Total</b>	<b>253,074,349</b>	246,888,145

For the interest rates and maturities of the borrowings and debt financing, please refer to Note 48,49 and 50 set out in the appended financial report.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As at the end of 31 December 2019, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB132,948 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB145,906 million. Therefore, liquidity risk exposure of the Group was immaterial.

Save as the liabilities summarised and disclosed in this report, as at 31 December 2019, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and financial leasing commitment, guarantee or other material contingent liabilities.

### (II) Analysis of industry business information

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

### (III) Analysis on investment

At the end of the Reporting Period, the Group's long-term equity investment was RMB4,943 million, representing a decrease of RMB370 million and 6.96% as compared to the end of last year (RMB5,313 million). For Long-term equity investment, please refer to Note 26 to the Consolidated Financial Statements to this Report.

#### (1) Material equity investment

Name of the company	Shareholding in the company	Carrying value as at the end of the period	Profit or loss in the Reporting Period	<i>RMB0'000</i>
				Changes in equity of owners in the Reporting Period
Fullgoal Fund Management Co., Ltd.	27.775%	109,610.22	22,026.52	565.20

Note:

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

### **(3) *Financial assets measured at fair value***

The financial assets measured at fair value of the Group is mainly consist of financial assets at fair value through profit or loss of RMB219,593 million, financial liabilities at fair value through profit or loss of RMB30,086 million, equity instruments at fair value through other comprehensive income of RMB15,784 million, debt instruments at fair value through other comprehensive income of RMB11,154 million, and derivative financial instruments of RMB-654 million.

### **(IV) *Material assets and equity disposal***

During the Reporting Period, the Group had no material assets or equity disposal.

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

1. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities owned 51% equity interests. As at 31 December 2019, the total assets of HFT Investment reached RMB2,104 million, and the net asset was RMB1,370 million. As of 31 December 2019, HFT Investment realised an operating income of RMB814 million with a net profit of RMB223 million.
2. Fullgoal Fund, with a registered capital of RMB520 million, in which Haitong Securities owned 27.775% equity interests. As at 31 December 2019, the total assets of Fullgoal Fund reached RMB5,656 million, and the net asset was RMB3,945 million. As of 31 December 2019, Fullgoal Fund realised an operating income of RMB2,855 million with a net profit of RMB791 million.
3. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities owned 67% equity interests. As at 31 December 2019, the total assets of Haitong-Fortis PE reached RMB262 million, and the net asset was RMB204 million. As of 31 December 2019, Haitong-Fortis PE realised an operating income of RMB146 million with a net profit of RMB63 million.
4. Haitong Futures, with a registered capital of RMB1,301.5 million, in which Haitong Securities holds 66.667% equity interest. As at 31 December 2019, the total assets of Haitong Futures reached RMB25,074 million, and the net asset was RMB2,785 million. As of 31 December 2019, Haitong Futures realised an operating income of RMB7,476 million with a net profit of RMB215 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

5. Haitong International Holdings, with a registered capital of HK\$11,180 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2019, the total assets of Haitong International Holdings reached HK\$308,009 million, in which the net asset attributable to the parent company was HK\$15,633 million. As of 31 December 2019, Haitong International Holdings realised an operating income of HK\$10,039 million with a net profit of HK\$2,793 million.
6. Haitong Capital, with a registered capital of RMB10,650 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2019, the total assets of Haitong Capital reached RMB17,106 million, in which the net asset attributable to the parent company was RMB14,158 million. As of 31 December 2019, Haitong Capital realised an operating income of RMB1,284 million with a net profit of RMB878 million.
7. Haitong Innovation Securities, with a registered capital of RMB4,100 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2019, the total assets of Haitong Innovation Securities reached RMB5,522 million, and the net asset was RMB5,514 million. As of 31 December 2019, Haitong Innovation Securities realised an operating income of RMB562 million with a net profit of RMB414 million.
8. HT Asset Management, with a registered capital of RMB2,200 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2019, the total assets of HT Asset Management reached RMB10,724 million, and the net asset was RMB3,849 million. As of 31 December 2019, HT Asset Management realised an operating income of RMB1,380 million with a net profit of RMB696 million.
9. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2019, the total assets of Shanghai Weitai Properties reached RMB144 million, and the net asset was RMB10 million. As of 31 December 2019, Shanghai Weitai Properties realised an operating income of RMB47 million with a net profit of RMB7,500.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

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

### (VII) Others

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

During the Reporting Period, the Company established and opened 11 securities branches, and discontinued one securities branch; as at the end of the Reporting Period, the Company had 27 securities branch offices and 300 securities branches (please refer to Appendix II in this Report for details).

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

During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively prevented non-standard accounts by standardising the processes and enhancing supervision, review, etc. The Company also made further clean-up of unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been put in separated reserve category. During the Reporting Period, the Company has totally cleaned up 73 unqualified capital accounts (including 31 unqualified cash-only accounts), 841 small-amount-dormant capital accounts (including 120 cash-only small-amount-dormant accounts), and 197 dormant accounts without risk management. As at 31 December 2019, the Company still had 25,880 unqualified capital accounts (including 22,893 unqualified cash-only capital accounts), 1,540,640 small-amount-dormant capital accounts (including 445,200 cash only small-amount-dormant capital accounts) and 97,430 dormant accounts without risk management.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 3. *Development of innovative business*

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

- (1) The Company actively promoted the innovations advocated by the regulatory authorities. The Company was the first securities company in the industry to propose a bail-out plan model, which firstly initiated the asset management plans to support private enterprises. The Company was among the first batch of securities companies that are qualified as lead market makers of CSI 300ETF options traded on SSE, CSI 300ETF Options traded on SZSE, and CSI 300 Stock Index options traded on the China Financial Futures Exchange.
- (2) The Company continued to accelerate independent innovation and provide customers with innovative business solutions. The Company helped Advanced Micro-Fabrication Equipment Inc. China (中微半導體設備(上海)股份有限公司), a leading domestic enterprise engaged in advanced semiconductor equipment research, development and manufacturing, get listed on the Sci-Tech Innovation Board, boosting the Company's market reputation. The Company also underwrote RMB13,800 million asset-backed securities Shanghai Magnolia Plaza, the highest skyscraper in Puxi, Shanghai. It is the first CMBS related to a landmark building in Shanghai, and the largest domestic CMBS in China in terms of issue size. The Company also provided services for the first credit protection contract linked to asset securitization products, the first credit protection contract and the first credit protection certificate linked to poverty alleviation bonds. The Company's subsidiary, HFT, was one of the first fund companies authorized to carry out market-neutral strategies. HFT AnyiHedging Strategy Flexible Allocation Hybrid Fund (海富通安益對沖策略靈活配置混合基金) is the only open-ended non-sponsor hedging strategy fund. The issuance of SSE 10-year local government bond ETF won the second prize of the Shanghai Financial Innovation Award. Another subsidiary, Haitong International Investment (Singapore) Pte. Ltd., obtained an asset management license in Singapore, which further promoted Haitong's internationalization process. Haitong Asset Management's special project, known as, "industry-finance integration, hedging risks" (產融結合·套保護航), help corn deep processing enterprises to optimize the inventory management and won the Third Prize of Shanghai Financial Innovation Award.
- (3) The Company's innovative business maintains its leading position in the industry. For example, customer finance businesses such as corporate repurchases and stock pledged repurchases are among the largest ones in the industry. Besides, the issue volume and value of our product offerings on the OTC market are at the forefront in the industry.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

#### (I) Industry layout and trend

Given the long-term trend of transforming from an indirect financing-oriented model to a direct financing-oriented model and the increasing demand for cross-border investment and financing, and with the Chinese economy transforming from emphasising fast-growth to emphasising high-quality development, assets accumulated by enterprises and wealth accumulated by individuals under the phase of rapid economic growth will provide huge potential for the development of the capital market and the securities companies. With the amendments to the PRC Securities Law, the successful establishment of the Sci-Tech Innovation Board and its pilot registration system, the deepened reform of the GEM and NEEQ as well as the comprehensive deepening reform in the capital market such as issuance of shares of listed companies and the mechanism of major assets restructuring, the Company's business segments including the general brokerage, general investment banking, general asset management, private equity investments, alternative investments and cross-border business will benefit from more promising development opportunities. On the other hand, driven by the continuous tight regulatory oversight, rapid development of fin-tech, the opening up of the industry, and the introduction of new regulations on asset management, the profit generation fundamentals in the securities industry development has undergone profound changes and industry competition is likely to become further intensive.

The development of the securities industry is expected to witness the following trends: the two-way opening up and liberalisation of the capital market, the industry competition and development facilitated by the entries of new foreign invested securities companies, and the international development of the market and customers will further promote the process of internationalisation of securities companies, along with more cross-border simultaneous linkages; the integration of industry will accelerate, which will result in increased market concentration and more intense competition among industry leaders and differentiation of operations in terms of capital drives, integrated services and fin-tech; the traditional profit generating model heavily relied upon operating licences and regulation will be phased out gradually, while the profit generating model in the industry will be transformed into a capital-driven intermediary model relying on capital advantage, customer base, professional services capability and fin-tech strength; under a growing asset management and wealth management market featured by institutionalisation of retail investors with huge potential, proactive management capabilities and product design capabilities will become the core competitiveness of the securities companies; as businesses of securities companies such as product offerings, service models and geographic coverage are increasingly complex, the importance of ensuring compliance and risk management and the management and control coordination of the Group will be more significant to the sustainable development of various businesses.

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### (II) Development strategy of the Company

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

### (III) Business plan

The year 2020 is an important window period for comprehensive deepening reform of the capital market, which avails the Company crucial opportunities for the development of securities industry and is a critical period for the Company's further consolidation and enhancing its industry-leading advantage. The Company will, under the guidance of overall development strategy, continue to firmly leverage upon the resilient fundamentals of Chinese economy, and continuously increase its efforts to serve the real economy, and play its part in realising the transformation and upgrading China's economic structure, and to prevent financial risks and foster its core comprehensive financial services capabilities at home and abroad. The Company will actively seize the opportunities of new economic structure brought on from the benefits of reform, strengthen customer service, speed up project implementation and strive to increase revenue; meanwhile, the Company will integrate operation and management practice and continue to closely follow changes brought on by areas such as Sci-Tech Innovation Board, the piloted registration-based system, new regulations of asset management, transformation of wealth management, which may have material impacts on industry development; the Company strives to actively meet the challenges and capture the advantageous position in the market based on the development trends in investment banking, asset management and brokerage business industries; the Company vows to deepen its internal reform and take the initiative to embrace change, and put its focus on solving the problems of institutional mechanisms that may hinder the development of the Company, and motivate the enthusiasm and vitality of senior management and employees; the Company will steadily advance the construction of infrastructure in terms of science and technology, talents and systems, enhance its financial service abilities and capabilities and lay a solid foundation for the Company to achieve high quality and sustainable development.

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The Company will focus on the following key tasks: grasping opportunities in innovation and development, strengthening the capability building related to investment banking business development and pricing to reinforce the market position of its investment banking business; putting customers first and utilising products as a link to enhance its wealth management capability and the building of such system as well as to accelerate the transformation from brokerage business to wealth management; gaining more customers by strengthening institutional brokerage and sales capability; fostering business highlights and strengthening active management ability to create professional brands for each subsidiary of the asset management business; creating innovation powerhouse and enhancing operation and management ability to fortify the Company's head-start on internationalisation; improving its business layout to promote leasing business and realise high quality development; organising and implementing management of assets and liabilities base on scientific planning; focusing on key segments and better safeguarding human resources; optimising core resources allocation by focusing on key projects and boosting technology empowerment; further enhancing the overall core competitiveness and profitability of its overseas subsidiaries; and strengthening the development of a healthy corporate culture and fostering successful corporate culture and professional integrity under the principle of "Compliance, Integrity, Professionalism and Prudence" to contribute to the building of a better capital market.

### **(IV) Potential risks and prevention measures (including the implementation of comprehensive risk management and compliance risk control as well as investments on information technology)**

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

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

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

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

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The Company has established scientific and reasonable compliance management framework systems with clear responsibilities according to the compliance management regulatory requirements and the practical circumstances of the Company. The responsibilities and duties of the Board of Directors, the Supervisory Committee, the principal in charge of operation and management, the General Compliance Officer, and other senior management in respect of compliance management are further clarified. The work division and coordination and interaction of the compliance department, other internal control departments and subordinate units of the Company (including each department, branch and subsidiary) are further defined. The Company has developed the Management Measures for Compliance of Haitong Securities Co., Ltd. and relevant supporting compliance management systems, and assigned a team of compliance management personnel to strictly carry out the compliance management for each business line. These measures serve to strengthen the enforcement of different systems, mechanisms and processes via prior review, in-process monitoring and post-action inspection, assessment and investigation. In addition, the Company enhanced the policy communication and compliance promotion so as to create a business environment of “Full Compliance and Active Compliance”.

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

The Guidelines for Management of Money Laundering and Terrorism financing risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引（試行）》) sets out specific requirements for management of risks related to money laundering, terrorism financing and financing of proliferation of weapons of mass destruction. The risk of money laundering, terrorism financing and financing of proliferation faced by the Company refers to the possibility that the Company’s products or services are used by lawbreakers to carry out the money laundering, terrorism financing and proliferation financing activities. The Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations. The Company has developed a relatively well-established anti-money laundering internal control system, which consists of the basic anti-money laundering system, implementation rules and various anti-money laundering special systems, and incorporated the relevant anti-money laundering contents in the Company’s document management, compliance assessment and punishment rules. The Company has established a sound anti-money laundering organisational framework under the Board, which is responsible for an anti-money laundering management system coordinated by the anti-money laundering panel of the Company, organised and led by the compliance department, and implemented by relevant business departments and branches.

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### (3) *Credit risk*

Credit risk refers to the risk that the Company may suffer loss as a result of failure by the borrower, counterparty or debt issuer to perform the stipulated financial obligations or any adverse change in their credit standing.

Credit risk faced by the Company mainly relates to self-owned monetary funds deposited in other financial institutions, transaction settlements from customers in trading of securities on behalf of customers, and stock pledge secured repo business with customers, margin financing and securities lending services and stock repo transaction services to customers, as well as debt product investment, treasury business and derivative transactions. The Company may suffer losses from the above transactions if borrowers, counterparties or debt issuers fails to perform their obligations.

The Company's monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, while the clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited. Therefore, the Company's cash and cash equivalents are facing a relatively low credit risk. In terms of securities brokerage business, trading is settled under gross margin for credit risk avoidance. For stock pledged repo business, margin financing and securities lending and stock repo transaction, credit risk involved in the business are mainly controlled through the establishment and enforcement of various strict systems and measures in areas such as due diligence, internal credit rating, projects evaluation, credit approval management, daily mark-to-market, post-lending tracking, credit enhancement, liquidation execution, judicial recourse and provision making. The Company emphasises diversified investment in terms of debenture transaction and investment business to control concentration risk. Investment subjects selected were mostly high credit rating assets. The Company keeps a close track of the operating conditions and credit rating changes of investment subjects during credit risk management and adjusts the internal rating of debt issuer and limit indexes in a timely manner in accordance with the changes in financial indicators, significant risk events and negative public opinion, etc. Therefore, credit risks associated with the investment subjects are well controllable. As for the short-term intra-industry borrowing business such as bond repurchase, the Company carefully selects the counterparties with good credit standing and secured securities with high credit rating through access and credit granting management from counterparties, so as to control the level of credit risk from the source. In terms of over-the-counter derivatives business, the Company established a sound regulation system and procedure covering areas including counterparties access and credit rating management, subject securities management, risk responses and handling and conducted daily market-to-market evaluation throughout the term of over-the-counter derivative transaction and managed counterparty credit risk by fully adopting risk mitigation measures such as net settlement and performance guarantee.

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The Company establishes internal rating and asset risk classification systems, and takes credit risk management measures such as credit extending to customers, limit management and risk provisioning based on risk measurement and analysis. In order to further increase the timeliness and effectiveness of credit risk management, the Company continues to strengthen the construction of data governance and related information management system, and to improve the automation of various management processes, such as credit rating, extension, measurement, monitoring, early warning and reporting. The Company also pays attention to the relationship and conduction mechanism between credit risk and market risk while managing its risks. The credit risk exposure on possession and trading of specified financial products would also change with market fluctuations. As such, the Company has adopted necessary risk monitoring and responsive measures on market fluctuations, in order to effectively manage credit risk from various aspects.

In addition to the aforesaid risk factors, several subsidiaries of the Group are also exposed to credit risk when carrying out trading finance, loans and various loans, investment in equity assets, financial leasing, inter-bank short-term lending and other businesses. Pursuant to the Management Measures on Group Credit Risk, the Company fully fine tunes and integrates the group credit risk management mechanism, formulates the group credit risk management indicator system and establishes a sound collectivised credit risk measurement and concentration risk management framework. That enables the perfection of the collectivised internal credit rating and unification of credit granting management framework, and further enhancement of credit risk monitoring, reporting and response for subsidiaries.

### (4) *Market risk*

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

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

In 2019, the stock market in the PRC continued to consolidate after an upward trend in the first quarter. The SSE Composite Index opened at 2,497.88 points at the beginning of the year, and closed at 3,050.12 points at the end of December, with a cumulative rise of 22.30%. In the same period, the SSE 50 Index rose 33.58%, the CSI 300 Index rose 36.07%, the SME index rose 41.03%, and the GEM index rose 43.79%.

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

- B. Interest rate risk. Interest rate risk refers to the risk resulting from market interest rate fluctuations. The Company's assets which are exposed to interest rate risk mainly include monetary deposits, bond investment and debt issuance, etc. In 2019, the ChinaBond Composite Full-price Index had experienced wide fluctuations, first moving up to the range top in mid-February, and then declining back to the lowest point at the end of this year, followed by a bumpy rise. It had an upward trend throughout the year and rose to the range topside at the end of the year. The ChinaBond Composite Full-price Index closed at 120.36 points at the end of the year, with a rise of 1.31% from that at the end of last year. Compared with the end of last year, the yield to maturity of ChinaBond 5-year Treasury Bond reduced by about 8bp to 2.89%, and the yield to maturity of ChinaBond 10-year Treasury Bond reduced by about 9bp to 3.14% comparing with the end of the previous year. The Company managed interest rate risk by employing methods such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, to match the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- C. Exchange rate risk. Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. Internally, the Group continues to optimise its international layout. In addition to the Company's overseas equity investment, the Group also increases the debts scale in foreign currencies by issuing foreign currency bonds and other means, resulting in the increased size of foreign currencies and exchange rate risk exposures of the Group as a whole. Externally, ongoing international conflicts such as the trade war have further violated exchange rates, hence caused difficulties in exchange rates risk management. The Company continued to monitor and study the latest developments in the foreign exchange market and constantly optimised system construction and internal management, taking various measures to hedge and releasing exchange rate risks to support the Company's overseas business development. The Company also focused on the natural match between foreign currency assets and liabilities from the Group level to reduce the foreign exchange risk exposure. At the same time, the Company also adopted accounting treatments, for example, hedges of net investment in overseas operations and other means, to smooth the influence of foreign exposure on the Group's operating results. At the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.



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In addition to the aforesaid risk factors, overseas investment and transaction businesses conducted by the Group are also exposed to relevant market risks. Fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. Under the Management Measures on (Group) Market Risk of Haitong Securities Co., Ltd., the Company sped up to the implementation of the procedures of market risk identification, assessment, measurement, monitoring, response and reporting from the Group level, as well as included the investment and transaction businesses of subsidiaries into the overall market risk management system. In terms of investment and transaction businesses conducted by the subsidiaries of the Group, the Group set and assigned market risk limit indicators such as value-at-risk (VaR) limit and stop loss limit. Subsidiaries are required to strictly implement such indicators in daily business activities and submit risk reports to the parent company as required. The Group tracks and supervises its subsidiaries on their market risk profile and the implementation of risk limits.

### (5) *Operational risk*

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

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During the Reporting Period, the Company continued to fully comply with the relevant requirements of the operational risk management system. Pursuant to the Management Measures on (Group) Operational Risk of Haitong Securities Co., Ltd., the Company leveraged on various operational risk management tools (including Risk and Control Self-Assessment, Key Risk Indicators and Loss Data Collection) to carry out the Group's operational risk management before, during and after the relevant incidents. While conducting risk and control self-assessment within the Group, the Company actively identified operational risk, assessed inherent risk level, implemented self-assessment in terms of the effectiveness of risk control measures, and measured the remaining risk level to form a risk heat map. The Company established and continued to improve Key Risk Indicators system while collecting and tracking the indicators and their dynamic changes regularly. The Group conducted Loss Data Collection of operational risk within the Group and implemented unified collection of the operation risk incidents in the system to assess the nature and gravity of the risk incidents as well as followed up the progress of risk mitigation measures.

In addition, the Company continued to improve its internal control management mechanism, enhance system building, regulate the operational processes, strengthen audit and inspection, and strengthen its accountability system, to reduce the possibility of operational risks and actively and properly address the adverse effects brought by any such event in accordance with such regulatory provisions as the Guidelines for Internal Control of Securities Company issued by the CSRC, Basic Standards for Enterprise Internal Control issued by Five ministries as well as the internal management needs of the Company. The Company always emphasises implementation of refined management, constantly improves the business process and gives more training to employees in terms of professional integrity and professional ethics and strives to manage and reduce operational risk events. Meanwhile, the Company pays great emphasis on the training and promotion of operational risk management and culture. Through various methods such as online training and on-site instruction, the Company has formulated an operational risk management philosophy that covers various aspects and engages with all of the personnel. The Company continued to step up efforts in developing information technology management and system, improved IT-related emergency response plans, and conducted regular emergency response rehearsal, prevented information technology risk by taking multiple measures including regular or sporadic monitoring and special inspections, in order to monitor and control information technology in respect of system operation, applied R&D, information security, and technology management.

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### (6) *Liquidity risk*

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

In respect of daily liquidity risk management, the Company has always adhered to the mind-set of “proper and even conservative risk control” and successfully contained the liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and control measures by adhering to the determined liquidity risk preferences and limits of risk indicators. The Company reserved sufficient quality liquidity assets in strict compliance with relevant internal regulations and measures, which are to ensure smooth business development and timely repayment of matured liabilities of the Company. Additionally, the Company continued to improve the management and control system for daily liquidity and risk indicators, built a linkage system of capital and indicator combining with assets and liability, and improved a liquidity risk analysis framework including daily indicator position follow-up, monthly indicator assessment and forecast and department indicator disassemble, which enriched tools of liquidity risk management over different periods of time, and deeply strengthened the Company’s scientific control over and forecast efficiency of liquidity risk.

In terms of mid-term and long-term liquidity risk management, the Company continued to optimise its asset allocation structure, intensified its analysis on the development trend of assets and liabilities and strengthened its management and control over liquidity risks from the source. On the one hand, the Company set up the assets and liabilities allocation committee to actively carry out asset and liability management work and adjust its liability maturity mix by timely analysing business development trend and potential need for mid-term and long-term funds, in order to ensure a reasonable range of the maturity mismatch of assets and liabilities. On the other hand, the Company enhanced liquidity refined management system to ensure more reasonable liability structure and distribution of maturities, whilst maintaining a balance among asset safety, liquidity and profitability. During the Reporting Period, the Company valued maintaining good relationships with major commercial banks, emphasised regulated operations, maintained good reputation, and kept financing channels open.

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In terms of Group liquidity risk control, the Company steadily implemented the requirements on the liquidity risk management for the Group and subsidiaries. Firstly, with the aim to improve subsidiaries' liquidity risk management systems, the Company continued to implement classified management of subsidiaries from the risk lines and asset-liability management lines on the basis of liquidity risk management, with different requirements proposed from three aspects: organisational system guarantee, risk control framework and risk response measures. Secondly, the Company issued limit management requirements for the subsidiaries based on the liquidity risk indicators and the industry, location and risk features of the subsidiaries, to monitor the liquidity risk actuality of each subsidiary more effectively. Lastly, to strengthen the Group's capability to handle liquidity risks, and to underline the Group's advantages of managing and coordinating information, the Company formulated the Management Measures for Supporting the Liquidity of the Group as its general management guidance. A preliminarily support system for the Group's liquidity was established, which specifies various aspects such as management objectives, management principles, division of work and supporting channels, safeguarding the Group against any liquidity risks.

### (7) *Reputation risk*

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

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

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

During the Reporting Period, the Company enhanced consolidated supervision on risk control, established group risk data mart, and further promoted the construction of the comprehensive risk management system of the Group according to the Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other regulatory requirements and internal systems. In terms of full coverage, the Company built a clearly arranged risk management framework covering various risks, different business lines and all departments/branches/subsidiaries, and revamped various pre-event risks management processes including risk identification, assessment, measurement, monitoring, reporting and response and continually enhanced prevention, in-process monitoring and follow-up inspections and disposal as to various risks. In terms of monitoring, the Company established a three-level indicator system covering supervising indicators, tolerance and limit indicators and business risk control indicators, and conducted continuous monitoring and assessed extreme risks through various stress tests. In terms of measurement, the Company measured market risks, credit risks, liquidity risks and other risks, and continuously optimised its quantitative models and methods. In terms

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of analysis, the Company regularly prepared various reports, and prepared non-periodical reports for significant risk events and included its subsidiaries into the scope of reports. In terms of the risk-response ability, the Company chose proper countermeasures according to risk assessments and warning results, and established an effective response mechanism as well as formulated a specific emergency system. In addition, the Company provided support and guarantee for comprehensive risk management through measures including promotion of risk control culture, improvement of the risk management system, enhancing system and data, improving fostering of risk control specialists and increasing investment in risk management.

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

### *(1) Compliance risk*

In 2019, to effectively prevent compliance risks and to facilitate the effective operation of the Company's compliance management for a sustainable, healthy and compliant development, the Company made ceaseless efforts to enhance prior review, in-process monitoring and post-action inspection, assessment and accountability in its compliance process, so as to strengthen the enforcement of the Company's compliance systems, mechanisms and processes. Meanwhile, the Company made great efforts in development and innovation, and further strengthened the compliance management of the Group, enhanced the fostering of compliance culture, facilitated the establishment of compliance management team, and improved the information wall and conflict of interest management system and mechanism. In 2019, the Company satisfied the compliance requirements overall in its business operations. All businesses were carried out in a robust pattern with no major compliance risk.

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### (2) *Risks of money laundering and terrorism financing*

In order to effectively implement the Guidelines for Management of Money Laundering and Terrorism Financing Risks of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引（試行）》) issued by the PBOC, in 2019, the Company's Board of Directors reviewed and approved the Management Measures on Money Laundering and Terrorism Financing Risk of Haitong Securities Co., Ltd., explicitly defining the anti-money laundering duties of the Board of Directors, the Supervisory Committee, the management, operating departments and functional management departments, and put forward the Company's money laundering risk management goals, cultural goals for money laundering risk management, as well as money laundering risk management principles, strategies and procedures, etc. Subsidiaries of the Company were required to follow and implement these measures, so as to enhance the unified management of the money laundering risks at the Group level. Meanwhile, the Company conducted customer information and data management from the perspective of anti-money laundering, optimized and improved the functions of the anti-money laundering system, and engaged external advisors to assess the Group's anti-money laundering risks. Furthermore, the Company researched and explored the application of new technologies in anti-money laundering, and ceaselessly improved the efficiency and performance level of anti-money laundering efforts. Faced with the regulatory scrutiny, the Company made great efforts in advancing its anti-money laundering performance and enhancing the standard for anti-money laundering compliance management.

### (3) *Credit risk*

As at the end of December 2019, the average performance guarantee ratio of our customers in margin financing and securities lending business was 272%, and the average performance guarantee ratio of our customers in securities repurchase transaction business was 232%, the average performance guarantee ratio of the customers of the stock-pledged repo business operated through on-balance sheet is 300%. The collaterals provided by the lenders were sufficient, and the overall credit risk was under sound control. Regarding the trade and investment of unsecured corporate bonds, the Company relied on its internal credit rating system, assessed the credit rating of bond issuers and vigorously monitored the pre-investment credit assessment, eligibility for investment and investment quota allocation, and timely adjusted the investment strategy based on the monitoring of the post-investment credit risks of issuers to actively manage the risks. As of the end of 2019, risk monitoring indicators of the Company's unsecured corporate bonds investment and trading business remained at normal level, and the overall credit risks were controllable. The Company's counterparties of short-term interbank borrowing and over-the-counter derivatives businesses are mainly financial institutions including commercial banks, securities companies, asset management plans. The Company is faced with limited credit risk from counterparties since it selects appropriate business models carefully and strictly controls the business scale and adopts appropriate and practical risk mitigation measures during the operations of the aforesaid businesses.

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In 2019, Haitong International adjusted the risk preference of credit business to “prudence and conservation”, actively controlled the scale of credit business in response to the impact of new international trade momentum on the macro environment, as well as the supervision trend of the financial regulatory institutions in Hong Kong on the margin financing business. In order to prudently control the risk of margin financing business, Haitong International has continuously strengthened its credit quality assessment on financiers and the risk classification assessment system of guaranteed securities, which served to closely monitor each of the limit indexes of business and control the credit risk of margin financing business and regular review of the credit quality of counterparties. On this basis, Haitong International has set up a measurement model for monitoring the credit risk exposure of counterparties while enhancing its monitoring efficiency and control over the credit risk of counterparties through management measures including daily risk reports. Meanwhile, Haitong International strived to minimise potential losses by assisting borrowers in restructuring, replenishing collaterals and applying for property preservation. During the Reporting Period, the overall credit risk of Haitong International was controllable.

In 2019, against the backdrop of tightening external credit environment and increased regulatory scrutiny, Haitong UT Capital continued to deepen its development in the leasing industry by actively enhancing and strengthening its risk management system while adhering to the risk diversification strategy to ensure diversification of industries, customers and regions. Haitong UT Capital also continued to adhere to a multi-dimensional risk management system with “industry + customer” as the main line and “product management + regional management” as supporting line, and further refined and strictly implemented the standards on this basis. In respect of credit risk, Haitong UT Capital implemented the whole-chain risk management and control procedure before, during and after the lease, and continued to improve the relevant policies, systems, specifications and requirements from all dimensions including organisation structure, credit review guidelines, due diligence, risk pricing, credit approval, internal control compliance and information system construction, with overall improving level of credit risk management. During the Reporting Period, the overall credit risk of Haitong UT Capital was under control.

In 2019, according to the overall strategic planning, Haitong Bank continuously updated and improved the risk appetite framework and credit policy, and further accelerated disposal of risk assets, with gradual improvement in asset quality. To meet the need of business development with Chinese elements, Haitong Bank strived to strengthen its capability of credit risk assessment on Chinese customers, so as to better cater for the need of risk management. In October 2019, Standard & Poor’s adjusted the long-term credit rating of Haitong Bank upward from BB- to BB with stable outlook. During the Reporting Period, the overall credit risk of Haitong Bank was controllable.



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### (4) *Market risk*

In 2019, the ratio of the Company's VaR to its net assets at the end of each month and the ratio of the Group's VaR to its net assets both were kept under 0.2% and the market risk was controllable and acceptable. In 2019, based on the trends of and the Company's judgement of the stock market, the Company gradually expanded the investment scale of equity securities from the second half of the year. Despite traditional trend investment, the Company actively conducted innovative businesses such as options market making and over-the-counter options. During the operation time of the above-mentioned innovative businesses, the Company adhered to risk-neutral investment strategy and effectively controlled the relevant risk exposures.

In 2019, based on the trends of and the Company's judgement of the bond market, the Company gradually expanded the investment scale of bonds at a steady growth rate. At the end of each month, the duration of non-equity investment changed to a minor extent, being relatively stable. At the end of 2019, the portfolio duration of non-equity investment was 2.20 years. In 2019, the Company maintained an overall sound market risk control over its fixed income investments.

### (5) *Operational risk*

During the Reporting Period, the Company has constantly improved the construction of the internal control system, focused on improving every system and process as well as intensified the execution of various rules and regulations. There were no material operational risk events which have actual effect on the operation of the Company. The Company continued to strengthen the building and maintenance of the information technology system and conducted regular and sporadic inspections and maintenance strictly pursuant to the operation management procedure, thus ensuring that the system is in reliable, stable and safe operation. During the Reporting Period, there were no significant information technology risk events.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (6) *Liquidity risk*

Since 2019, the external equity market fell after a surge and stayed fluctuated while liquidity benefited from monetary policy remained loose. However, structural liquidity risks caused by divergence of credit profile in pledge-style repurchase of bonds with credit hierarchy had a greater impact on the market. Under the continuous pressures of Sino-US trade war, the regulatory authorities has been shifting from strict regulatory scrutiny toward gradually removing entry barriers for various new business, which provided new opportunities for various businesses which made more stringent requirement on the liquidity risk management. At the Company level, the influence of various large amount debt repayment or renewal practices became the main source of liquidity risk pressures suffered by the Company during the Reporting Period. Facing the change in market environment and internal capital demand, the Company actively planned on the basis of different areas to continuously strengthen the control on liquidity risks via prior risk identification, in-process risk mitigation and post-event improvement. During the Reporting Period, the Company's sustained and sufficient capital reserves reduced the likelihood of the outbreak of liquidity risks and ensured its capability of stable operations in a complex market environment. In 2019, the daily average liquidity coverage ratio of the core liquidity monitoring indicators of the Company was 308% while the average daily NSFR was 138%, both of which were far higher than the regulatory requirement and pre-warning standard. Meanwhile, the Company has constantly enhanced its ability to cope with liquidity risks by evaluating its financing channels and liquidity of high-quality liquid assets under pressure through liquidity emergency rehearsal.

In addition, the liquidity coverage ratio was 189.89% while the NSFR was 126.03% in the Group's consolidated statements, the overall liquidity risk being controllable. Nevertheless, potential structural liquidity risks existed by reason of local industry or geography. In this connection, the Company, guided by the Management Measures on Group Liquidity Risk, developed scientific liquidity risk management strategies as per the business characteristics of each subsidiaries, which served to realise unified management of liquidity risk across the Group. Meanwhile, the Company formulated the Management Measures on Group Liquidity Support as its overall management policy and preliminarily established a group liquidity support system to safeguard the Group against the occurrence of liquidity risks. Facing a complicated market environment in the future, the Group will continue to actively conduct asset-liability management and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the stable operations of the Group.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (7) *Reputational risk*

During the Reporting Period, the Company closely integrated brand building with effective management of reputational risk, and contributed the efforts of Haitong in building a high-quality industry ecology with focus on strengthening the forecast and assessment of reputational risk for advance response and mastering the initiative of public opinions. During periods of centralised dissemination of public opinions such as disclosure of the Company's periodic reports, the Company actively carried out guidance on public opinions through early planning, active publicity, media guidance and key monitoring. For positive operating results and highlights of the Group, the Company maintained strong interaction with mainstream media and strengthened the influence and brand reputation of Haitong as the leading securities firm in the industry through multi-dimensional media dissemination. For a few negative incidents, the Company provided timely responses to mainstream media and actively guided the media to report such incidents in an objective and fair manner. During the Reporting Period, the Company maintained a healthy environment of public opinions, with increasingly apparent sound development of brand image.

### 3. *Investment of the Company on compliance and risk control and information technology during the Reporting Period*

Regarding compliance and risk control, the Company continued to strengthen the construction of compliance and risk control system and increased relevant investment to provide solid support for compliance and risk control management. The Company's investment in compliance and risk control includes the investments in personnel, systems and daily operating expenses in connection with compliance and risk control, liquidity risks and reputation risk. In 2019, the Company's investment in compliance and risk control was RMB530 million.

Regarding investment in information technology, the Company attaches great importance to information technology infrastructure construction and has continuously increased its investment in information systems. The Company leveraged its advantage of information technology to improve the quality of customer service and the efficiency of internal work. In 2019, the Company's investment in information technology mainly includes: actively promoting the construction of "three centres in two locations", continuously promoting the construction of Zhangjiang science and technology base and Haitong financial cloud platform, and upgrading and developing software and hardware systems and various innovative business systems related to the Company's customer transactions. In 2019, the Company's total investment in information technology was RMB780 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

The Company always adheres to the philosophy of sound business and, focuses on risk management to maintain a reasonable capital structure. During the Reporting Period, the net capital of the Company was RMB72,875 million; the net assets was RMB113,687 million; the "net capital/net asset" ratio was 64.10%; the risk coverage ratio was 265.49%; the capital leverage ratio was 24.52%; the liquidity coverage ratio was 311.25% and the net stable funding rate was 146.28%. During the Reporting Period, the operating risks were controlled at an acceptable level with asset in high quality and standardised business operations, and its risk control indicators were in line with regulatory requirements.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

In 2019, the Company conducted sensitivity analysis or stress testing on significant events including dividend distribution, capital allocation plans, adjustment in upper limit of business scale, investment banking underwriting projects etc., and carried out the abovementioned events on the premise that the analysis and testing conclusions met the regulatory requirements. Stress testing has been conducted at the end of each month for all possible extreme cases. In 2019, the Company conducted 33 sensitivity analysis and stress testing on risk control indicators, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company. In addition, the Company also conducted 12 stress testing on liquidity risks to ensure that in future the liquidity risk control indicators can meet regulatory requirements at any point in time.

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

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

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

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

During the Reporting Period, the Company implemented the compliance philosophy of "everyone shall be compliant, compliance shall start from senior management, compliance creates value and compliance is the lifeline of the Company" on an on-going basis; stepped up efforts in compliance training and promotion and actively fostered the culture of active compliance in the frontline. The Company increase its efforts to improve the execution of various systems, mechanisms and processes through improving performance of compliance management functions including prior review, in-process monitoring, post-event examination, assessment and accountability. During the Reporting Period, the Company strived to explore and innovate, further strengthened management work of the Group, promoted the construction of a compliance management team, improved the information wall and conflict of interest management system and mechanism, and developed the system of "central controlling room".

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

✓ Not applicable

### V. OTHERS

#### 1. Pre-emptive right arrangement

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

#### 2. Sufficiency of public float

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

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

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

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

Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since October 2014. Mr. Xu Jianguo, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since November 2016. Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making and etc., therefore it may compete or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Mr. Chen Bin and Mr. Xu Jianguo were not involved in the daily management and operation of the Company. As such, the directorship held by Mr. Chen Bin and Mr. Xu Jianguo in Orient Securities Company Limited would not give rise to any material competition issue under Rule 8.10 of the Hong Kong Listing Rules. Save as disclosed above, none of the Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

#### 5. Service contracts of Directors and Supervisors

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

### 7. Share Option Scheme

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

### 8. Major clients and suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high-net-worth individuals and retail customers. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide offshore services and expand its customers' sources. In 2019, revenue generated from top five customers of the Company accounted for 5.40% of the Group's total revenue.

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

### 9. Contract of significance

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

### 10. Management contract

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

### 11. Permitted indemnity provision

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



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 12. Equity-linked agreement

Save as disclosed in this Report, there is no other equity-linked agreements entered into by the Company or subsisted during the Reporting Period.

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

For the information of the Company's share capital and issuance of shares and securities as at 31 December 2019, please refer to "I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES" and "II. SECURITIES ISSUANCE AND LISTING" in "Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS" and "Section X CORPORATE BONDS" of this Report.

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

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

### 15. Compliance with relevant laws and regulations

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

### 16. Review of Annual Results

The Audit Committee under the Board reviewed the audited financial statements and the annual report of the Company for the year ended 31 December 2019, and did not raise any objections to the accounting policies and practices applied by the Company.

### 17. Profit distribution and tax relief

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *17.1 Taxation of holders of A Shares*

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

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No. 348), the dividends received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the responsible withholding parties in accordance with the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%. For the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and they are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding parties will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over with-held tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

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

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

For investors of the SSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares through Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shanghai-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shanghai-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅[2014]81號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

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

For investors of the SZSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, which is expected to be the nominee of the holders of H Shares through Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅[2016]127號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

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

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

### **18. Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments or Capital Assets**

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Company during the Reporting Period. Apart from those disclosed in this Report, there were no material investments or additions of capital assets authorised by the Board at the date of this Report.

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

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

## Section V SIGNIFICANT EVENTS

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

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

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

From 2008 to 2018, cash dividends of RMB22,189 million (inclusive of tax) and stock dividends of 1,234 million shares (inclusive of tax) were distributed to shareholders of the Company, and share capital of 2,880 million shares were converted from capital reserve on a cumulative basis. From 2008 to 2018, the percentage of dividends distributed each year accounted for more than 30% of the profit available for distribution, among which, the percentage from 2016 to 2018 was 63.14%, 63.14% and 44.27%, respectively.

## Section V SIGNIFICANT EVENTS

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

The implementation of the 2018 profit distribution plan of the Company was completed on 26 July 2019. On the basis of the total share capital of 11,501,700,000 shares of the Company, a cash dividend of RMB0.15 (inclusive of tax) per share were distributed to all the shareholders of the Company (which means a cash dividend of RMB1.50 (inclusive of tax) for every 10 shares was distributed), with a total cash dividend amounting to RMB1,725,255,000.00 (inclusive of tax). The cash dividends distributed to holders of A Shares amounted to RMB1,213,819,677.00 based on the total share capital of 8,092,131,180 A Shares and the cash dividends distributed to holders of H Shares amounted to HK\$580,983,707.79 based on the total share capital of 3,409,568,820 H Shares.

## Section V SIGNIFICANT EVENTS

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

As audited, the net profit attributable to owners of the parent company for the year 2019 in the consolidated financial statements was RMB9,523,247,834.58 and the net profit of the parent company for the year 2019 was RMB6,744,940,639.30.

In accordance with the relevant regulations including the PRC Company Law, the PRC Securities Law and the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after making appropriation to statutory reserve funds and reserve funds. The Company has made appropriation of 10% of the net profit for the year 2019 realised by the parent company to statutory reserve funds, general risk reserve and transaction risk reserve, respectively, each amounting to RMB674,494,063.93, totalling RMB2,023,482,191.79, adding the retained profits of the parent company of RMB21,691,709,782.49 at the beginning of the year, deducting the dividends of RMB1,725,255,000.00 distributed by the Company due to implementation of the profit distribution plan for 2018, adding the retained profit of RMB20,323,663.88 transferred from other comprehensive income and the parent company's retained profits of RMB24,708,236,893.88 at the end of the year. Gains from fair value changes contained in the distributable profit shall not be used for cash distribution according to relevant regulations, despite this impact, the Company's retained profits for distribution to investors of 2019 amounted to RMB3,267,779,604.81 at the end of the year.

As prescribed in the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) issued by the CSRC, listed companies shall only issue securities after submitting the profit distribution plan and plan for conversion of capital reserve into share capital to the general meeting for approval or putting such plans approved at the general meeting into implementation. If the Company implements the profit distribution plan of 2019, the Company shall not proceed with the non-public issuance of A Shares until completion of the profit distribution. Given the Company is currently proceeding with the non-public issuance of A Shares of the Company, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company will not make profit distribution for 2019, nor will it convert its capital reserve funds into share capital. The Company intends to proceed with the related matters for profit distribution as soon as practicable following completion of the non-public issuance of A Shares of the Company in accordance with requirements of relevant regulatory authorities and the Articles of Association.



## Section V SIGNIFICANT EVENTS

Unit: Yuan Currency: RMB

Year of distribution	Number of dividend shares for every 10 shares ( <i>share</i> )	Amount of dividend for every 10 shares ( <i>RMB</i> ) (inclusive of tax)	Number of shares converted for every 10 shares ( <i>share</i> )	Amount of cash dividends (inclusive of tax)	Net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements during the year of distribution	Percentage of amount of cash dividends in net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements (%)
2019	0	0	0	0	9,523,247,834.58	0
2018	0	1.5	0	1,725,255,000.00	5,211,093,198.87	33.11
2017	0	2.3	0	2,645,391,000.00	8,618,423,293.06	30.69

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

✓ Not applicable

## Section V SIGNIFICANT EVENTS

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

**The Company recorded profits and the parent company recorded positive retained profits for distribution to shareholders of ordinary shares of the Company during the Reporting Period, but no reasons for proposal for cash profit distribution for ordinary shares was proposed**

**Usage of the retained profits and the usage plan**

The article 18 of the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) of the CSRC requires that “listed companies shall only issue securities after submitting the profit distribution plan and plan for conversion of capital reserve into share capital to the general meeting for approval or putting such plans approved by the General Meeting into implementation. Before relevant plan is implemented, the lead underwriter shall not underwrite the securities issued by the listed company.” If the Company implements the profit distribution plan of 2019, the Company shall not proceed with the non-public issuance of A Shares until completion of the profit distribution. Given the Company is currently proceeding with the non-public issuance of A Shares of the Company, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company will not make profit distribution for 2019, nor will it convert its capital reserve into capital.

The Company intends to subsequently proceed with the related matters for profit distribution as soon as practicable following completion of the non-public issuance of A Shares of the Company in accordance with requirements of relevant regulatory authorities and the Articles of Association.

## Section V SIGNIFICANT EVENTS

### II. PERFORMANCE OF UNDERTAKINGS

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

✓ Not applicable

(II) **If the Company makes any profit estimate on its assets or projects and the Reporting Period is during the profit estimate period, the Company's explanation on whether such profit estimate on assets or projects has been satisfied and reasons**

✓ Not applicable

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

✓ Not applicable

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

✓ Not applicable

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

✓ Not applicable

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

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

The Company has applied the Accounting Standards for Business Enterprises No. 21 – Lease (the "New Lease Standards", the accounting standards before such amendments hereinafter referred to as "Old Lease Standards") amended by the Ministry of Finance in 2018 since 1 January 2019 ("date of initial application"). The New Lease Standards refined the definition of lease by adding contents such as lease identification, division and consolidation; cancelled the lessees' distinction between the operating leases and financial leases, required confirmation of right-of-use assets and lease liabilities on all leases (except short-term leases and leases of low-value assets) at the commencement of the lease term; improved lessees' subsequent measurements on leases and added accounting treatment under the circumstances of option revaluation and lease amendment and added relevant disclosure requirements. In addition, the accounting treatment of sale and leaseback transactions were amended as well.

## Section V SIGNIFICANT EVENTS

For contracts entered into before the date of initial application, the Company would not reassess whether the contract is, or contains, a lease. For contracts that are signed or modified after the date of initial application, the Company has assessed whether the contracts were leases or contained leases according to the definition of lease in the New Lease Standards. The New Lease Standards determine whether a contract is a lease or contains a lease based on whether a party to the contract transfers the right of controlling the use of one or more identified assets during a period in exchange for a consideration.

The Company, as a lessee, adjusted the retained earnings at the date of initial application and other related items in the financial statements based on the cumulative impact of the initial application of the New Lease Standards, while the information for the comparative period shall not be adjusted.

The Company would not make transitional adjustments for leases where it acted as a lessor and performed accounting treatment in accordance with the New Lease Standards from the date of initial application.

For the sale and leaseback transactions entered into before the date of initial application, the Company would not reassess on the date of initial application. For the transactions after the initial date of application, if the transfer of assets in the sales and leaseback transaction does not constitute a sale, the Company, as the purchaser and lessor, would not recognise the assets transferred in the transactions. Among these transactions, the buyers and the lessees have the obligation or right to repurchase the relevant assets. Therefore, these assets are accounted for the accounting treatment for financing arrangements based on financial instruments standards.

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

✓ Not applicable

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

✓ Not applicable

**(IV) Other explanations**

✓ Not applicable

## Section V SIGNIFICANT EVENTS

### VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

	Former Appointment	Currently engaged
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)
Remuneration of the domestic accounting firm (RMB0'000)	310	134.5
Term of the audit services provided by domestic accounting firm	Eight years	Eight years
Name of the overseas accounting firm	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
Remuneration of the overseas accounting firm (RMB0'000)	350	350.5
Term of the audit services provided by overseas accounting firm	Seven years	Eight years

	Name	Remuneration (RMB 0'000)
Accounting firm engaged for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)	40

Save as disclosed above, the Company did not change auditors during the preceding three years.

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

At the 2018 general meeting convened by the Company on 18 June 2019, the resolution regarding the appointment of accounting firms for the year 2019 was considered and approved. Therefore, the Company was approved to engage Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as external auditors of the Company in 2019 to be jointly responsible for provision of relevant domestic and overseas audit services and review services in accordance with PRC GAAP and IFRS for a term of one year.

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

✓ Not applicable

## Section V SIGNIFICANT EVENTS

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

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

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

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

### IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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

### X. MATERIAL LITIGATION AND ARBITRATION

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

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

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

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

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

## Section V SIGNIFICANT EVENTS

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

During the Reporting Period, the Company did not implement any share incentive scheme, employee stock ownership plan or other employee incentives.

#### Share Option Scheme of Haitong International

On 23 August 2002, a share option scheme (the “2002 Share Option Scheme”) was approved and adopted by the shareholders of Haitong International, which expired on 22 August 2012. According to the 2002 Share Option Scheme, options could be granted to any full-time employee, executive and non-executive director of Haitong International and any of its subsidiaries or associates. The exercise price of the share options was determinable by the directors of Haitong International and should be at least the highest of (1) the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares. For the year 2019, holders of options of Haitong International exercised 2,582,759 share options under the 2002 Share Option Scheme.

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

In 2019, Haitong International granted 10,645,000 share options under the 2015 Share Option Scheme and all of them were accepted; another 3,283,677 share options lapsed during the period due to the resignation of employees.

## Section V SIGNIFICANT EVENTS

As at the end of 31 December 2019, share options which have been granted but not yet exercised by Haitong International are set out as follows:

<b>Share Option Scheme</b>	<b>Number of share options issued but not yet exercised (Note)</b>	<b>Exercise price per share (Note)</b>	<b>Exercise period</b>
2015 Share Option Scheme	13,545,157	HK\$4.643	8 December 2016 to 11 May 2021
	11,711,638	HK\$5.011	7 June 2018 to 9 November 2022
	18,249,151	HK\$2.903	28 May 2019 to 31 October 2023
	10,600,316	HK\$2.559	27 December 2019 to 30 May 2024
<b>Total</b>	<b>54,106,262</b>		

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

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 0.91% of the issued shares of Haitong International as at 31 December 2019. If the remaining options are fully exercised, under the current share capital structure of Haitong International, an additional of 54,106,262 ordinary shares of Haitong International will be issued, while the share capital of Haitong International will increase by approximately HK\$5,411,000 and the share capital premium will be approximately HK\$196,270,000 (including issuing expenses). (Please refer to the 2019 annual report published by Haitong International on the website of the Hong Kong Stock Exchange for more details.)

### XIV. MATERIAL RELATED PARTY TRANSACTIONS

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



## Section V SIGNIFICANT EVENTS

The related party transactions as disclosed in Note 72 to the Consolidated Financial Statements of this Report did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules, except for the related party transaction entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd., which constitutes a de minimis connected transaction under Chapter 14A of the Hong Kong Listing Rules, and is therefore exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Please refer to the Company's announcement dated 27 March 2019 for further details. During the Reporting Period, the Company did not have any other connected transaction which would be required to be disclosed under Chapter 14A of the Hong Kong Listing Rules.

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

During the Reporting Period, the Company conducted related party transactions in strict compliance with the resolution on projected routine related party transactions in the year of 2019 approved in the annual general meeting of 2018, details of such related party transactions are as follows:

#### 1. Related party transactions with Shanghai Guosheng (Group) Co., Ltd. and Shanghai Guosheng Group Assets Co., Ltd.

*Unit: RMB10 thousand*

Content of Transactions	Transaction volume in 2019	Remarks
Fee and commission income	177.26	Income generated from provision of bond underwriting service and investment consulting service

*Unit: RMB10 thousand*

Item	Balance as at 31 December 2019	Remarks
Accounts receivable	72.00	Balance of bond underwriting fees receivable from related parties

## Section V SIGNIFICANT EVENTS

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

Unit: RMB10 thousand

Contents of Transactions	Transaction volume in 2019	Remarks
Fee and commission income	230.57	Fund management fee and investment consulting service fees charged against related parties
Interest expenses	1,711.21	Interest expense incurred from loan from financial leasing
Business and management expenses	10.29	Expenses from sales and service fees of fund paid to related parties
Net gains or losses from trading of derivative financial instruments	-282.22	Realised and unrealised investment income from derivatives trading between related parties, as counterparties, and the Company During the Reporting Period, the amount of notional principal amounts was RMB820 million; as at the end of the Reporting Period, the balance of notional principal amounts was RMB880 million

Unit: RMB10 thousand

Item	Balance as at 31 December 2019	Remarks
Long-term borrowings	50,156.40	Balance of loans incurred from financial leasing (interests included)
Accounts payable to brokerage clients	17,351.37	Balance of margin deposits from futures business
Dividends Payable	4,489.54	Balance of dividend payable to related parties by controlling subsidiaries
Accounts receivable	48.64	Balance of investment consulting fees receivable from related parties
Accounts payable	1.49	Balance of fund sales and customer maintenance fees payable to related parties

## Section V SIGNIFICANT EVENTS

### 3. Related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.

Unit: RMB10 thousand

Contents of Transactions	Transaction volume in 2019	Remarks
Fees and commissions income	0.46	Securities trading fees and commissions income received from related parties
Interest income	0.02	Interest income from margin deposits of related parties

Unit: RMB10 thousand

Item	Balance as at 31 December 2019	Remarks
Accounts payable to brokerage clients	0.01	Balance of margin deposits from clients placed by related parties

## Section V SIGNIFICANT EVENTS

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

Unit: RMB10 thousand

Contents of Transactions	Transaction volume in 2019	Remarks
Fees and commissions income	17,299.96	Income from investment banking business, income from sales service and income from investment consulting service received from related parties
Fee and commission income	39.44	Securities trading fees and commissions income received from related parties
Interest income	6.87	Interest income from margin deposits of related parties
Business and management expenses	2,386.05	Sales and service fees, investment consulting service fees and depository fees paid to related parties
Loan interest expenses	9,372.61	Interest expense incurred from financial leasing
Net interest expense from credit lending trading	3,338.54	During the Reporting Period, credit lending trading amounted to RMB356,050 million, with terms ranging from 1 to 7 days
Net interest expense from repurchase trading	1,685.09	During the Reporting Period, repurchase trading amounted to RMB109,076 million, with terms ranging from 1 to 35 days
Net interest expense from gold forward trading	1,156.82	During the Reporting Period, gold forward trading amounted to 626 million, with a term of 1 year
Net interest expense from bond lending trading	329.68	During the Reporting Period, bond lending trading amounted to RMB2,430 million, with terms ranging from 6 to 179 days
Interest expenses from the issuance of debt instruments	49.72	Interest expenses arising from the related parties' purchases of debt instruments issued by the Company
Net gains or losses from trading of derivative financial instruments	-9,035.75	Realised and unrealised investment income from derivatives trading between related parties, as counterparties, and the Company During the Reporting Period, the amount of notional principal amounts was RMB36,723 million; as at the end of the Reporting Period, the balance of notional principal amounts was RMB34,691 million

## Section V SIGNIFICANT EVENTS

Unit: RMB10 thousand

Item	Balance as at 31 December 2019	Remarks
Accounts receivable	3,474.16	Balance of performance fees receivable from related parties
Other receivables	1.50	Balance of margin deposits receivable from related parties
Long-term borrowings	198,088.99	Balance of long-term loans incurred from financial leasing (inclusive of interests)
Short-term borrowings	20,027.38	Balance of short-term loans incurred from financial leasing (inclusive of interests)
Accounts payable	1,249.90	Sales and service fees due to related parties
Accounts payable to brokerage clients:	885.84	Balance of margin deposits from clients placed by related parties

In addition, related corporate legal persons, such as certain commercial banks and securities companies, carried out spot trading with the Company as qualified counterparties. During the Reporting Period, the accumulated trading volume amounted to RMB9,449 million.

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

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

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

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

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

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

## Section V SIGNIFICANT EVENTS

### (V) Others

#### 1. *Related party transactions relating to the non-public issuance of A Shares of the Company*

The Company convened the 37th meeting of the sixth session of the Board on 25 April 2019, during which resolutions regarding the non-public issuance of A Shares were considered and approved. The Company intends to non-publicly issue no more than 1,618,426,236 (inclusive) A Shares to no more than 10 specific target subscribers (including Shanghai Guosheng Group Co., Ltd. (hereinafter referred to as "Shanghai Guosheng Group"), Shanghai Haiyan Investment Management Company Limited (hereinafter referred to as "Shanghai Haiyan Investment"), Bright Food (Group) Co., Ltd. (hereinafter referred to as "Bright Food Group") and Shanghai Electric (Group) Corporation (hereinafter referred to as "Shanghai Electric Group"), which is expected to raise gross proceeds no more than RMB20,000 million. As of 10 March 2020, Shanghai Guosheng Group held approximately 4.9999% equity interest in the Company, Shanghai Haiyan Investment held approximately 3.4839% equity interest in the Company, Bright Food Group held approximately 3.4964% equity interest in the Company, and Shanghai Electric Group held approximately 2.2873% equity interest in the Company. Pursuant to applicable PRC laws and regulations, Shanghai Guosheng Group, Shanghai Haiyan Investment and Bright Food Group are related parties of the Company. Therefore, the subscription of A Shares under the non-public issuance of A Shares by Shanghai Guosheng Group, Shanghai Haiyan Investment and Bright Food Group constitute related party transactions of the Company. Shanghai Electric Group is not a related party of the Company. Therefore, the subscription of A Shares under the non-public issuance of A Shares by Shanghai Electric Group does not constitute a related party transaction of the Company. However, Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group, and Shanghai Electric Group are not connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. The subscription of A Shares by Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

## Section V SIGNIFICANT EVENTS

The proposed subscriptions of the non-public issuance of A Shares by the related corporate legal persons of the Company are as follows:

<b>Name of related corporate legal persons</b>	<b>Proposed subscription amount</b>	<b>Related party transactions constituted</b>
Shanghai Guosheng Group	RMB10,000 million	Upon the completion of the transactions, the percentage of the Company's shares held by Shanghai Guosheng Group and its wholly-owned subsidiaries is expected to exceed 5%
Shanghai Haiyan Investment	No more than RMB3,000 million (inclusive)	Mr. Chen Bin, a member of the sixth and seventh sessions of the Board, is a senior management personnel of Shanghai Haiyan Investment
Bright Food Group	No less than RMB800 million (inclusive) and no more than RMB1,000 million (inclusive)	Ms. Yu Liping, a member of the sixth and seventh sessions of the Board, is a senior management personnel of Bright Food Group

As the proposed subscription of the non-public issuance of A Shares by Shanghai Guosheng Group accounted for more than 5% of the absolute value of the Company's net assets as audited in the latest financial statements, the non-public issuance of A Shares of the Company met the identification standards of material related party transactions.

On 25 April 2019, the resolutions regarding the related party transactions involved in the non-public issuance of A Shares of the Company was considered and approved at the 37th meeting of the sixth session of the Board of the Company, during which, relevant Directors have abstained from voting in accordance with the relevant laws and regulations and the internal regulations of the Company. The independent Directors of the Company expressed their prior approval opinions and independent opinions on related party transactions involved in the non-public issuance of Shares. On 18 June 2019, the resolution regarding the related party transactions Involved in the non-public Issuance of A Shares of the Company was considered and approved at the 2018 annual general meeting of the Company, during which, relevant shareholders have abstained from voting in accordance with the relevant laws and regulations and the internal regulations of the Company. Considering that Mr. Xu Jianguo, a director of the Company, holds a post in Shanghai Electric Group, Shanghai Electric Group and its related companies have abstained from voting for prudence purpose. The voting results of the Board and the general meetings regarding the material related party transactions were published timely in accordance with the disclosure requirements of the Shanghai Stock Exchange.

## Section V SIGNIFICANT EVENTS

Events after the above transactions and their progress:

On 6 December 2019, the Public Offering Review Committee under the CSRC considered and approved the application of the non-public issuance of A Shares of the Company. On 14 February 2020, the CSRC issued the Implementation Rules for Non-public Issuance of Shares by Listed Companies (2020 Revision) (the "Implementation Rules for Non-public Issuance"); The Company amended the plan of non-public issuance of A Shares in accordance with the revised Implementation Rules for Non-public Issuance. Related resolutions were considered and approved at the 6th meeting (extraordinary meeting) of the seventh session of the Board convened by the Company on 25 February 2020. Related Directors have abstained from voting in accordance with the relevant laws and regulations and the internal regulations of the Company. The independent Directors have expressed their prior approval opinions and independent opinions on the related party transaction involved in non-public issuance of Shares. The adjustments of the revised plan were made mainly to the maximum target subscribers, the issuance price and the lock-up period. The proposed subscription amounts by Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group, and Shanghai Electric Group were not adjusted. The Company entered into the Supplemental Agreement to the Shares Subscription Agreement in accordance with the revised issuance plan with the aforesaid companies on 25 February 2020. For details of the agreement, please refer to the announcement of the Company dated 25 February 2020 and the circular dated 25 March 2020. Pursuant to the relevant laws and regulations, the issuance of Shares shall only be implemented after obtaining the approval at the general meeting of the Company and the approval by the CSRC.

### **2. *Other matters regarding related party transactions***

Pursuant to relevant regulations and the requirements under the Circular on Matters Concerning Further Strengthening the Regulation of the Related Party Transactions of Securities Companies (《關於進一步加強證券公司關聯交易監管有關事項的通知》) (Hu Zheng Jian Ji Gou Zi [2018] No. 198) promulgated by the Shanghai Securities Regulatory Bureau, the Company carried out a special audit on related party transactions in 2019. In aspect of establishment of the management system for related party transactions, decision-making procedures and information disclosure, the Company did not found any non-compliance matters during the audit work. The 2019 Special Audit Report on Related Party Transactions of Haitong Securities Co., Ltd. was considered and approved at the 7th meeting of the seventh session of the Board.



## Section V SIGNIFICANT EVENTS

### XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

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

#### (II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding the guarantees for subsidiaries)														
Relationship between guarantor and the listed company	Party	Amount of guaranteed	Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter guarantee exists	Related parties		Related relationship	
											guarantee or not	guarantee or not		
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided for subsidiaries)													0	
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)													0	
<b>Guarantees provided by the Company and its subsidiaries for its subsidiaries</b>														
Total amount of guarantees provided for subsidiaries during the Reporting Period													3,977,242,500.00	
Total guarantee balance provided for subsidiaries as at the end of the Reporting Period (B)													25,340,570,350.00	
<b>Total amount of guarantees provided by the Company (including those provided for subsidiaries)</b>														
Total amount of guarantees (A+B)													25,340,570,350.00	
Percentage of total guarantee amount to the net assets of the Company (%)													20.10	
<b>Including:</b>														
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)													0	
Amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)													20,289,269,000.00	
Amount of the portion of total guarantee exceeding 50% of net assets (E)													0	
Total amount of the above three types of guarantees (C+D+E)													20,289,269,000.00	

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

## Section V SIGNIFICANT EVENTS

- Explanations on guarantees
1. On 29 August 2018, the Company held the 31st meeting of the sixth session of the Board, considered and approved the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary. On 22 March 2019, the Company signed the Loan Agreement as a guarantor to provide a joint liability guarantee of EUR375 million for the syndicated loan of Haitong Investment Ireland Public Limited Company, an indirect offshore wholly-owned subsidiary of the Company.
  2. On 27 March 2018, the Company held the 29th meeting of the sixth session of the Board, considering and approving the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary. On 19 December 2018, the Company signed a guarantee as a guarantor to provide a joint liability guarantee of EUR300 million for the credit loan of an offshore wholly-owned subsidiary of the Company. As at 31 December 2019, Haitong International Holdings has not yet withdrawn the loan, so the Company's guarantee responsibility has not actually taken place.
  3. On 29 August 2017, the Company held the 25th meeting of the sixth session of the Board, considering and approving the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary. The loan was signed in separate two loan agreement. The Company signed the first loan agreement as a guarantor on 14 May 2018, and provided US\$600 million joint liability for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.  
  
On 8 October 2018, the Company signed the second loan agreement as a guarantor, and provided a joint guarantee of US\$200 million for the bank loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

## Section V SIGNIFICANT EVENTS

4. On 27 April 2017, the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved at the 24th meeting of the sixth session of the Board. On 8 June 2017, the Company entered into the Loan Agreement as a guarantor and provided joint liability guarantee in respect of the syndicated loans of EUR200 million for Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

In 2019, Haitong International Holdings paid the loan of EUR20 million in advance. Therefore, as at 31 December 2019, the Company's guarantee liability balance was EUR180 million.

5. On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Contribution to its Registered Capital was considered and approved at the 18th meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB4,000 million for the net assets of HT Asset Management. The Company provided guarantees up to RMB4,000 million for the net assets of HT Asset Management and undertook to provide cash within the abovementioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board. With regard to this net capital guarantee, HT Asset Management has obtained the "No Objection Letter on Haitong Securities Co., Ltd. Issued a Net Capital Guarantee Commitment to Shanghai Haitong Securities Asset Management Co., Ltd." from the CSRC Shanghai Bureau (Hu Zheng Jian Ji Gou Zi [2016] No. 325).

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

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

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

## Section V SIGNIFICANT EVENTS

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

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

## Section V SIGNIFICANT EVENTS

Meanwhile, Haitong Bank signed bilateral loan agreement with the guaranteed party and repaid the former NB loan with the proceeds in advance according to the agreement entered into with NB, thus the former guarantee obligation of the Company as to NB loan was discharged. Such discharged guarantee was under a guarantee agreement signed by the Company on 7 September 2015 for the purpose of acquiring Haitong Bank, for which, the Company was the guarantor, Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A.) was the guaranteed party and NB was the creditor. The guarantee amount is EUR750 million (including principal and interest) and the guarantee period is three years.

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

In June 2019, Haitong Investment Ireland Public Limited Company repaid EUR375 million of syndicated loan upon maturity. Therefore, as at 31 December 2019, the balance of the guarantee obligation of the Company was EUR375 million.

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8. On 13 April 2015, the Company held the third meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint Liability Guarantee for Issuance of U.S. Dollar Bonds by Offshore Wholly-owned Subsidiary. The Company provided joint liability guarantee for the issue of a US\$ bond with the amount of US\$670 million and an interest rate of 3.5% which will be due in 2020 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).
  
9. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1,500 million for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, the CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No.145), consenting the Company's provision of guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

### (III) Other Significant Contracts

- ✓ Not applicable

## Section V SIGNIFICANT EVENTS

### XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

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

The proposal regarding the adjustments to the non-public issuance of A Shares of the Company was considered and approved at the 37th meeting of the sixth session of the Board held on 25 April 2019 and the 2018 annual general meeting held on 18 June 2019, pursuant to which, the Company proposed to issue A Shares by way of non-public issuance under the general mandate. The Company intends to issue no more than 1,618,426,236 A Shares to no more than 10 (inclusive) specific target subscribers, including Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group, which is expected to raise a gross proceeds of up to RMB20.0 billion. On 25 April 2019, the Company entered into the subscription agreements with Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group respectively, pursuant to which Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue A Shares under the adjusted non-public Issuance of A Shares for an amount of RMB10 billion, for an amount of not more than RMB3 billion (inclusive), for an amount of not less than RMB0.8 billion (inclusive) and not more than RMB1 billion (inclusive), and for an amount of not less than RMB1 billion (inclusive) in cash, respectively. For further details of the adjusted non-public issuance of A Shares and the principal terms of the subscription agreements, including conditions precedent, please refer to the announcement of the Company dated 25 April 2019 and circular of the Company dated 28 May 2019. The application of the Company in respect of the adjusted non-public issuance of A Shares has been reviewed and approved by the Issuance Examination Committee of the CSRC. The Company has not received written approval from the CSRC and will make further announcement upon receipt of such written approval.



## Section V SIGNIFICANT EVENTS

On 14 February 2020, the CSRC issued the Decision on Revising the Administrative Measures for the Issuance of Securities by Listed Companies (《關於修改<上市公司證券發行管理辦法>的決定》) and the Decision to Amend the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《關於修改<上市公司非公開發行股票實施細則>的決定). On 25 February 2020, the Board considered and approved the amended non-public issuance of A Shares under the general mandate to amend the issuance price, maximum target subscribers and lock-up period pursuant to the above decisions and the regulatory requirements. Pursuant to the amended non-public issuance of A Shares, the Company will issue no more than 1,618,426,236 A Shares to no more than 35 specific target subscribers (including Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group), which is expected to raise gross proceeds of up to RMB20.0 billion. In compliance with the above decisions, on 25 February 2020, the Company entered into supplemental agreements to the subscription agreements with Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group, respectively. The subscription price, lock up period and conditions precedent under the subscription agreements have been amended based on requirements under the above decisions and the amended non-public issuance of A Shares, and other clauses such as subscription amount and number of shares remained unchanged. For further details of the amended non-public issuance of A Shares and the principal clauses of the supplement agreements to the subscription agreements, please refer to the announcement of the Company dated 25 February 2020 and circular of the Company dated 25 March 2020. The proposed non-public issuance of A shares is in the smooth progress.

### 2. Acquisition of, Incorporation of and Change in Subsidiaries

#### (1) *Haitong Futures changed its registered capital*

In February 2019, the registered capital of Haitong Futures, a subsidiary of the Company, was changed from RMB1,300 million to RMB1,301.5 million. After the change of registered capital, shareholders of Haitong Futures holding more than 5% equity interest are Haitong Securities Co., Ltd. and Shanghai Shengyuan Real Estate (Group) Co., Ltd., which contributed RMB867.67 million and RMB433.77 million, accounting for 66.6669% and 33.3285% of the total capital of Haitong Futures, respectively.

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### **(2) Acquisition of 100% equity interest of Haitong Investment Ireland p.l.c. by Haitong International Holdings**

On 30 September 2019, Haitong International Holdings, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Haitong Bank, in relation to the entire equity interest of Haitong Investment Ireland p.l.c., a subsidiary of Haitong Bank, at the consideration of EUR12 million. The share sale and purchase has been completed on 19 December 2019.

### **(3) Acquisition of 100% equity interest of Haitong UT Holdings by Haitong UT**

On 11 October 2019, Haitong UT, through its wholly-owned subsidiary, has completed all the procedures for the acquisition of 100% equity interest of Haitong UT Holding Limited at a consideration of approximately HK\$192,534,596 (being the latest unaudited net asset value of Haitong UT Holdings stipulated in the equity transfer agreement). Upon completion of the acquisition, Haitong UT, together with its wholly-owned subsidiaries, holds 40%, 100% and 100% equity interest in Gui'an UT, Haitong UniTrust Financial Leasing (Shanghai) and Haitong UniFortune, respectively.

### **3. Other Matters of Subsidiaries**

#### ***Successful listing of and global offering of H shares of Haitong UT***

Haitong UT achieved its H shares listing on the Main Board of Hong Kong Stock Exchange on 3 June 2019 with a stock code of 1905. Haitong UT issued a total of 1,235,300,000 H shares, accounting for 15% of the total share capital upon global offering. The offer price was HK\$1.88 per H share and the total proceeds amounted to approximately HK\$2,322 million. Guosheng Overseas Holdings (Hong Kong) Limited, Shanghai QiangSheng Holding Co., Ltd. and SBI Hong Kong Holdings Co., Limited participated in the global offering as the cornerstone investors, which subscribed for 241,552,000, 179,356,000 and 41,748,000 offer shares respectively, accounting for 2.93%, 2.18% and 0.51% of the total issued share capital of Haitong UT upon global offering, respectively. The listing of and global offering of H shares of Haitong UT have injected a new capital momentum into its own development, enabling implementation of the development strategy and enhancing the brand image and talent attraction, which are conducive to the long-term, sustainable and stable development of Haitong UT.

## Section V SIGNIFICANT EVENTS

### XVII. ACTIVITIES FOR FULFILLMENT OF SOCIAL RESPONSIBILITIES

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

The year 2019 marks the watershed for implementing the decisions of the 19th National Congress of the Communist Party of China and winning the battle of poverty alleviation, and a sprint stage for the underprivileged counties which have paired up with the Company to shake off their poverty. Closely integrating poverty alleviation with the theme education of “bearing in mind the initial objective at the very beginning and being mindful of the mission”, the Company continues to follow and implement the requirements of “Opinions of the CSRC on Serving the State’s Strategy of Poverty Alleviation by the Functioning of Capital Market (《中國證監會關於發揮資本市場作用服務國家脫貧攻堅戰略的意見》)”, implements the spirits under the “Notice on Taking the “Double One Hundred” Targeted Poverty Alleviation Actions through Villages and Enterprises Pair-up (《關於開展“雙一百”村企結對精準扶貧行動的通知》) issued by the Shanghai Municipal Committee, actively performs our social responsibilities and spares no effort in the work of poverty alleviation via poverty relief through “one company to one county (一司一縣)” pair-up, capital market industries supporting, a new round of village comprehensive poverty relief, and poverty alleviation through social charity, etc.

#### 1. Plans for targeted poverty alleviation

The Company has formulated a complete set of poverty alleviation plans and poverty alleviation models through years of poverty alleviation practices. In 2019, in light of the Company’s three-year development strategy plan, and for serving state strategic target of achieving a moderately prosperous society by the year 2020, the Company issued the “Plan for Promotion of Key Poverty Alleviation Work of Haitong Securities (《海通證券推進重點扶貧工作方案》)” and formulated the Company’s targeted poverty alleviation until 2020, which mainly includes the following five aspects: **Firstly, providing financial supporting.** The Company will continue to play the role of capital market to accurately meet financing needs, leverage the multi-level financing function of the capital market for ongoing identification of a batch of high-quality enterprises in state-level underprivileged counties with listing potential and financing capacity, and promote the steady growth of the local economy via poverty alleviation through finance. The Company will also leverage the professional advantage of its futures subsidiary to promote the action of “serving agriculture, rural areas and farmers” in the futures market. **Secondly, providing industries supporting.** With the framework for poverty relief through “one company to one county” and “hundred enterprises in support of hundred villages” pair-up, the Company has helped five state-level underprivileged counties and three poverty-stricken villages enhance the endogenous development momentum from all aspects, including the allocation of industrial funds to support the people’s livelihood projects such as infrastructure, education and health of pair-up counties and promote the development of local eco-industrial parks. The Company also actively promotes a new round of village comprehensive poverty relief to make the villages in Shanghai become the highlights of international metropolises and the background of beautiful Shanghai. **Thirdly, providing social charity supporting.** On the basis of poverty alleviation through social charity projects that the Company has been carried out over the years, we continue to build the poverty alleviation public welfare brand of “Love in Haitong” led by Party construction,

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and actively leverage the role of the Company's youth volunteer team to promote systematic, branded and diversified poverty alleviation through social charity in order to consolidate the love for improving the education and living standards of underprivileged areas. **Fourthly, providing intellectual supporting.** Through carrying out education and training activities in underprivileged areas about the capital market as well as protection of the lawful rights and interests of investors, the Company continues to popularize financial concepts and financial knowledge in underprivileged areas, indicating that poverty alleviation relies on knowledge in underprivileged areas. The Company assigned cadres and business backbones to underprivileged counties (cities) as economic consultants and temporary cadres, providing talent resources support for the underprivileged areas. **Fifthly, providing consumption supporting.** The Company has established a channel to participate in poverty alleviation by consumption to help underprivileged counties export and circulate high-quality agricultural products through enterprise purchases and resources connecting.

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

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

Since the end of 2016, the Company has successively entered into framework agreements for poverty relief through "one company to one county" pair-up with Lixin County of Bozhou City, Anhui Province, Ningdu County of Ganzhou City, Jiangxi Province, and Shucheng County of Lu'an City, Anhui Province, Yanshou County of Harbin City in Heilongjiang Province and Xichou County of Wenshan Autonomous Prefecture in Yunnan Province. Afterwards, the Company deepened cooperation with the local governments in fields like industry, finance, sales of agricultural products and talent exchange, in an effort to build a long-term mechanism for poverty relief.

The Company continued to allocate poverty alleviation funds of RMB1 million to each of the three paired-up local governments in Anhui and Jiangxi for investing in the people's livelihood projects such as the rural poverty alleviation workshop processing plant and yellow peach industrial park processing base in Lixin County, the project for construction of road with a total length of 1.98 kilometres in Tianbu Village and Cangfang Village in Shucheng County, construction of student information system of Ningdu Middle School and Ningdu Technical School in Ningdu County, as well as supporting local infrastructure, education and industrial parks.

In the pair-up action of "hundred enterprises in support of hundred villages", the three agricultural industrial parks in Xichou County, Yunnan Province invested by the Company all achieved results. The industry project for planting Chinese herbal medicine in Wangjatang Village has completed large-scale planting of 500 acres of *sophorae flavescens radix*, with planting subsidy standard of RMB1,000/acre, achieving the goal of increasing average income per capita, which the income of poor households significantly increased. The citrus planting industry project

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of Zhongzhai Village completed 350 acres of planting areas, and has expanded target for planting while completed country-level primary acceptance, significantly increased income for planting households. The black-bone chicken breeding industry project of Mepuzi Village has adopted a centralised breeding base with 20,000 black-bone chickens bred herein, achieving the goal of increasing average income per household of RMB4,000, which has significantly increased the income of poor households and while altogether 667 poor people have realized the poverty elimination achieved initial results of becoming rich. In the end of 2019, the Company continued to allocate poverty alleviation funds of RMB1.5 million to Xichou County, in support of the construction of local infrastructure for Zhongzhai Village Council highway bridge construction, Wangjiatang Village primary school basketball court construction and Mepuzi Village kindergarten teaching building construction respectively.

In the first half of 2019, a young Party member in his early 20s was sent to Zhouzhuang Village, Caomiao Township, Pengyang County, Ningxia, by the Company for seven months. He successfully finished the assignment of village poverty alleviation by completing the poverty alleviation acceptance by the State Council in Zhouzhuang Village, the establishment of industrial company in Zhouzhuang Village and the trademark design of industrial products in Zhouzhuang and the development of online applet stores.

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

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

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In 2019, the Company successively issued “S19 Lifa 1”, the poverty alleviation bond with its supporting credit default swap, and “19 Haitong W1”, the first credit protection certificate in the exchange market, providing financing of RMB585 million and RMB610 million for Lixin County Urban and Rural Development and Construction Investment Group Co., Ltd.\* (利辛縣城鄉發展建設投資集團有限公司) (formerly known as Lixin County Chunlei Agricultural\* (利辛縣春蕾農業)) and Lankao County City Construction Investment Development Limited\* (蘭考縣城市建設投資發展有限公司). The bonds broke the minimum issuance rate of the district and county-level AA- and the lowest issuance rate of the poverty alleviation bond level AA in 2019. The successful launches of the two projects were the professional and innovative financial implementation of the Company in the field of poverty alleviation. By leveraging the poverty alleviation and bond issuance mode of “bond+ credit derivatives”, the Company gradually creates a good market image for issuers, enhances their market recognition, and hence improves the self-sufficiency of issuers through credit creation. It has the significance of innovation and development of the bond market, and creates a precedent for enterprises in underprivileged areas to enhance their credit rating through bond issuance.

In 2019, the Company served the underprivileged areas through multi-channels, providing diversified and sustainable financing services to enterprises in state-level underprivileged counties and old revolution area such as Jiaze New Energy (嘉澤新能), Guihua Energy (桂花能源) and Jinli Permanent Magnet (金力永磁). The financing through non-public issuance of share by Jiaze New Energy (嘉澤新能) was approved by the CSRC in July, and the financing through issuance of share of RMB459 million was completed in the fourth quarter. The IPO project of Guihua Energy (桂花能源) remains in an on-going counselling phase, and is expected to be approved while the issuance materials will be declared in due course. In 2019, the Company continued to serve the Jinli Permanent Magnet (金力永磁) project, while the sponsored convertible bond project is expected to be approved in July and the issuance of RMB435 million convertible bond is expected to be completed in the fourth quarter. Through the implementation of the project, the listed company will further enhance its scale of production capacity and improve intelligence production, enabling its sustainable development.

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In 2019, Haitong Futures actively responded to the call of the country and the Group by providing quality services for participants in options and futures in the whole country and market. The services cover main production aspects in the national economy including agriculture, metal, energy and chemical. In terms of professional poverty alleviation, we continue to refine the financial instruments including “insurance + futures” that has been included in the No.1 policy document for 5 consecutive years, launching 3 “insurance + futures”, which are over-the-counter options project with project insurance fee and royalty fee invested totalling RMB5.347 million. In terms of industry poverty alleviation, we actively explore cooperative hedging, basis pricing, over-the-counter options, and market making business to save procurement costs for related agricultural enterprises, alleviate the pressure on enterprises’ liquidity, and actively recommend enterprises in underprivileged areas to make delivery notice, to help local industries upgrade and make contributions to the implementation of the national strategy to overcome poverty.

(3) *Carrying out a new round of village comprehensive poverty relief and urban and rural Party organisations’ pair-up, providing intellectual and fund support for building beautiful villages in Shanghai*

From 2018 to 2022, the Shanghai municipal party committee and municipal government will launch a new round of village comprehensive poverty relief actions. The Company has entered into a new round of village comprehensive poverty relief framework agreement with Chongming district of Shanghai, and allocated poverty alleviation funds of RMB10 million for building the beautiful villages to further enhance the local “self-sufficiency” function, and make the villages in Shanghai become the highlights of international metropolises and the background of beautiful Shanghai through actively exploring the new path for village comprehensive poverty relief.

The Company implemented the poverty alleviation by pairing up between urban and rural areas’ party organizations (“pairing up with hundred towns and thousand villages”), made achievements in the poverty alleviation for three economically disadvantaged villages in Chongming district, Jinshan district and Pudong New Area. It also carried out pairing up poverty alleviation activities by organizing joint construction, joint education of Party members, joint organization of activities, joint use of resources and joint services to effectively integrate the resource advantages of the pairing up parties in terms of talent, intelligence, education, culture, information, position and funding, hence building a new model of Party construction at grass roots with a poverty alleviation model of “mutual benefit, dual benefit, common improvement, cooperation and win-win”.

## Section V SIGNIFICANT EVENTS

### (4) *Striving to carry out public welfare poverty alleviation and social charity for active performance of corporate social responsibilities*

The Company integrated public welfare and charity into corporate culture development, and continued to create the party-built public welfare brand of “Love in Haitong (愛在海通)” by actively leveraging the role of the Company’s youth volunteer team to further enhance the Company’s brand advantage in poverty alleviation. The Company’s party-built public welfare brand of “Love in Haitong (愛在海通)” has led poverty alleviation public welfare brands and selected as the “Shanghai State-owned Enterprise Party-built Brand (上海國企黨建品牌)” in 2019.

The Company focuses on poverty alleviation on education, especially in the “one company to one county” pair-up regions and border areas. The Company provided over RMB5.90 million of funds for public welfare projects, benefiting nearly 40,000 students in college, primary and secondary schools, pre-school children and village teachers in Tibet, Xinjiang, Anhui, Jiangxi, Yunnan and Ningxia in 2019 by launching the “Haitong • Love (海通•愛)” public welfare project series, such as the “Love in Haitong, Charitable Student Aid (愛在海通•美麗助學)” (Tibet and Xinjiang) project, “Haitong • Preaching Love (海通•愛飛翔)” training project for village teachers, “Haitong, Love Reading (海通•愛朗讀)” poverty alleviation promotion public welfare project and “Haitong • Healthy\*” (海通•愛健康) charity project that provides water purification devices and heating equipment.

In 2019, the Company joined hands with the headquarter of the National Radio and Television Administration to assist in hosting the “Pomegranate Seed Plan (石榴籽計劃)” project initiated by Hai Xia (海霞), a member of the CPPCC and the news anchor for CCTV, and carried out the “Haitong, Love Reading (海通•愛朗讀)” poverty alleviation promotion public welfare project. The Company donated RMB5 million specially for purchase of books and audio teaching tools including 13 Lang Du Ting and more than 126,000 books for learning languages and traditional cultures by primary and secondary school students and pre-school children in 19 schools and 4 kindergartens within 11 counties in 6 provinces. On 25 and 26 December, the Company held on-site donation ceremonies in Yecheng County and Makit County in Kashgar District, Xinjiang (新疆喀什地區葉城縣和麥蓋提縣), respectively, and delivered 3,710 “Warm Winter Caring Backpack (暖冬愛心書包)” donated by the Company’s employees to children of Ye Cheng No. 2 Secondary School (葉城二中) and seven kindertgarten education groups in Makit County (麥蓋提七幼教育集團).



## Section V SIGNIFICANT EVENTS

### 3. Performance of targeted poverty alleviation

RMBO'000

Indicators	Quantity and status
<b>I. Summary</b>	
Including: 1. Capital input	2,229.51
<b>II. Itemised Input</b>	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Agriculture and forestry development poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Asset income poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (unit: project(s))	1
1.3 Amount invested in industrial poverty alleviation projects	1,000
1.4 Number of reduction in registered underprivileged population through help and support (unit: person(s))	667
2. Poverty alleviation through education	
Including: 2.1 Amount of subsidies granted to underprivileged students	21.57
2.2 Number of subsidised students (unit: person(s))	40
2.3 Amount contributed to improve educational resources in underprivileged areas	25.04
3. Subsistence allowances to the most underprivileged people	
Including: 3.1 amount contributed to help "left behind" children, women and the elderly	18.01
3. Social poverty alleviation	
3.1 Contributions to fixed-point poverty alleviation work	450
3.2 Poverty alleviation charity fund	623
4. Other projects	
Including: 4.1 Number of projects	12
4.2 Contributed amount	91.89

#### III. Awards (nature, level)

We were awarded the "Appreciation for Haitong Securities Active Participation in Poverty Alleviation and Donation" by Securities Association of China and China Foundation for Poverty Alleviation.

## Section V SIGNIFICANT EVENTS

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

The year of 2020 is a critical year for China to build a moderately prosperous society. It also marks the full conclusion of winning the tough battle of poverty alleviation. The Company will thoroughly study and implement the important discussion of General Secretary Xi Jinping on poverty alleviation, earnestly implement the directives of the Leading Group for Poverty Alleviation and Development of the State Council, and continue to give full play to the professional and resource advantages of leading securities firms in the capital market. The Company will focus its effort on “one company to one county” pair-up, capital market industries supporting, a new round of village comprehensive poverty relief and poverty alleviation through social charity, and will make achievements in the following aspects: firstly, the Company should carry out poverty alleviation during the prevention and control of the Novel Coronavirus Pneumonia Epidemic so as to help to win the decisive battle on epidemic prevention and control as well as poverty alleviation. Secondly, the Company will give full play to the advantages of talents in the capital market to provide professional financial services. The Company will consolidate the advantages of the Group as always and promote financial synergy for providing underprivileged areas with multi-channel, multi-type and all-round financial services through various services such as investment banking, merger & acquisition, NEEQ, bond financing, futures, leasing and investment, thus forming a development pattern of promoting industrial poverty alleviation through the capital market and giving full play to the functions of inclusive finance, continuously enhancing the self-development capabilities of rural areas. Thirdly, the Company should leverage national rural revitalization strategy to help stabilise poverty alleviation of local areas, deepen the “one company to one county” pair-up assistance mechanism, and allocate more resources towards inclusive, basic and exposed public welfare by helping the paired-up counties to vigorously develop new industries and new types of operations such as rural tourism, agricultural product processing, rural e-commerce and leisure agriculture. The Company will support new type of internet-based agricultural industry model, so as to provide benefits to more poverty people. Fourthly, guided by the party-built public welfare brand of “Love in Haitong”, the Company will continue to promote poverty elimination public welfare projects. The Company will continue to carry out the “Haitong, (海通 • 愛)” series of public welfare projects, continuing to support educational poverty alleviation projects for stopping the transfer of poverty generation, focusing on the frontier area of minority nationalities so as to contribute to the promotion of national unity and the maintenance of national stability in remote ethnic minority areas.

## Section V SIGNIFICANT EVENTS

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

In terms of the environmental policies and performance, the Company has complied with the “comply or explain” provisions specified in “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Hong Kong Listing Rules and actively assumed environmental responsibility. During the Reporting Period, the Company took full advantage of its financial expertise to perform responsibilities in serving real economy, fin-tech, care for employees, green finance and targeted poverty alleviation work so as to create values for stakeholders including shareholders, customers, employees and the society. The Company referred to high quality practices from the industry to prepare our social responsibility report, in which we responded in details to key concerns from each stakeholder including investors and credit-rating agencies on the Company’s social responsibility, presenting a socially responsible image internally and externally. Meanwhile, the Company clarified and concluded on its practices on social responsibility management in order to build a social responsibility model for Haitong Securities in preparation for strategic guidelines for our future social responsibility work.

In 2019, the Company’s MSCI ESG rating upgraded from B to BB. Moreover, we were listed in the “Top 60 of China CSR Brands” by China Association of Social Workers – Corporate Citizen Committee, and awarded the “2019 Evergreen Award • Sustainability Innovation Award” at the awards ceremony of 2020 Sustainability Innovation Summit and Evergreen Award hosted by Caijing, from which we continued to expand our social responsibility influence.

For details of specific environmental policies and performance of the Company, its compliance with such laws and regulations which may materially affect the Company, the important relationship between the Company and its employees, customers and suppliers, please refer to the 2019 Corporate Social Responsibility Report as published on the website of the SSE (<http://www.sse.com.cn>), the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), and the Company’s own website (<http://www.htsec.com>) on 26 March 2020.

### (III) Environmental information

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

## XVIII. CONVERTIBLE CORPORATE BONDS

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

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

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

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

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

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

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

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

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

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

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

Not applicable

#### (II) Changes in restricted shares

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

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

### II. SECURITIES ISSUANCE AND LISTING

#### (I) Issuances of securities during the Reporting Period

Currency: RMB

Type of stocks and derivative securities	Date of issuance	Issue price or rate	Issue size (RMB100 million)	Date of listing	Amount approved for listing and trading (RMB100 million)	Date of termination of trading
Corporate bonds	25 November 2013	6.18%	23.9	16 December 2013	23.9	25 November 2023
Corporate bonds	14 July 2014	5.45%	45.5	13 August 2014	–	14 July 2019
Corporate bonds	14 July 2014	5.85%	8	13 August 2014	8	14 July 2024
Corporate bonds	11 August 2017	4.63%	50	24 August 2017	50	11 August 2020
Corporate bonds	11 August 2017	4.80%	10	24 August 2017	10	11 August 2022
Corporate bonds	22 September 2017	4.99%	55	10 October 2017	55	22 September 2027
Corporate bonds	25 October 2017	4.77%	5	7 November 2017	5	25 October 2020
Corporate bonds	8 March 2018	5.15%	30	16 March 2018	30	8 March 2021
Corporate bonds	22 March 2018	5.14%	30	3 April 2018	30	22 March 2021
Corporate bonds	10 May 2018	4.70%	30	25 May 2018	30	10 May 2021
Corporate bonds	6 August 2018	3.98%	30	17 August 2018	30	6 August 2021
Corporate bonds	22 November 2018	3.88%	30	5 December 2018	30	22 November 2021
Corporate bonds	11 April 2019	3.75%	50	23 April 2019	50	11 April 2022
Corporate bonds	15 November 2019	3.52%	45	26 November 2019	45	15 November 2022
Subordinated bonds	17 November 2016	3.30%	40	30 November 2016	–	17 November 2019
Subordinated bonds	17 November 2016	3.40%	20	30 November 2016	20	17 November 2021
Subordinated bonds	16 March 2017	4.80%	45	30 March 2017	45	16 March 2020
Subordinated bonds	28 February 2019	4.09%	33	7 March 2022	33	28 February 2022
Non-public corporate bonds	18 May 2016	3.60%	150	15 June 2016	–	18 May 2019
Non-public corporate bonds	18 May 2016	3.80%	50	15 June 2016	50	18 May 2021
Overseas bonds (U.S. dollar)	13 December 2018	4.5%	3	14 December 2018	3	13 December 2023
Overseas bonds (EUR)	13 December 2018	3M EURIBOR EUR+1.65%	2.3	14 December 2018	2.3	13 December 2023
Financial bonds	29 August 2019	3.39%	70	30 August 2019	70	29 August 2022

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

### 1. *Corporate bonds*

Pursuant to the Proposal regarding the Issuance of Corporate Bonds and Proposal regarding the General Mandate to Issue Corporate Bonds considered and approved at the 16th meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, upon approval by the CSRC with the Zheng Jian Xu Ke [2013] No.1220 issued on 25 September 2013, the Company was permitted to issue corporate bonds with a total nominal value of no more than RMB23,000 million through public offering. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company upon negotiation based on factors such as market conditions. The issue of the first tranche with a size of RMB12,000 million was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of three years, five years and ten years were RMB7,260 million, RMB2,350 million and RMB2,390 million, respectively. The issue of the second tranche with a size of RMB11,000 million was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of three years, five years and ten years were RMB5,650 million, RMB4,550 million and RMB800 million, respectively. In particular, a corporate bond with a term of three years issued in the first tranche has been delisted on 25 November 2016, and relevant principal and interests had been paid. A corporate bond with a term of five years has been delisted on 26 November 2018, and relevant principal and interests had been paid. A corporate bond with a term of three years issued in the second tranche has been delisted on 14 July 2017, and relevant principal and interests had been paid. A corporate bond with a term of five years has been delisted on 15 July 2019, and relevant principal and interests had been paid.

According to the Proposal regarding the General Mandate to Issue Onshore Debt Financing Instruments considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and the 2015 annual general meeting on 26 May 2016, the Company applied for and obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No.408) from the SSE and the CSRC. The reply permitted us to publicly issue corporate bonds with nominal value of no more than RMB12,000 million to qualified investors. Based on the above proposal and regulatory approval, the Company issued three tranches of corporate bonds. The issue of first tranche of RMB6,000 million was completed on 11 August 2017, of which the issue size of corporate bonds with a term of three years and five years were RMB5,000 million and RMB1,000 million, respectively. The issue of the second tranche with a size of RMB5,500 million and a term of ten years was completed on 22 September 2017. The issue of the third tranche with a size of RMB500 million and a term of three years was completed on 25 October 2017.

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

In December 2017, the Company obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No. 2388) from the Shanghai Stock Exchange and the CSRC. The reply permitted us to publicly issue corporate bonds with nominal value of no more than RMB20,000 million to qualified investors. Based on the aforesaid letter of approval, the Company issued six tranches of corporate bonds, with a size of RMB3,000 million and a term of three years for the first to the fifth tranches. The dates of issuance of the corporate bonds were 8 March 2018, 22 March 2018, 10 May 2018, 6 August 2018 and 22 November 2018, respectively. The last tranche was issued with a size of RMB5,000 million and a term of three years. The date of issuance of the corporate bonds was 11 April 2019.

According to the Proposal regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments considered and approved at the 36th meeting of the sixth session of the Board on 27 March 2019 and the 2018 annual general meeting on 18 June 2019, the Company applied for and obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2019] No.1686) from the SSE and the CSRC. The reply permitted us to publicly issue corporate bonds with nominal value of no more than RMB13,000 million to qualified investors. Based on the aforesaid proposal and regulatory approval, the Company issued a tranche of bonds, with a size of RMB4,500 million and a term of three years on 15 November 2019.

### 2. *Subordinated bonds*

Pursuant to the Proposal regarding the General Mandate to Issue Other Onshore Debt Financing Instruments considered and approved at the Company's 32nd meeting (extraordinary meeting) of the fifth session of the Board, the first extraordinary meeting of 2015 and the 2015 first A shareholders'/H shareholders' class meetings, the two tranches of subordinated bonds with an aggregate size of RMB35,000 million issued by the Company in 2015 were fully redeemed as at the end of 2018.

Pursuant to the approval of "Shang Zheng Han [2016] No. 2080" issued by the SSE on 4 November 2016, the Company issued the subordinated bonds of RMB6,000 million on 17 November 2016, of which, the first type of the bonds was of RMB4,000 million and with a maturity of three years; the second type of the bonds was of RMB2,000 million and with a maturity of five years; and the subordinated bonds of RMB4,500 million and with a maturity of three years were issued in March 2017.

Pursuant to the approval of "Shang Zheng Han [2018] No. 348" issued by the SSE on 2 April 2018, the Company issued the subordinated bonds of RMB3,300 million with a maturity of three years on 28 February 2019.

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

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

In accordance with the No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds issued by the Shanghai Stock Exchange (Shang Zheng Han [2016] No. 886), the Company non-publicly issued corporate bonds with a size of RMB20,000 million in May 2016, of which, the first type of the bonds was of RMB15,000 million and with a maturity of four years and issuer's right of redemption was at the end of the third year; the second type was of RMB5,000 million and with a maturity of five years. The first type of the bonds was fully redeemed and delisted by the Company in May 2019.

### **4. *Offshore bonds***

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

### **5. *Financial bonds***

Pursuant to the approval of Affirmative Decision of Administration License of the People's Bank of China (Yin Shi Chang Xu Zhun Yu [2019] No. 129), the Company issued the 19 financial bond 01 with a size of RMB7,000 million and with a term of three years on 29 August 2019.

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

For existing bonds of subsidiaries during the Reporting Period, please refer to Note 49 and 50 to the Consolidated Financial Statements of this Report.



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

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

✓ Not applicable

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

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

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

As disclosed in this section “Securities issuance and listing – 3. Non-public issuance of corporate bonds”, the Company issued by way of non-public issuance of corporate bonds with a size of RMB20,000 million on 18 May 2016, of which, the first type of the bonds (16 Haitong 01) was of RMB15,000 million and with a maturity of four years and the issuer was entitled to redeem the bonds at the end of the third year. In April 2019, the Company decided to exercise the redemption rights. 16 Haitong 01 was therefore fully redeemed by the Company and delisted from the SSE on 20 May 2019 (first trading day after 18 May 2019) and the total principal and interest of the 16 Haitong 01 of RMB15,540,000,000 were fully repaid by the Company.

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

## III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

Total number of shareholders of ordinary shares ( <i>accounts</i> ) as at the end of the Reporting Period	282,889 (of which 282,727 were holders of A Shares and 162 were holders of H Shares)
Total number of shareholders of ordinary shares ( <i>accounts</i> ) as at the end of the previous month prior to the date of disclosure of the annual report	276,534 (of which 276,371 were holders of A Shares and 163 were holders of H Shares)

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

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

Unit: Share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders				Particulars of shares pledged or frozen		
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Particulars of shares	Number of Shares	Nature of shareholders
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	31,599	3,408,873,895	29.64	0	Unknown	–	Foreign legal person
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50	0	Nil	0	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited	0	343,901,259	2.99	0	Nil	0	Others
Shenergy Group Company Limited	0	322,162,086	2.80	0	Nil	0	State-owned legal person
Shanghai Electric (Group) Corporation	-38,000	266,305,293	2.32	0	Nil	0	State
Shanghai Guosheng Group Assets Co., Ltd.	0	238,382,008	2.07	0	Nil	0	State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05	0	Nil	0	State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86	0	Nil	0	State-owned legal person
Shanghai United Media Group	-5,459,700	145,208,853	1.26	0	Nil	0	State-owned legal person

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

Unit: Share

### Shareholdings of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number of Shares
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	3,408,873,895	Foreign shares listed overseas	3,408,873,895
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
China Securities Finance Corporation Limited	343,901,259	RMB denominated ordinary shares	343,901,259
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Electric (Group) Corporation	266,305,293	RMB denominated ordinary shares	266,305,293
Shanghai Guosheng Group Assets Co., Ltd.	238,382,008	RMB denominated ordinary shares	238,382,008
Shanghai Jiushi (Group) Co., Ltd.	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
Shanghai United Media Group	145,208,853	RMB denominated ordinary shares	145,208,853

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

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

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

As at 31 December 2019, to the best knowledge of the Directors having made all reasonable enquiries, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/ interests in lending pool
1.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	272,590,000	2.36	7.99	Long position
2.	BSA Strategic Fund I	H Share	Beneficial owners	272,590,000	2.36	7.99	Long position
3.	Insight Capital Management (Hong Kong) Limited	H Share	Investment manager	223,415,200	1.94	6.55	Long position
4.	Insight Phoenix Fund	H Share	Investment manager	223,415,200	1.94	6.55	Long position
5.	Shi Jing	H Share	Founder of discretionary trust	228,000,000	1.98	6.69	Long position
6.	Wickhams Cay Trust Company Limited	H Share	Trustee (Note 1)	228,000,000	1.98	6.69	Long position
7.	Abhaya Limited	H Share	Interests in controlled corporation (Note 1)	228,000,000	1.98	6.69	Long position
8.	Heyday Trend Limited	H Share	Beneficial owners (Note 1)	228,000,000	1.98	6.69	Long position
9.	BlackRock, Inc.	H Share	Interests in controlled corporation	183,216,995	1.59	5.37	Long position
		H Share	Interests in controlled corporation	9,200	0.00	0.00	Short position
10.	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)	H Share	Beneficial owners	241,206,000	2.10	7.07	Long position
		A Share	Beneficial owners	1,128,834,226	8.60	11.62	Long position

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

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

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

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

*Note 4:* According to the disclosures set out in “Section V SIGNIFICANT EVENTS – XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS – 1. Proposed Non-public Issuance of A Shares under the General Mandate” of this report, the total number of proposed non-public issuance of A Shares by the Company under general mandate will be no more than 1,618,426,236 (inclusive) and the total proceeds to be raised is expected to be no more than RMB20,000 million (inclusive). Pursuant to the subscription agreement dated 25 April 2019 and the supplemental agreement dated 25 February 2020 between the Company and Shanghai Guosheng Group Co., Ltd., Shanghai Guosheng Group Co., Ltd. will subscribe for A Shares non-publicly issued by the Company with an amount of RMB10,000 million in cash. Upon the completion of non-public issuance of A Shares by the Company, it is expected that Shanghai Guosheng Group Co., Ltd. will directly and indirectly hold in aggregate 1,128,834,226 A Shares of the Company, representing approximately 8.60% and 11.62% of enlarged total Shares and total A Shares of the Company, respectively. As at the end of the Reporting Period, to the best knowledge of the Company, having made reasonable enquiries, Shanghai Guosheng Group Co., Ltd. directly or indirectly held a total of 319,621,067 A Shares and 255,456,441 H Shares of the Company.

Save as disclosed above, as at 31 December 2019, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

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

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

As at 31 December 2019, according to the information obtained by the Company and so far as the Directors are aware, none of the Director(s), Supervisor(s) and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (as defined under the Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

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

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

### **IV. CONTROLLING SHAREHOLDERS**

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

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

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

The Company had no de facto controller.

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

During the Reporting Period, there is no institutional shareholder of the Company who held more than 10% the total issued share capital of the Company.

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

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

## Section VII PREFERENCE SHARES

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

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

### I. CHANGES IN SHAREHOLDING AND REMUNERATIONS

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (in ten thousands)	Number of shares held at the end of the year (in ten thousands)	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from related party of the Company or not
Zhou Jie	Chairman, Secretary of CPC Party Committee*	Male	52	18 June 2019	18 June 2022	0	0	0	-	120.98	No
Qu Qiuping	Executive Director, General Manager, Deputy Secretary of CPC Party Committee*	Male	58	18 June 2019	18 June 2022	0	0	0	-	149.04	No
Ren Peng	Executive Director, Deputy General Manager	Male	57	18 June 2019	18 June 2022	0	0	0	-	134.14	No
Tu Xuanxuan	Non-executive Director	Male	46	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Yu Liping	Non-executive Director	Female	57	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Chen Bin	Non-executive Director	Male	38	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Xu Jianguo	Non-executive Director	Male	55	18 June 2019	18 June 2022	0	0	0	-	0	No
Zhang Ming	Independent Non- executive Director	Male	61	18 June 2019	18 June 2022	0	0	0	-	31	Yes
Lam Lee G.	Independent Non- executive Director	Male	60	18 June 2019	18 June 2022	0	0	0	-	24	Yes
Zhu Hongchao	Independent Non- executive Director	Male	60	18 June 2019	18 June 2022	0	0	0	-	2.67	Yes
Zhou Yu	Independent Non- executive Director	Male	60	18 June 2019	18 June 2022	0	0	0	-	2.67	No



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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares		Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from related party of the Company or not
						held at the beginning of the year (in ten thousands)	held at the end of the year (in ten thousands)				
Wu Yuezhou (Resignation)	Non-executive Director	Male	60	18 August 2017	18 June 2019	0	0	0	-	0	No
Zhang Xinmei (Resignation)	Non-executive Director	Female	60	30 December 2014	18 June 2019	0	0	0	-	0	Yes
Shen Tiedong (Resignation)	Non-executive Director	Male	50	8 June 2015	18 June 2019	0	0	0	-	0	Yes
Liu Cheeming (Resignation)	Independent Non- executive Director	Male	68	30 December 2014	18 June 2019	100	100	0	-	26	Yes
Xiao Suining (Resignation)	Independent Non- executive Director	Male	71	30 December 2014	18 June 2019	0	0	0	-	33	Yes
Feng Lun (Resignation)	Independent Non- executive Director	Male	60	30 December 2014	18 June 2019	0	0	0	-	20	Yes
Wu Hongwei	Vice Chairman of the Supervisory Committee, Employee Representative Supervisor, Deputy Secretary of CPC Party Committee*	Male	53	18 June 2019	18 June 2022	0	0	0	-	103.49	No
Shi Xu	Employee Representative Supervisor	Male	47	18 June 2019	18 June 2022	0	0	0	-	64.24	No
Wu Xiangyang	Employee Representative Supervisor	Male	53	18 June 2019	18 June 2022	0	0	0	-	49.68	No
Xu Renzhong	Supervisor	Male	47	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Cao Yijian	Supervisor	Male	43	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Zheng Xiaoyun	Supervisor	Female	57	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Dai Li	Supervisor	Female	46	18 June 2019	18 June 2022	0	0	0	-	0	Yes

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (in ten thousands)	Number of shares held at the end of the year (in ten thousands)	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from related party of the Company or not
Feng Huang	Supervisor	Male	48	18 June 2019	18 June 2022	0	0	0	-	0	Yes
Wang Meijuan (Resignation)	Employee Representative Supervisor	Female	55	30 December 2014	18 June 2019	0	0	0	-	156.79	No
Hu Hairong (Resignation)	Employee Representative Supervisor	Female	48	30 December 2014	18 June 2019	0	0	0	-	155.75	No
Song Shihao (Resignation)	Employee Representative Supervisor	Male	50	8 July 2015	18 June 2019	0	0	0	-	146.86	No
Rui Zhengxian (Resignation)	Employee Representative Supervisor	Male	57	11 December 2017	18 June 2019	0	0	0	-	99.42	No
Li Lin (Resignation)	Supervisor	Male	57	30 December 2014	18 June 2019	0	0	0	-	0	Yes
Cheng Feng (Resignation)	Supervisor	Male	48	30 December 2014	18 June 2019	0	0	0	-	0	Yes
Chen Huifeng (Resignation)	Supervisor	Male	53	30 December 2014	18 June 2019	0	0	0	-	0	Yes
Song Chunfeng (Resignation)	Supervisor	Male	50	11 July 2016	18 June 2019	0	0	0	-	0	Yes
Pei Changjiang	Deputy General Manager	Male	54	18 June 2019	18 June 2022	0	0	0	-	131.38	No
Mao Yuxing	Deputy General Manager, Chief Information Officer*	Male	48	18 June 2019	18 June 2022	0	0	0	-	266.55	No
Wang Jianye	Chief Compliance Officer	Male	59	18 June 2019	18 June 2022	0	0	0	-	464.65	No

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (in ten thousands)	Number of shares held at the end of the year (in ten thousands)	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from related party of the Company or not
Chen Chunqian	Assistant to the General Manager	Male	56	18 June 2019	18 June 2022	0	0	0	-	506.65	No
Li Jianguo	Assistant to the General Manager	Male	56	18 June 2019	18 June 2022	0	0	0	-	-	No
Zhang Xiangyang	Assistant to the General Manager	Male	54	18 June 2019	18 June 2022	0	0	0	-	-	No
Lin Yong	Assistant to the General Manager	Male	50	18 June 2019	18 June 2022	0	0	0	-	-	No
Jiang Chengjun	Assistant to the General Manager, Secretary to the Board, Joint Company Secretary	Male	51	18 June 2019	18 June 2022	0	0	0	-	423.46	No
Du Hongbo	Chief Risk Control Executive	Male	56	18 June 2019	18 June 2022	0	0	0	-	390.20	No
Pan Guangtao	Assistant to the General Manager	Male	48	18 June 2019	18 June 2022	0	0	0	-	422.50	No
Zhang Xinjun	Chief Financial Officer	Male	44	18 June 2019	18 June 2022	0	0	0	-	358.88	No
Total	/	/	/	/	/	100	100	0	/	4,284.00	/

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

- Note:*
1. The Resolution regarding the Election of New Session of the Board and the Resolution regarding the Election of New Session of the Supervisory Committee have been considered and approved at the 2018 annual general meeting of the Company held on 18 June 2019. The members of the seventh session of the Board and the non-employee representative Supervisors of the seventh session of the Supervisory Committee have been elected. The 4th meeting of the fourth session of the employee representative meeting was convened by the Company via correspondence on 26 April 2019, and the employee representative Supervisors of the seventh session of the Supervisory Committee have been elected. The re-election process of the members of the seventh session of the Board and the Supervisory Committee has been completed. The first meeting of the seventh session of the Board was held on 18 June 2019, at which the Resolution on the Election of the Chairman, the Resolution on the Appointment of the General Manager, the Resolution on the Appointment of the Deputy General Manager and the Chief Information Officer, the Resolution on the Appointment of the General Compliance Officer, the Resolution on the Appointment of the Assistant to the General Manager, the Resolution on the Appointment of the Secretary to the Board, the Resolution on the Appointment of the Chief Risk Control Executive, the Resolution on the Appointment of the Chief Financial Officer were considered and approved. The seventh session of the Board has completed the election and appointment of the Chairman and senior management.
  2. For details on the tenure period of Mr. Zhou Jie as Secretary of CPC Party Committee, Mr. Qu Qiuping as Deputy Secretary of CPC Party Committee and Mr. Wu Hongwei as Deputy Secretary of CPC Party Committee, please refer to each of their biographical details below.
  3. The total remunerations mentioned above did not include remunerations senior management received from subsidiaries, among whom, Mr. Zhang Xiangyang, assistant to the general manager of the Company, received remunerations of RMB8.0831 million from Haitong Capital; Mr. Lin Yong, assistant to the general manager of the Company, received remunerations of RMB15.7469 million from Haitong International; Mr. Li Jianguo, assistant to the general manager of the Company, received remunerations of RMB4.2845 million from Haitong International Holdings. The remunerations received in foreign currencies was calculated based on the mid-point exchange rate of Renminbi for inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Centre on 31 December 2019.
  4. The total amount of remunerations before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period mentioned above included performance bonus attributable to the year of 2018 and 2017 deferred in 2019.
  5. The statistical standard of the remunerations received by the Directors, Supervisors and senior management from the Company during the Reporting Period was based on their terms of office as Directors, Supervisors and senior management. The remunerations received during their terms of office not as Directors, Supervisors and senior management were excluded.
  6. For detailed information about the remuneration of the Directors, Supervisors and senior management and five highest paid individuals of the Company, please refer to Note 69 and 70 to the Consolidated Financial Statements of this Report.

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

Name	Major Work Experience
Zhou Jie (周杰)	<p><b>Executive Directors (3)</b></p> <p>Born in 1967, a holder of master's degree of engineering. Mr. Zhou has served as the Chairman of the Board since 28 October 2016, the secretary of CPC party committee of the Company since July 2016. Mr. Zhou has concurrently served as the director of the assets and liabilities allocation committee of the Company. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited. (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted, successively, as the executive director and the vice chief executive officer, the executive director and the executive vice president, the vice chairman of the board of directors and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served, successively, as the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and deputy secretary of CPC party committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the SSE under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the chairman of the board of directors and the secretary of CPC party committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou has been a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00981) since January 2009. Mr. Zhou has been a supervisor, the chairman of the remuneration committee of Shanghai Stock Exchange, and the president of Shanghai Securities Association (上海證券同業公會) since 2016; the representative of Shanghai People's Congress; the vice chairman of Shanghai Financial Association (上海金融業聯合會), the president of Shanghai Association of Financial Planners (上海金融理財師協會), and an arbitrator of Shanghai Arbitration Commission (上海仲裁委員會) since 2017.</p>

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

Name	Major Work Experience
Qu Qiuping (瞿秋平)	<p>Born in 1961, a holder of master's degree in economics, a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC party committee of the Company since 25 June 2014. Mr. Qu has also served as the director of international business committee, the director of proprietary investment decision committee, and the vice director of asset and liability allocation committee of the Company. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been a member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council (國務院參事室金融研究中心) since October 2016, the director of the Shenzhen Stock Exchange since April 2017, a member of the Chinese People's political Consultative Conference Shanghai Committee since December 2017, vice president of the Securities Association of China (中國證券業協會) since June 2017, the chairman of the Supervisory Committee of the Listed Companies Association of Shanghai (上海上市公司協會) since June 2018, and the chairman of the M&amp;A Financing Committee of the China Association of Listed Companies (中國上市公司協會併購融資專業委員會) since October 2018. Mr. Qu has been the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司), the chairman of the board of directors, a non-executive director, the chairman of the nomination committee and the strategic development committee, and a member of remuneration committee of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 665) since February 2018.</p>

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

Name	Major Work Experience
Ren Peng (任澎)	<p>Born in 1962, a holder of master's degree in business and administration, an economist, joined the Company in March 1996 and has been the deputy general manager since November 1997 and is mainly in charge of investment banking business and finance leasing business. Mr. Ren has been an executive director of the Company since 18 June 2019, and also served as the director of investment banking committee and a member of asset and liability allocation committee. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China (中國工商銀行) from June 1982 to February 1988 and served in various positions in the Hangzhou Branch of the Bank of Communications (中國交通銀行) from March 1988 to March 1996, including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to August 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) from June 2014 to May 2017; the chairman of board of directors of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) from July 2014 to March 2018; and the chairman of the board of directors of Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) from November 2014 to August 2018. Mr. Ren has been a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) since March 2011, the chairman of the board of Haitong UniTrust International Leasing Corporation since May 2017, the chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司) since June 2014, a director of Haitong International Holdings Limited (海通國際控股有限公司) since July 2014.</p>

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

Name	Major Work Experience
Tu Xuanxuan (屠旋旋)	<p><b>Non-executive Directors (4)</b></p> <p>Born in 1973, a holder of bachelor's degree in economics, an economist, has been a non-executive director of the Company since 18 June 2019. He has served as a general manager of the asset management division of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since March 2020. Mr. Tu has served as chairman of the board of directors of Shanghai Zhenghao Asset Management Company (上海正浩資產管理有限公司) since March 2017 and a director of Dongxing Securities Co., Ltd. (東興證券股份有限公司) since August 2007. Mr. Tu worked in the Bank of China, Shanghai Branch from July 1993 to March 2001 and in Shanghai Office of China Orient Asset Management Corporation (中國東方資產管理公司上海辦事處) from March 2001 to October 2004. Mr. Tu was in charge of the operation of the Asset Management Department of Shanghai Dasheng Assets Co., Ltd. (上海大盛資產有限公司) from October 2004 to September 2009, and was the deputy director of the Asset Management Centre of Shanghai Guosheng (Group) Co., Ltd. from September 2009 to October 2012. Mr. Tu served successively as the assistant to the president, a member of CPC party committee and the vice president of Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司) from June 2012 to January 2019 (during which he served as the deputy director (on temporary position) of the Intellectual Property Department of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國資委產權處) from July 2014 to July 2015).</p>



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

Name	Major Work Experience
Yu Liping (余莉萍)	<p>Born in 1962, a holder of MBA degree, a senior accountant, has served as a non-executive director of the Company since 8 June 2015 and as the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2010. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from August 1996 to April 2006, including deputy chief of finance department, manager of finance department and vice chief accountant. She was a member of CPC party committee, vice president and chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu served as the chairman of supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) from March 2015 to May 2017, and the chairman of supervisory committee of NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) from September 2013 to September 2018. Ms. Yu has been the legal representative of Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from March 2014 to February 2019. Ms. Yu has been the chairman of supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) from September 2014 to July 2019.</p>
Chen Bin (陳斌)	<p>Born in 1981, a holder of master's degree in economics, has served as a non-executive Director of the Company since 30 December 2014. He has been the deputy general manager of Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司) since July 2019. Mr. Chen served as an officer of the investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 2003 to January 2010. He served, successively, as assistant to section chief, section chief and assistant to head of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司, now renamed as Shanghai Tobacco Group Co, Ltd., 上海煙草集團有限責任公司) from January 2010 to October 2016. He was the assistant to general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) from April 2014 to February 2017. He served as the deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2017 to July 2019. Mr. Chen has been a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the SSE under the stock code of 600958 : listed on the Hong Kong Stock Exchange under the stock code of 03958) since October 2014.</p>

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

Name	Major Work Experience
Xu Jianguo (許建國)	<p>Born in 1964, a holder of master of professional accountancy degree, a senior accountant, has served as a non-executive Director of the Company since 18 October 2016. He has been the head of the financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since April 2013, the chairman of the board of directors of Shanghai Haiya Industrial Co., Ltd. (上海亥雅實業有限公司) since March 2019, and the chairman of the board of directors of Shanghai Kaihai Industrial Co., Ltd. (上海開亥實業有限公司) since June 2019. Mr. Xu worked in the finance department and audit office of Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004 and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008 during which period he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited. From December 2009 to April 2013, he served as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation. Mr. Xu served as a director of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the SSE under the stock code of 600619) from June 2016 to December 2017, the chairman of the supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 02345) from May 2016 to June 2019. Mr. Xu has been a director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013, a director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015. Mr. Xu also served as a director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司) since June 2016, and a non-executive director of Orient Securities Company Limited (東方證券股份有限公司) (listed on the SSE under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) since November 2016. Mr. Xu has been the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the SSE under the stock code of 600619) since December 2017. He has been a director of Shanghai Electric Group Hong Kong Limited (上海電氣集團香港有限公司) since November 2019.</p>

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

Name	Major Work Experience
Zhang Ming (張鳴)	<p><b>Independent non-executive Directors (4)</b></p> <p>Born in 1958, a holder of doctor's degree in economics, a professor, doctoral supervisor and senior researcher, has served as an independent non-executive Director of the Company since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, the deputy director and then the deputy head of the School of Accountancy. He is now a professor and doctoral supervisor in the same university. Mr. Zhang served as an independent non-executive director of Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司, listed on the SSE under the stock code of 600327) since May 2015, an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 600000) since May 2016, and an independent non-executive director of National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司) since March 2019.</p>

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

Name	Major Work Experience
Lam Lee G. (林家禮)	<p>Born in 1959, a holder of Ph.D degree in philosophy, a Solicitor (formerly a barrister-at-law) of the High Court of Hong Kong, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education, has served as an independent non-executive Director of the Company since 6 April 2017, the non-executive chairman of Hong Kong and ASEAN Region and chief adviser of Asian Region of Macquarie Infrastructure and Real Assets (Hong Kong) Limited since May 2015. Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology, consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. Dr. Lam previously held a number of posts including General Manager of Hong Kong Telecom, a member of the Senior Management of CP Group in Thailand and Chairman/Director/Chief Executive Officer of several companies affiliated to the group, Managing Director of BOC International and Vice Chairman and COO of Investment Banking Division of BOC International, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings, a sovereign fund of Singapore), and Chairman of Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand Region and Senior Adviser of Asian Region of Macquarie Capital. Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hua Long Jin Kong Company Limited (Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Mingfa Group (International) Company Limited (Stock Code: 846) and Aurum Pacific (China) Group Limited (Stock Code: 8148), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock code: 0412), and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Lam is also an independent non-executive director of each of China Real Estate Grp Limited (formerly known as Asia-Pacific Strategic Investments Limited, Stock code: 5RA), Top Global Limited (Stock code: BHO), and China Medical (International) Group Limited (Stock code: 5IB), and non-executive director of Singapore eDevelopment Limited (Stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent director of Sunwah International Limited (Stock code: TSX SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock code: ASX AUH) whose shares are listed on the Australian Securities Exchange, and a non-executive director of Adamas Finance Asia Limited (Stock code: ADAM) whose shares are listed on the London Stock Exchange. Mr. Lam has been an independent director of Aurum Pacific (China) Group Limited (listed on the Hong Kong Stock Exchange under the stock code of 8148) since January 2019, an independent director of TMC Life Sciences Berhad (listed on the Bursa Malaysia Exchange under the stock code of 0101) since January 2019, and an independent director of Thomson Medical Group Limited (listed on the Singapore Exchange under the stock code of A50) since May 2019.</p>

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

Name	Major Work Experience
Zhu Hongchao (朱洪超)	<p>Born in 1959, a holder of master's degree in law, a senior lawyer, has been an independent non-executive Director of the Company since 18 June 2019. He has served as the director and senior partner of Shanghai United Law Firm (上海市聯合律師事務所) since June 1986. Mr. Zhu currently serves as an arbitrator of China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) and Shanghai Arbitration Commission, the vice president of the Procedure Law Studies at the Shanghai Law Society, a mediator of Shanghai Commercial Mediation Centre, and a part-time professor of Shanghai University Law School, East China University of Political Science and Law and Shanghai University of Political Science and Law. Mr. Zhu was selected as one of Shanghai Leading Talents (上海市領軍人才), is entitled to the special government allowance of the State Council, and is a member of the legal experts of CPC Shanghai Committee (中共上海市委法律專家庫). Mr. Zhu served as a lawyer at Shanghai First Law Firm (上海市第一律師事務所) from July 1983 to June 1986. Mr. Zhu served as the deputy president of the third, fourth, fifth and sixth session of All China Lawyers Association, the president of the sixth session of Shanghai Bar Association and the chief supervisor of the seventh session of Shanghai Bar Association and a representative member of the 13th and 14th Shanghai Municipal People's Congress from 1994 to 2010. Mr. Zhu has served as an independent director of Jupai Holdings Limited (listed on NYSE under the stock code of JP (NYSE)) since June 2015; an independent director of Leju Holdings Limited (listed on NYSE under the stock code of LEJU (NYSE)) since March 2017, and an independent director of E-House (China) Enterprise Holdings Limited (listed on the Hong Kong Stock Exchange under the stock code of 2048 (HK)) since July 2018. Mr. Zhu served as an independent director of Sinochem International Corporation (listed on the Shanghai Stock Exchange under the stock code of 600500) from February 2010 to December 2017; an independent director of Shanghai Guangdian Electric Group Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 601616) from November 2013 to December 2017; an independent director of Tengda Construction Group Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600521) from October 2013 to November 2016, an independent director of Shanghai No.1 Pharmacy Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600833) from September 2012 to June 2018. Mr. Zhu served as an independent director of Wonders Information Co. Ltd. (listed on the Shenzhen Stock Exchange under the stock code of 300168) from December 2013 to October 2019, an independent director of Chiho Environmental Group Limited (listed on the Hong Kong Stock Exchange under the stock code of 0976) from April 2018 to 29 February 2020.</p>

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

Name	Major Work Experience
Zhou Yu (周宇)	<p>Born in 1959, a holder of doctor's degree in economics, a researcher and a doctoral supervisor. He is an expert entitled to the special government allowance of the State Council and an executive director of China Association of World Economic Research (中國世界經濟學會). He has been an independent non-executive Director of the Company since 18 June 2019. Mr. Zhou has served as the director of the International Finance Research Institution of the Institute of World Economy of Shanghai Academy of Social Sciences (上海社會科學院世界經濟研究所國際金融研究室), the director of the International Finance Monetary Research Centre of Shanghai Academy of Social Sciences (上海社會科學院國際金融貨幣研究中心) since October 2008, as well as the chief expert and principal of the International Finance Discipline Innovation Project of the Shanghai Academy of Social Sciences (上海社會科學院國際金融學科創新工程) since January 2015. Mr. Zhou served as a teacher of the Finance Department at Xinjiang University of Finance and Economics from August 1982 to March 1992, among which, he served as a guest research fellow at Osaka University of Commerce from April 1990 to March 1992. He pursued a master's degree and a doctor's degree at the Department of Economics of Osaka City University from April 1992 to March 2000, served as a guest research fellow at the Graduate School of Economics of Osaka City University from April 2000 to November 2000, served in various positions at the Institute of World Economy of Shanghai Academy of Social Sciences including assistant researcher, associate researcher, deputy director of the Finance Research Institution from December 2000 to October 2008, among which, he served as a post-doctoral fellow of economic theory at Shanghai Academy of Social Sciences from January 2001 to December 2002.</p>

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

Name	Major Work Experience
Wu Yuezhou (鄔躍舟) (Resigned)	<p><b>Resigned Directors (6)</b></p> <p>Born in 1959, an accountant, served as a non-executive Director of the Company from August 2017 to June 2019. Mr. Wu has been the deputy chief economist and manager of asset management department of Shenergy Group Company Limited (申能(集團)有限公司) since October 2016. Mr. Wu was the deputy chief officer and chief officer of finance department of Shanghai Machine Tool Works Ltd. (上海機床廠) from August 1980 to December 1994, manager of financial planning department of Shanghai Bund Housing Replacement Co., Ltd. (上海外灘房屋置換有限公司) from January 1995 to July 1999, manager of financial planning department in replacement headquarters of Shanghai Jiushi Corporation (上海久事公司) from August 1999 to February 2000. Mr. Wu has served in various positions in Shenergy Group Company Limited since March 2000, including manager of investment management department, secretary to supervisory committee and director of audit office (concurrently serving as the chairman of the board of directors and the acting general manager of Shanghai Shenergy Science and Technology Development Co., Ltd. (上海申能科技發展公司) from January 2003 to June 2005).</p>
Zhang Xinmei (張新玫) (Resigned)	<p>Born in 1959, a holder of MBA degree, a senior accountant, served as a non-executive Director of the Company from December 2014 to June 2019. Ms. Zhang has been the vice president of Shanghai Jiushi (Group) Co., Ltd (上海久事(集團)有限公司) since December 2014. Ms. Zhang served as clerk, deputy section chief, section chief and deputy head of finance department of the Shanghai Bureau of Metallurgical Industry (上海冶金工業局) from March 1981 to October 1995; deputy head, head of finance department, and deputy chief accountant of Shanghai Metallurgical Holding Group Corporation (上海冶金控股集團公司) from October 1995 to November 1998; manager of financial management headquarters and manager of capital management headquarters of Shanghai Jiushi Corporation (上海久事公司) (currently known as "Shanghai Jiushi (Group) Co., Ltd.") from November 1998 to November 2004; chief accountant of Shanghai Jiushi Corporation from November 2004 to December 2014. Ms. Zhang was a director of Shenyin &amp; Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) (currently known as "Shenwan Hongyuan Group Co., Ltd." (申萬宏源集團股份有限公司)), listed on the Shenzhen Stock Exchange under the stock code of 000166 and listed on the Hong Kong Stock Exchange under the stock code of 6806) from 2012 to September 2016, the director of Shenergy Co., Ltd. (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) from June 2015 to May 2016. Ms. Zhang has been a supervisor of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) since October 2015, and a supervisor of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司) since November 2015.</p>

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

Name	Major Work Experience
Shen Tiedong (沈鐵冬) (Resigned)	Born in 1969, a holder of doctor's degree in economics, served as a non-executive Director of the Company from June 2015 to June 2019. Mr. Shen has been the chairman of the board of directors, secretary of the CPC party committee of Liaoning Environmental Protection Group Co., Ltd. (遼寧省環保集團有限責任公司) since December 2018. Mr. Shen was the chairman in the university department of the Youth League Liaoning Committee (共青團遼寧省委員會) from June 1992 to June 1993, the deputy head of the trust department of Liaoning International Trust and Investment Company (遼寧省國際信託投資公司) from July 1993 to September 1999, the head of the capital operation department of Liaoning International Cooperation (Group) Co., Ltd. (遼寧省國際合作(集團)公司) from September 1999 to January 2002, and vice general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from February 2002 to December 2009. Mr. Shen served in various positions in the Panjin municipal government in Liaoning Province from December 2009 to December 2014, including vice mayor, a member and the secretary-general of the standing committee of CPC party committee. He was the vice chairman of the board of directors, vice secretary of the CPC party committee and general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from December 2014 to December 2018.
Liu Cheeming (劉志敏) (Resigned)	Born in 1951, a holder of bachelor's degree in business administration, served as an independent non-executive director of the Company from November 2011 to June 2019. Mr. Liu has been the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. Mr. Liu has been an independent non-executive director of OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司) since June 2013, an independent non-executive director of STT GDC Pte. Ltd. since October 2015, an independent non-executive director of DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司) since June 2018, and an independent non-executive director of OUE Commercial REIT Management Pte. Ltd. since September 2019. Mr. Liu has been an independent non-executive director of OUE Hospitality Real Estate Trust Management Pte. Ltd. (華聯酒店房地產信託管理有限公司) from June 2013 to September 2019, and an independent supervisor of the supervisory committee of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) from May 2015 to March 2019. He has over 40 years' experience in the Asian financial service field. Mr. Liu's expertise in finance and strategy-making, as well as his working experience in large enterprises worldwide and his relationship with them are valuable assets to the Board of the Company. He is a member of the Takeovers Appeal Committee under the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會的收購上訴委員會) and the vice chairman of the Takeovers and Mergers Panel (收購及合併委員會).



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

Name	Major Work Experience
Xiao Suining (肖遂寧) (Resigned)	<p>Born in 1948, served as an independent non-executive Director of the Company from May 2013 to June 2019. Mr. Xiao was the electrician and team leader at the third subsidiary of Yunnan Hydropower Construction Company (雲南水利發電建設公司) from July 1968 to September 1971; the chief of mechanical and electrical drainage, electrical technician and engineer at the Panshidong Industrial Zone at Hydropower Construction Company (水利發電建設公司噴水洞工區) from September 1971 to January 1975; the electrical designer, technician and engineer at Yunnan Electrical Power Design Institute (雲南電力設計院) from January 1975 to February 1984; the deputy director of the powerhouse of the power plant of Electric Power Design Institute (電力設計院) from February 1984 to August 1985; the general manager at Kunming Yinding Industrial Co., Ltd. (昆明銀鼎實業公司) from January 1985 to August 1987; the acting general economist and the acting general accountant at Yunnan Electrical Power Design Institute from August 1987 to September 1990; the director of personnel education division, the assistant to general manager, the assistant to the president of Bank of Communications Chongqing Branch (交通銀行重慶分行) and the general manager of a real estate development company, the vice general manager and a member of the CPC party committee of Bank of Communications Chongqing Branch from September 1990 to November 1995; the president and the secretary of the CPC party committee of Bank of Communications Zhuhai Branch from November 1995 to August 1999; the president and the secretary to the Party Committee of Bank of Communications Shenzhen Branch from August 1999 to February 2007; the president and the chairman of the board of Shenzhen Development Bank (深圳發展銀行) from February 2007 to November 2012; the chairman of the board of directors and the general manager of Tahone Investment Management (Ningbo) Co., Ltd. (太合匯投資管理(寧波)有限公司) from July 2017 to January 2018. Mr. Xiao has been an independent non-executive director of Nan Hai Corporation Limited (南海控股有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0680) since April 2016, and an independent non-executive director of China Digital Information Co., Ltd. (中國數碼信息有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0250) since April 2016.</p>
Feng Lun (馮倫) (Resigned)	<p>Born in 1959, a holder of doctor's degree in law and master's degree in public policy (MPP), served as an independent non-executive Director of the Company from December 2014 to June 2019. Mr. Feng has been the chairman of the board of directors of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993. Mr. Feng was a lecturer and researcher at the Party School of the Central Committee of CPC (中共中央黨校), the Propaganda Department of the Central Committee of CPC (中共中央宣傳部) and National Committee for Economic System Reform (國家體改委) from September 1984 to December 1990. Mr. Feng founded Hainan Agricultural High Technology Investment and Development Corporation (海南農業高技術投資聯合開發總公司) from January 1991 to December 1991 and Hainan Vantone Enterprise (Group) Co., Ltd. (海南萬通企業(集團)有限公司) from January 1992 to December 1992, and served as the chairman of its board of directors.</p>

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

Name	Major Work Experience
Wu Hongwei (吳紅偉)	<p><b>Employee Supervisors (3)</b></p> <p>Born in 1966, a holder of MBA degree, a researcher, has served as an employee representative Supervisor of the Company since 13 December 2017 and the vice chairman of the Supervisory Committee since 15 December 2017. Mr. Wu has been serving as the deputy secretary of CPC party committee of the Company since September 2017. From July 1990 to June 2001, Mr. Wu served the following positions in Unit 801 of Shanghai Aerospace Administration (上海航天局801所): a designer, project leader, assistant to the director, deputy director of the Research Plan Office (later renamed as the "Science and Technology Office") from July 1990 to January 1997, during which period, he also served as the secretary of the Science and Technology Committee from August 1995 to January 1997; the director of the Personnel Security Department and the secretary of the Science and Technology Committee from January 1997 to March 1997; the director of the Administration Department and the director of Personnel Security Department from March 1997 to October 2000; the deputy secretary of CPC party committee, the secretary of discipline inspection committee, and the director of the Administration Department from October 2000 to June 2001, during which period, he also served as the chairman of the Labor Union from March 2001 to June 2001. From June 2001 to April 2004, Mr. Wu served as the secretary of CPC party committee of Shanghai Xinguang Telecom Factory (上海新光電訊廠). From April 2004 to January 2015, Mr. Wu served the following positions in the Social Work Committee of CPC Shanghai Municipal Committee (中共上海市社會工作委員會): the deputy director of the Human Resources Department (in charge of operations) from April 2004 to January 2006; the director of the Human Resources Department from January 2006 to June 2011; and the Secretary-General from June 2011 to January 2015. Mr. Wu was appointed as the secretary of the discipline inspection committee of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC", 上海市國有資產監督管理委員會) from January 2015 to April 2015, the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of the Shanghai SASAC (中共上海市紀律檢查委員會駐上海市國資委黨委紀檢組), a member of CPC party committee of the Shanghai SASAC from April 2015 to September 2017, and the secretary of discipline inspection committee of the Company from September 2017 to July 2019.</p>

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

Name	Major Work Experience
Shi Xu (待旭)	<p>Born in 1972, a holder of master's degree in management, an accountant, has served as an employee representative Supervisor of the Company since 18 June 2019. He has served as a general manager of the audit department of the Company since December 2019. Mr. Shi served in the following various positions in the Company since July 1999, including: project assistant, deputy manager of the off-site audit department and manager of the off-site audit department when working in the audit department from July 1999 to November 2007; manager of the fourth audit department of the risk control headquarters from November 2007 to June 2009; manager of the fourth on-site audit department of the risk control headquarters from June 2009 to March 2011; manager of the fourth on-site audit department of the audit department from March 2011 to March 2014; manager of the fourth audit department of the audit department from March 2014 to November 2014; assistant to general manager of the audit department from November 2014 to March 2018; and deputy general manager of the audit department from March 2018 to December 2019. Mr. Shi served as a supervisor of Liaoning Haitong New Energy Low-carbon Industry Equity Investment Fund Limited (遼寧海通新能源低碳產業股權投資基金有限公司) from December 2016 to November 2019. He has served as a supervisor of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since November 2016 and a supervisor of Haitong Auspicate Capital Management Co., Ltd. (海通新創投資管理有限公司) since December 2016. He has been a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since July 2019.</p>

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

Name	Major Work Experience
Wu Xiangyang (武向陽)	<p>Born in 1966, a holder of master's degree in law, an economist, has served as an employee representative Supervisor of the Company since 18 June 2019. He has been the deputy general manager of the compliance and legal department of the Company since March 2020. Mr. Wu served as a teacher at Huibu Middle School in Fengxin County, Jiangxi Province (江西奉新縣會埠中學) from July 1985 to September 1987, and an officer of the Publicity Department of the CPC party committee and secretary of the general Communist Youth League branch of electric department at Nanchang Aerospace College (南昌航空學院) from July 1991 to September 1995. He pursued his master's degree in the economic law department of East China University of Political Science and Law (華東政法學院) from September 1995 to July 1998 and obtained a master's degree in law when graduated. Mr. Wu served as the asset administrator of the legal affairs office of Bank of Communications Shanghai Branch (交通銀行上海分行) from August 1998 to April 2000. Mr. Wu has served in the following various positions in the Company since January 2001, including: project manager of the investment banking headquarter from January 2001 to September 2002; legal counsel of the general manager office from September 2002 to July 2007; deputy manager of the legal affairs department of the office of general manager from July 2007 to January 2008; deputy manager of the legal compliance department of the compliance office from January 2008 to November 2008; manager of the legal compliance department of the compliance department from November 2008 to March 2010; manager of the compliance inspection department of the compliance department from March 2010 to March 2011; manager of the compliance inspection department of the compliance and risk management headquarters from March 2011 to March 2014; manager of the compliance review department of the compliance and risk management headquarters from March 2014 to August 2015; and assistant to general manager of the compliance and risk management headquarters from August 2015 to May 2017. He has worked in the compliance and legal department since May 2017 and served as an assistant to the general manager in the compliance and legal department of the Company from March 2018 to March 2020. He has served as the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2019.</p>

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

Name	Major Work Experience
Xu Renzhong (徐任重)	<p><b>Shareholder representative Supervisors (5)</b></p> <p>Born in August 1972, a holder of MBA degree, a senior accountant, has served as a Supervisor of the Company since 18 June 2019 and the chief financial officer of Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司) since June 2019. Mr. Xu served as an employee of Shanghai Shenergy Real Estate Company (上海申能房地產公司) from July 1994 to December 1997, and served successively as clerk, deputy head, head, assistant to the manager and deputy manager (in charge of operations) at the finance department of Shenergy Company Limited (申能股份有限公司, listed on the SSE under the stock code of 600642) from January 1998 to October 2009. He served as manager of the internal control department of Shenergy Company Limited from October 2009 to July 2016. He has served as manager of the finance department of Shenergy (Group) Company Limited (申能(集團)有限公司) from July 2016 to June 2019.</p>
Cao Yijian (曹奕劍)	<p>Born in 1976, a holder of master's degree in science, an economist, has served as a Supervisor of the Company since 18 June 2019. He has served as the general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司) since April 2018. He served as a staff member of Shanghai Huipu Technology Investment Company Limited (上海匯浦科技投資有限公司) from March 2001 to February 2003 and a staff member of Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600662) from February 2003 to July 2003. He served as the manager of the asset management department of Shanghai Huipu Technology Investment Company Limited from July 2003 to July 2007 and a staff member of the asset operation department at Shanghai Qiangsheng Group Co., Ltd. (上海強生集團有限公司) from August 2007 to November 2008. He also worked as an assistant to the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from November 2008 to June 2009 and the deputy manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from June 2009 to April 2012. He then served as the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from April 2012 to June 2013 and the manager of the asset operation department at Shanghai Jiushi Properties Co., Ltd. (上海久事置業有限公司) from June 2013 to May 2015. He worked at the investment development department of Shanghai Jiu Shi Company (上海久事公司) from May 2015 to October 2015, serving as the deputy general manager. He was the deputy general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. from October 2015 to April 2018. Mr. Cao has been a director of Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司) since April 2018, a director of Shanghai Qiangsheng Holding Co., Ltd. since October 2018 and a director of Shenergy Company Limited (申能股份有限公司), listed on the SSE under the stock code of 600642 since May 2019. Mr. Cao has served as a supervisor of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), listed on the SSE under the stock code of 60000 and an executive director and the general manager of Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司) since December 2019.</p>

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

Name	Major Work Experience
Zheng Xiaoyun (鄭小芸)	<p>Born in 1962, a holder of master's degree in accounting, a senior accountant, has been serving as a Supervisor of the Company since 21 September 2015. She has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600827, the "Shanghai Bailian") since June 2015, and the secretary to the board of Shanghai Bailian since August 2015 and a director of Shanghai Bailian since June 2017. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海市廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百(集團)有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. from October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Shanghai Bailian E-Commerce Co., Ltd. (上海百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and the chairman of the board of directors of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.</p>
Dai Li (戴麗)	<p>Born in 1973, a holder of master's degree in law, a mid-level economist, has been serving as a Supervisor of the Company since 18 June 2019. She has served as the head of the asset operation department of Shanghai United Media Group (上海報業集團) since June 2018. Ms. Dai worked as a teaching assistant intern at Nanyang Institute of Technology (南陽理工學院) from July 1995 to August 1996, a clerk at Nanyang Customs (南陽海關) from August 1996 to August 2000, a legal counsel, head of investment and deputy-director level propagandist of Wenhui Xinmin United Press Group (文匯新民聯合報業集團) from July 2002 to October 2013, the deputy director-level cadre and the deputy director of the asset operation department of Shanghai United Media Group from October 2013 to June 2018. Ms. Dai has served as a director of Shanghai Dongjie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司) since June 2016, a director of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司) since November 2017 and the executive director and legal representative of Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司) since January 2019.</p>

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

Name	Major Work Experience
Feng Huang (馮煌)	<p>Born in 1971, a holder of MBA degree, an economist and an in-house legal counsel, has been serving as a Supervisor of the Company since 30 December 2014. Mr. Feng joined SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) in January 1999 and served in various positions, including the director and president since December 2012, and is concurrently serving as the vice chairman since September 2014. Mr. Feng has been a director of Shanghai Lujiazui Finance &amp; Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, the chairman of the board of directors of SIIC Investment Co., Ltd. (上海實業投資有限公司) and Hong Kong South Pacific Hotel Co., Ltd. (南洋酒店(香港)有限公司) since April 2012, the vice chairman of Shanghai Guojin Financial Leasing Co., Ltd. (上海國金融資租賃有限公司) since January 2014, a director of SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司) since May 2014, the chairman of SIIC Shanghai Asset Operation Co. Ltd. (上海上實資產經營有限公司) since December 2014, the chairman of the board of directors and president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) since December 2014, a director of SIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股股份有限公司) since February 2015, a non-executive director of Shanghai International Shanghai Growth Investment Limited (滬光國際上海發展投資有限公司) (listed on the Hong Kong Exchange, under stock code of 0770) since December 2015, a director of Shanghai Invest and Asset Management Co., Ltd. (上海上投資產經營有限公司) since December 2015, and a director of SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司) since October 2018. Mr. Feng was a Director of the Company from 16 May 2011 to 30 December 2014.</p>

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

Name	Major Work Experience
	<b>Resigned Supervisors (8)</b>
Wang Meijuan (王美娟) (Resigned)	Born in 1964, a holder of master's degree in economics, a senior accountant, served as a Supervisor of the Company from 30 December 2014 to 18 June 2019. She has been the general manager of the audit department of the Company from March 2011 to December 2019. Ms. Wang was a lecturer of the Management and Engineering Department of Shanghai Institute of Building Materials (上海建材學院管理工程系) from January 1988 to October 1994, and a senior manager of Da Hua Certified Public Accountants (大華會計師事務所) from May 1992 to May 2001. She served in various positions in the Company, including manager of audit department from May 2001 to August 2001, assistant to general manager of audit department from August 2001 to March 2002, deputy general manager of audit department from March 2002 to May 2006, deputy general manager of risk control headquarters (with benefits as a general manager) from May 2006 to September 2006, and chief auditor and deputy general manager of risk control headquarters (with benefits as a general manager) from September 2006 to March 2011. Ms. Wang served as a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) since December 2010, a director of Xi'an Aerospace New Energy Industry Investment Fund Co., Ltd. (西安航天新能源產業基金投資有限公司) since February 2011, a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00665) since September 2012, a supervisor of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since April 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) and a supervisor of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since May 2014.
Hu Hairong (胡海蓉) (Resigned)	Born in 1971, a holder of bachelor's degree in law, an economist, served as a Supervisor of the Company from 30 December 2014 to 18 June 2019. She has been the director of the department of Party-Masses relationship of the Company since March 2013. Ms. Hu worked in various departments of the Company, including the Shanghai Baoshan business department from July 1993 to June 1995, Shanghai business headquarters from June 1995 to May 1996, the office of general manager from May 1996 to March 1998, as deputy section chief of foreign affairs section of the office of general manager from March 1998 to March 2001, as deputy section chief and section chief of assignment section of the human resources development department from March 2001 to May 2005, assistant to general manager of the human resources development department from May 2005 to December 2010, deputy general manager of the human resources development department from December 2010 to February 2013, deputy general manager of the human resources department of the Company from March 2013 to January 2019. Ms. Hu has been a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) since June 2012 and the vice chairman of the trade union of the Company since December 2014.



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

Name	Major Work Experience
<p>Song Shihao (宋世浩) (Resigned)</p>	<p>Born in 1969, a holder of MBA degree, served as a Supervisor of the Company from 8 July 2015 to 18 June 2019. He has been the general manager of the securities finance department of the Company since March 2017. Mr. Song served as a teacher at the Baotou Steel Company Fifth Middle School (包頭鋼鐵公司第五中學) from July 1992 to August 1996. He served at the Baotou Trust Investment Company (包頭信託投資公司) from August 1996 to March 2000, serving as the manager of the securities business department and manager of the trust business department. He worked at the Tianjin Business Department of the Company from March 2000 to March 2006, serving as an assistant to the general manager and deputy general manager. He served as the deputy general manager and the deputy general manager (in charge of operations) of the Lanzhou Business Headquarter of the Company from March 2006 to March 2009. He worked at the Gansu Branch of the Company from March 2009 to February 2012, serving as person in charge of the Preparatory Group and general manager. He worked at the Operating Centre of the Company from September 2011 to January 2013, serving as deputy general manager. He was deputy general manager (in charge of operations) of the Compliance and Risk Management Headquarter of the Company from January 2013 to April 2016, the general manager of the Compliance and Risk Management Headquarter of the Company from April 2016 to March 2017. He was a director of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from April 2013 to October 2016. Mr. Song has been a supervisor of Shanghai Haitong Securities Asset Management Company Ltd. since October 2016.</p>
<p>Rui Zhengxian (芮政先) (Resigned)</p>	<p>Born in 1962, a holder of bachelor's degree in science, an assistant researcher, served as a Supervisor of the Company from 11 December 2017 to 18 June 2019. He has been a Director of General Office of the Labour Union of the Company since March 2020. Mr. Rui served as an instructor in the Training Department of Shanghai Garrison Training Group (上海警備區教導大隊訓練處) from July 1984 to January 1988, and conducted research work in the Institute of Demographic and Development Studies, Shanghai Academy of Social Sciences (上海社會科學院人口與發展研究所) from February 1988 to March 1996. Mr. Rui served in the following various positions in the Company since March 1996, including a commissioner in the Supervisory Office from March 1996 to March 2001; the deputy section chief of the Second Section of the Supervisory Office from March 2001 to June 2002; the section chief of Labour and Capital Section of the Human Resources and Development Department from June 2002 to March 2007; the section chief of Cadre Section of the Human Resources and Development Department from March 2007 to March 2008; an assistant to general manager of the Human Resources and Development Department and the section chief of Cadre Section of this department from March 2008 to April 2014; an assistant to general manager of the Human Resources Department from April 2014 to November 2014; and deputy general manager of the human resources department of the Company from November 2014 to March 2020. Mr. Rui has also been a supervisor of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, a director of Haitong Innovative Capital Management Co., Ltd. (海通創新資本管理有限公司) since November 2016, and a director of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) since March 2019.</p>

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

Name	Major Work Experience
Li Lin (李林) (Resigned)	Born in 1962, a holder of MBA degree, served as a Supervisor of the Company from 27 May 2013 to 18 June 2019. He has been the vice president of Bright Food (Group) Co., Ltd. (光明食品 (集團) 有限公司) since July 2018. From July 1984 to December 1996, Mr. Li was the lecturer of School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). He served as the deputy chief accountant of Shanghai Huaihai Commercial (Group) Co., Ltd. (上海淮海商業 (集團) 有限公司) from January 1997 to March 2001, the deputy financial controller of Shanghai NGS (Group) Corporation (上海農工商 (集團) 總公司) from April 2001 to June 2001, the director, the vice president and the chief financial officer of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from July 2001 to August 2007, and the director, the vice president and the chief financial officer of NGS Real Estate (Group) Co., Ltd. (農工商房地產 (集團) 股份有限公司) from September 2007 to July 2010. He served as the general manager of finance department in Bright Food (Group) Co., Ltd from August 2010 to April 2014, the chief financial officer of Bright Food (Group) Co., Ltd. from April 2014 to June 2018. Mr. Li has been the chairman of the board of directors of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since December 2014, a director of Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) since October 2014 and a director of Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金 (上海) 有限公司) since October 2014.

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

Name	Major Work Experience
Cheng Feng (程峰) (Resigned)	<p>Born in 1971, a holder of MBA degree, served as a Supervisor of the Company from 30 December 2014 to 18 June 2019. He has been the member of CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團) since October 2013. From July 1994 to March 1995, Mr. Cheng worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as the vice president (on temporary position) of Shanghai Electrical Machinery Group Import &amp; Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as deputy director and director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he worked in Shanghai International Group (上海國際集團) holding such positions as director of the general office, head of the information centre, general manager of the administration headquarter, the deputy secretary of CPC party committee, the general manager, the secretary of CPC party committee and the chairman of the board of directors of Shanghai International Group Financial Services Co., Ltd. (上海國際集團金融服務有限公司), the secretary of CPC party committee and the chairman of the board of directors of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司). Mr. Cheng has been the chairman of the board of directors of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since March 2014, the director of Shanghai XinHua Media Co., Ltd. (上海新華傳媒股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600825) since May 2014, the executive vice chairman of the board of directors of Shanghai XinHua Media Co., Ltd. since September 2017, the Chairman of Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司) since August 2014, the executive director of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司) since September 2014, the chairman of the supervisory committee of Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) since September 2014, the director of Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司) since October 2014, the Chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), the executive director of Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) since May 2015, the executive director of Shanghai HR Market News Co., Ltd. (上海人才市場報社有限公司) and Shanghai Realty Times Co., Ltd. (上海房地產時報社有限公司) since February 2016, the chairman of the board of directors of Shanghai Culture Assets and Equity Exchange (上海文化產權交易所股份有限公司) and the executive director of Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司) since April 2016, the chairman of the board of directors of Shanghai Dongfang Press (The Paper) Co., Ltd. (上海東方報業(澎湃新聞)有限公司) since March 2017, a director of China Universal Asset Management Company Limited (匯添富基金管理有限公司) since November 2016.</p>

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

Name	Major Work Experience
Chen Huifeng (陳輝峰) (Resigned)	<p>Born in 1966, a holder of MBA degree, a senior international business engineer, served as a Supervisor of the Company from 30 December 2014 to 18 June 2019. He has been the general manager of the investment &amp; development department of Donghao Lansheng (Group) Co., Ltd (東浩蘭生(集團)有限公司, formerly Shanghai Donghao &amp; Lansheng International (Group) Co. Ltd (上海東浩蘭生國際服務貿易(集團)有限公司)) since December 2013. He was deputy general manager of the household product branch of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. (上海市輕工業品進出口公司) from August 1989 to January 1996, general manager of the hardware branch of Shanghai Light Industry International (Group) Co., Ltd. (上海輕工國際(集團)有限公司) from January 1996 to January 2002, deputy general manager of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. (上海輕工業品進出口有限公司) from January 2002 to March 2002, deputy general manager of Shanghai Light Industrial International Development Corp., Ltd (上海輕工國際發展有限公司) from March 2002 to December 2003, executive general manager and general manager of Shanghai Lansheng Corporation (上海蘭生股份有限公司) from December 2003 to December 2007, and general manager of the operation department and the investment and management department of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) from December 2007 to December 2013, and a director of Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) from May 2014 to January 2016. Mr. Chen has been a director of Shanghai Lansheng Corporation (上海蘭生股份有限公司, listed on the Shanghai Stock Exchange, under the stock code of 600826) since June 2012, and has been the president of Shanghai DLG Exhibition &amp; Events Group Company Limited (上海東浩蘭生會展(集團)有限公司) since July 2016.</p>

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

Name	Major Work Experience
Song Chunfeng (宋春風) (Resigned)	<p>Born in December 1969, a holder of doctor's degree in law, served as a Supervisor of the Company from 11 July 2016 to 18 June 2019. He has been the general manager of China Shipowners Mutual Assurance Association (中國船東互保協會) since March 2016. From August 1992 to September 1996, Mr. Song worked at China Ocean Shipping (Group) Company ("COSCO", 中國遠洋運輸(集團)總公司), where he served as an officer at the department of insurance and settlement of claims and the department of commerce, and the deputy section chief level clerk of the unit of commerce under the department of transmission successively. From September 1996 to June 1997, he studied at the China Ocean Administration Training Class (中遠管理培訓班) offered by Peking University. From June 1997 to September 1998, he worked at the America branch of COSCO. From September 1998 to February 2009, he worked at the department of transmission of COSCO, where he successively served as the section chief level clerk, deputy director and director of the division of commerce and the manager of the unit of commerce. From February 2009 to March 2012, he served as the manager of the unit of commerce under the department of transmission of COSCO and China COSCO Holdings Company Limited (listed on the Shanghai Stock Exchange under the stock code of 601919 and on the Hong Kong Stock Exchange under the stock code of 01919 respectively). From March 2012 to March 2016, he worked as the managing director of COSCO (Hong Kong) Insurance Brokers Limited. Mr. Song served as the chairman of the board of directors and the general manager of Shenzhen COSCO Insurance Brokers Limited (深圳中遠保險經紀公司), a member of Documentary Committee of the Baltic and International Maritime Council (Denmark) and a member of the Insurance Committee of Asian Shipowners' Forum (亞洲船東論壇). Currently, he serves as an arbitrator and a member at China Maritime Arbitration Commission, an arbitrator at South China International Economic and Trade Arbitration Commission, the deputy director of Maritime Regulations Studies Committee of China Institute of Navigation (CIN), a director of China Maritime Law Association (CMLA) and a guest research fellow at Peking University Maritime Law Research Centre. Mr. Song has been a director of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600016) since February 2017.</p>

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

Name	Major Work Experience
Pei Changjiang (裴長江)	<p><b>Other Senior Management (11)</b></p> <p>Born in 1965, a holder of master's degree in economics, joined the Company in August 2013. Since then, he has been serving as the deputy general manager of the Company. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai International Securities Co., Ltd., (上海萬國證券公司) including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he served as the general manager of Zhabei Business Department, deputy general manager of Zhejiang Management Headquarters and the deputy general manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd., (申銀萬國證券公司). From October 2002 to August 2013, he successively served as investment director of Fortune Trust &amp; Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, the chairman of the board of directors of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since March 2019, the chairman of the board of directors of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since November 2014, and the chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and the chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.</p>
Mao Yuxing (毛宇星)	<p>Born in 1971, a holder of doctor's degree in science and a post-doctoral degree in management, a senior engineer (professor level), has served as the chief information executive officer (now renamed as the "chief information officer") and director of IT management committee of the Company since September 2016, Deputy General Manager since February 2019. From August 1993 to September 2001, Mr. Mao successively held various positions in Information Technology Department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including the programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he worked in Data Centre (Shanghai) of the Industrial and Commercial Bank of China (中國工商銀行), served as the assistant to the general manager (deputy department director level and department director level) and a member of CPC party committee from September 2001 to December 2004, served as the deputy general manager and a member of CPC party committee from December 2004 to November 2011. From November 2011 to April 2016, he served as the deputy general manager of Information Technology Department of the Industrial and Commercial Bank of China (中國工商銀行).</p>

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

Name	Major Work Experience
Wang Jianye (王建業)	<p>Born in 1960, a holder of master's degree, a senior economist, joined the Company in August 1994 and has been the chief compliance officer since July 2010 and he is also a member of the assets and liabilities allocation committee. Mr. Wang is also the deputy director of Compliance Committee of the Securities Association of China (中國證券業協會合規專業委員會), and the deputy director of Compliance and Self-discipline Supervision Committee of Shanghai Securities Association (上海市證券同業公會合規與自律監察專業委員會). Mr. Wang successively served as the deputy section chief level clerk, trainee deputy director and deputy director of education division of PBOC (中國人民銀行) Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, and is concurrently serving as general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, IT department, brokerage operations centre, sales and transactions headquarters, customer asset management department and risk control department. Mr. Wang served as the general manager of Compliance and Legal Department of the Company from March 2017 to December 2019 and the chief risk officer (entitled to the Company's deputy general manager level benefits) from May 2011 to March 2017.</p>

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Name	Major Work Experience
Chen Chunqian (陳春錢)	Born in 1963, a holder of doctor's degree in economics, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, the deputy director of IT management committee, and a member of the assets and liabilities allocation committee. He has been entitled to the Company's deputy general manager level benefits since February 2017. He is also the deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), the deputy director of Securities Conflict Resolution Committee of Shanghai Securities Association (上海市證券同業公會證券糾紛調解專業委員會). Mr. Chen also served in various positions in the Company, including the head of business department of Shenzhen Branch from October 1997 to January 1998, the deputy general manager of international business department from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013 and the general manager of the institutional department during the period of November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.
Li Jianguo (李建國)	Born in 1963, a holder of doctor's degree in economics, joined the Company in 1998, and has been the assistant to the general manager of the Company since 2008. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman of the board of directors and general manager of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from May 1999 to August 2008. Mr. Li served as the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange, under the stock code of 665) since January 2010 and vice chairman of the board of Haitong International Securities Group Limited since March 2010.



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Name	Major Work Experience
Zhang Xiangyang (張向陽)	<p>Born in 1965, a holder of bachelor's degree in engineering, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio &amp; TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of operations) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, a director, general manager and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, the chairman of the board of directors of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, the chairman of the board of directors of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and the chairman of the board of directors of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been the chairman of the board of directors and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since November 2012, a director of Haitong Creative Capital Management Co., Ltd. since March 2016, and the chairman of the board of directors of Haitong M&amp;A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016, a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since March 2018. Mr. Zhang currently serves as the director of Direct Investment Committee under the Securities Association of China (中國證券業協會直接投資業務專業委員會) and the vice president of PE Association of Shanghai (上海股權投資協會).</p>

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Name	Major Work Experience
Lin Yong (林湧)	<p>Born in 1969, a holder of doctor's degree in economics, joined the Company in December 1996 and has been the assistant to the General Manager since December 2014. He is also the deputy director of the investment banking committee and a member of the international business committee. Mr. Lin served in various positions in the Company, including serving in investment banking department from December 1996 to July 2003 as (amongst others) the deputy general manager, and as the deputy general manager (in charge of operations) from January 2001 to July 2003, the deputy general manager of the fixed income department from July 2003 to May 2004. Mr. Lin successively served as the deputy general manager (in charge of operations) and the general manager of the investment bank department (Shanghai) from May 2004 to July 2007. Mr. Lin has been the general manager of Haitong International Holdings Limited (海通國際控股有限公司) since July 2007 and a director of Haitong International Holdings Limited since August 2007. He has been an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 665) since December 2009, an executive director and the joint chief executive officer of Haitong International Securities Group Limited from March 2010 to March 2011. Mr. Lin has been an executive director, the vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, a non-executive director of Haitong Bank S.A. since June 2016, and the chairman of the board of director of Haitong Bank S.A. since October 2017.</p>
Jiang Chengjun (姜誠君)	<p>Born in 1968, a holder of master's degree in economics, an economist, has been the assistant to the general manager and the secretary to the Board of the Company since 29 March 2017, the joint company secretary and joint authorised representative of the Company since 5 April 2017, and the general manager of investment banking headquarter of the Company since April 2017. He has concurrently served as the deputy director of the investment banking committee and a member of the assets and liabilities allocation committee. Mr. Jiang has been a cadre of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994; a deputy manager of finance and securities department, a manager of investment management and development department, an assistant to general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000; a deputy manager in the investment banking department of the Company from August 2000 to July 2007; a deputy general manager (in charge of operations) in the investment banking department of the Company from July 2007 to April 2009; and the general manager of investment banking department of the Company from April 2009 to April 2017.</p>

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Name	Major Work Experience
Du Hongbo (杜洪波)	<p>Born in 1963, a holder of bachelor's degree in engineering, an engineer, has been the Chief Risk Officer of the Company since May 2017 and the general manager of the Risk Management Department of the Company since March 2017. He is also a member of the assets and liabilities allocation committee, the IT Management committee, and the proprietary trading decision committee. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子計算機應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research Centre (武漢軟件研究中心) from August 1992 to August 1996, the information technology centre of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) from August 1996 to March 2002. Mr. Du was the assistant to the general manager of the website management department of the Company from March 2002 to May 2005, the assistant to the general manager of the brokerage business headquarters of the Company from May 2003 to May 2005, the deputy general manager of integrated business management headquarters of the Company from May 2005 to May 2006. He worked at the risk control headquarters of the Company from May 2006 to March 2011, successively serving, as the deputy general manager and the deputy general manager (with benefits as a general manager). He was the general manager of the compliance and risk management headquarters of the Company from March 2011 to January 2013, the general manager of OTC department of the Company from January 2013 to February 2014, the general manager of securities finance department of the Company from February 2014 to March 2017. Mr. Du was an Employee Representative Supervisor of the Company from 16 May 2011 to 30 December 2014.</p>
Pan Guangtao (潘光韜)	<p>Born in 1971, a holder of MBA degree, an engineer and an assistant economist, has been the assistant to the general manager of the Company since May 2017 and the general manager of the Equity Investment Trading Department of the Company since March 2013. He has concurrently served as the deputy director of the proprietary trading decision committee and a member of the assets and liabilities allocation committee. Mr. Pan worked as the head of IT at IT Department of Brokerage Headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 1994 to July 1998. He worked at First Securities Investment Department of Securities Investment Headquarter of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, successively serving as the assistant to manager, deputy manager. Mr. Pan worked as the assistant to general manager of Second Trading Department of the Company from August 2002 to June 2003. He worked at Trading Headquarter from July 2003 to August 2004, successively serving as the assistant to general manager, the deputy general manager. He worked as the deputy general manager of Investment Management Department from August 2004 to August 2006. He worked at Securities Investment Department from August 2006 to March 2013, successively serving as the deputy general manager, deputy general manager (in charge of operations). He has been a non-executive director of Haitong Bank S.A. since November 2015 and a director of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since May 2019.</p>

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Name	Major Work Experience
Zhang Xinjun (張信軍)	Born in 1975, a holder of master's degree in management, an accountant, joined the Company in July 2001 and has been the chief financial officer of the Company since 27 March 2018. He has concurrently served as a member of the assets and liabilities allocation committee. Mr. Zhang worked at the Finance and Accounting Department of the Company from July 2001 to June 2007, serving in various positions including a clerk, the deputy manager and the manager of asset management department. He has worked at Haitong International Holdings Limited (海通國際控股有限公司) since July 2007, and has been the head of finance from July 2007 to February 2009, the chief financial officer since March 2009. Mr. Zhang served as the chief financial officer of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 665) from March 2010 to March 2018. He has been a non-executive director, a member of the audit committee and strategic development committee of Haitong International Securities Group Limited since March 2018, a non-executive director of Haitong Bank S.A. since January 2018 and a director of Fullgoal Fund Management Co., Ltd since February 2019.

### *Changes in Directors*

The Resolution regarding the Election of New Session of the Board of the Company has been considered and approved at the 36th meeting of the sixth session of the Board of the Company on 27 March 2019. After such resolution has been considered and approved at the 2018 annual general meeting of the Company held on 18 June 2019, the election of new session of the Board has been completed.

The sixth session of the Board of the Company consists of 13 Directors, including two executive Directors, being Mr. Zhou Jie and Mr. Qu Qiuping; six non-executive Directors, being Ms. Yu Liping, Mr. Chen Bin, Mr. Wu Yuezhou, Mr. Xu Jianguo, Ms. Zhang Xinmei and Mr. Shen Tiedong; and five independent non-executive Directors, being Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Feng Lun, Mr. Zhang Ming and Mr. Lam Lee G. Upon the completion of the election of new session of the Board, the seventh session of the Board of the Company consists of 11 Directors, including three executive Directors, being Mr. Zhou Jie (re-election), Mr. Qu Qiuping (re-election) and Mr. Ren Peng (new appointed); four non-executive Directors, being Mr. Tu Xuanxuan (new appointed), Mr. Chen Bin (re-election), Ms. Yu Liping (re-election) and Mr. Xu Jianguo (re-election); and four independent non-executive Directors, being Mr. Zhang Ming (re-election), Mr. Lam Lee G. (re-election), Mr. Zhu Hongchao (new appointed) and Mr. Zhou Yu (new appointed). In addition to the re-elected Directors of the sixth session of the Board, the remaining non-executive Directors, Mr. Wu Yuezhou, Ms. Zhang Xinmei, Mr. Shen Tiedong and independent non-executive Directors, Mr. Liu Cheeming, Mr. Xiao Suining and Mr. Feng Lun were resigned on 18 June 2019.

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The Resolution regarding the Election of Chairman has been considered and approved at the 1st meeting of the seventh session of the Board of the Company on 18 June 2019. Mr. Zhou Jie has been elected as the Chairman of the seventh session of the Board of the Company.

### *Changes in Supervisors*

The Resolution regarding the Election of New Session of the Supervisory Committee of the Company has been considered and approved at the 21st meeting of the sixth session of the Supervisory Committee of the Company on 27 March 2019. After such resolution has been considered and approved at the 2018 general meeting of the Company held on 18 June 2019, five non-employee representative Supervisors have been elected. The 4th meeting of the fourth session of the employee representative meeting was convened by the Company via correspondence on 26 April 2019. After such meeting, three employee representative Supervisors have been elected and the election of new session of the Supervisory Committee has been completed.

The sixth session of the Supervisory Committee of the Company consists of 11 Supervisors, including five employee representative Supervisors, being Mr. Wu Hongwei, Ms. Wang Meijuan, Ms. Hu Hairong, Mr. Song Shihao and Mr. Rui Zhengxian; and six non-employee representative Supervisors, being Mr. Li Lin, Ms. Zheng Xiaoyun, Mr. Cheng Feng, Mr. Feng Huang, Mr. Chen Huifeng and Mr. Song Chunfeng. Upon the completion of the election of new session of Supervisory Committee, the seventh session of the Supervisory Committee of the Company consists of eight Supervisors, including three employee representative Supervisors, being Mr. Wu Hongwei (re-election), Mr. Shi Xu (new appointed) and Mr. Wu Xiangyang (new appointed); and five non-employee representative Supervisors, being Mr. Xu Renzhong (new appointed), Mr. Cao Yijian (new appointed), Ms. Dai Li (new appointed), Ms. Zheng Xiaoyun (re-election) and Mr. Feng Huang (re-election). In addition to the re-elected Supervisors of the sixth session of the Supervisory Committee, employee representative Supervisors, Ms. Wang Meijuan, Ms. Hu Hairong, Mr. Song Shihao and Mr. Rui Zhengxian and non-employee representative Supervisors, Mr. Li Lin, Mr. Cheng Feng, Mr. Chen Huifeng and Mr. Song Chunfeng were resigned on 18 June 2019.

The Resolution regarding the Election of the Vice Chairman of the Supervisory Committee has been considered and approved at the 1st meeting of the seventh session of the Supervisory Committee of the Company on 18 June 2019. Mr. Wu Hongwei has been elected as the Vice Chairman of the seventh session of the Supervisory Committee of the Company.

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### *Changes in Senior Management*

The Resolution regarding the Appointment of Mr. Mao Yuxing as Deputy General Manager of the Company has been considered and approved at the 35th meeting of the sixth session of the Board of the Company on 25 February 2019, pursuant to which, based on its needs from business development and leadership composition, Mr. Mao Yuxing, Chief Information Officer was appointed as Deputy General Manager of the Company for responsible for the information technology and infrastructure work of the Company.

The Resolution regarding the Appointment of the General Manager, Resolution regarding the Appointment of the Deputy General Manager and Chief Information Officer, Resolution regarding the Appointment of General Compliance Officer, Resolution regarding the Appointment of Assistant to General Manager, Resolution regarding the Appointment of Secretary to the Board, Resolution regarding the Appointment of Chief Risk Control Executive and Resolution regarding the Appointment of Chief Financial Officer have been considered and approved at the first meeting of the seventh session of the Board of the Company on 18 June 2019. The seventh session of the Board completed the engagement of the senior management of the Company. All the senior management appointed by the sixth session of the Board have been reappointed by the seventh session of the Board without personnel change.

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

There were no share incentives granted to Directors, Supervisors and senior management during the Reporting Period.

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

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

#### (I) Positions in shareholder entities

Name	Name of shareholder entities	Positions taken in the shareholder entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current non-executive Directors:</b>				
Tu Xuanxuan	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)	General Manager of Capital Operation Department	2020	to date
	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)	Deputy General Manager of Capital Operation Department	2019	2020
Yu Liping	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2010	to date
Chen Bin	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	Deputy General Manager	2017	2019
Xu Jianguo	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Minister of Finance and Budget Department	2013	to date
<b>Positions of resigned non-executive Directors:</b>				
Wu Yuezhou	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Economist, Manager of Asset Management Department	2016	to date
Zhang Xinmei	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	Vice President	2014	to date
Shen Tiedong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Vice Chairman, Deputy Secretary of CPC Party Committee, General Manager	2014	2018
<b>Positions of current Supervisors:</b>				
Xu Renzhong	Shenergy Group Company Limited (申能(集團)有限公司)	Manager of Finance Department	2016	2019
Cao Yijian	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	General Manager of Investment and Development Department	2018	to date
Zheng Xiaoyun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, Secretary to the Board	2015	to date
	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Director	2017	to date
Dai Li	Shanghai United Media Group (上海報業集團)	Director of Assets Operation Department	2018	to date

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Name	Name of shareholder entities	Positions taken in the shareholder entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of resigned Supervisors:</b>				
Li Lin	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2018	to date
Cheng Feng	Shanghai United Media Group (上海報業集團)	Members of CPC Party Committee, Deputy General Manager	2013	to date
Chen Huifeng	Shanghai Lansheng Corporation (上海蘭生股份有限公司)	Director	2012	to date
Song Chunfeng	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2016	to date

### (II) Positions in other entities

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current non-executive Directors:</b>				
Tu Xuanxuan	Shanghai Zhenghao Asset Management Co., Ltd. (上海正浩資產管理有限公司)	Chairman, Legal Representative	2017	to date
	Dongxing Securities Company Limited (東興證券股份有限公司)	Director	2007	to date
Yu Liping	Shanghai Hongqiao International Commodity Import, Sales and Exhibition Co., Ltd. (上海虹橋國際進口商品展銷有限公司)	Director	2019	to date
	Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司)	Legal Representative	2014	2019
	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman of the Supervisory Committee	2014	2019
Chen Bin	Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司)	Deputy General Manager	2019	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014	to date
	Jingan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	2016	2019
	Luwan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	2016	2019



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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	2016	2019
	Yiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	2016	2019
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	2016	2019
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司)	Director	2016	2019
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	2016	2019
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	2016	2019
	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	2016	2019
	Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	2016	2019
	Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	2016	2019
	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	2016	2019
	Shanghai Tobacco Packaging and Printing Co., Ltd. (上海煙草包裝印刷有限公司)	Director	2017	2019
	Shanghai Peony Perfumery Co., Ltd. (上海牡丹香精香料有限公司)	Director	2017	2019
	Huahuan International Tobacco Co., Ltd. (華環國際煙草有限公司)	Director	2017	2019

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Xu Jianguo	Shanghai Haiya Industry Company Limited (上海亥雅實業有限公司)	Chairman	2019	to date
	Shanghai Kaihai Industry Company Limited (上海開亥實業有限公司)	Chairman	2019	to date
	Shanghai Electric Group Hong Kong Company Limited (上海電氣集團香港有限公司)	Director	2019	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2016	to date
	Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)	Director	2015	to date
	Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)	Director	2013	to date
	Shanghai Micro Electronics Equipment Group Co., Ltd. (上海微電子裝備股份有限公司)	Director	2016	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Chairman of the Supervisory Committee	2017	to date
	Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司)	Chairman of the Supervisory Committee	2016	2019
<b>Positions of current independent non-executive Directors:</b>				
Zhang Ming	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor	1997	to date
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Independent Director	2011	to date
	Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent Director	2015	to date
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Independent Director	2016	to date
	National Silicon Industry Group Co., Ltd. (上海矽產業集團股份有限公司)	Independent Director	2019	to date
Lam Lee G.	Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有型資產(香港)有限公司)	Non-executive Chairman of the ASEAN region, and Chief Adviser to the Asian region	2015	to date
	P.C. Woo & Co. (胡百全律師事務所)	Senior associate	2014	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Aurum Pacific (China) Group Limited (奧柏中國集團有限公司)	Independent Director	2019	to date
	Thomson Medical Group Limited	Independent Director	2019	to date
	TMC Life Sciences Berhad (TMC生命科學)	Independent Director	2019	to date
	Adamas Finance Asia Limited	Director	2017	to date
	China Real Estate Grp Limited (former name: Asia-Pacific Strategic Investments Limited)	Independent Director	2017	to date
	AustChina Holdings Limited (former name: Coalbank Limited)	Independent Director	2013	to date
	China LNG Group Co., Ltd. (中國天然氣集團有限公司)	Director	2014	to date
	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)	Director	2017	to date
	CSI Properties Limited (資本策略地產有限公司)	Independent Director	2001	to date
	ELife Holdings Limited (易生活控股有限公司) (former name: Sino Resources Group Limited) (former name: 神州資源集團有限公司)	Independent Director	2015	to date
	Hang Pin Living Technology Company Limited (former name: 華隆金控有限公司)	Independent Director	2017	to date
	Huarong Investment Stock Corporation Limited (華融投資股份有限公司)	Independent Director	2017	to date
	Kidsland International Holdings Limited (凱知樂國際控股有限公司)	Independent Director	2017	to date
	Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)	Independent Director	2017	to date
	National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)	Director	2017	to date
	Singapore Development Ltd	Director	2017	to date
	Sunwah International Limited	Independent Director	2011	to date
	Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Director	2007	to date
	Tianda Pharmaceuticals Ltd. (天大藥業有限公司)	Director	2018	to date
	Top Global Limited	Independent Director	2010	to date
	Vongroup Limited (黃河實業有限公司)	Independent Director	2005	to date
	China Medical (International) Group Limited (中國醫療(國際)集團有限公司)	Independent Director	2018	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Zhu Hongchao	Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Independent Director	2018	to date
	Glorious Sun Enterprises Limited (旭日企業有限公司)	Independent Director	2004	2019
	Hsin Chong Group Holdings Limited (新昌集團控股有限公司)	Independent Director	2018	2019
	Green Leader Holdings Group Limited (綠領控股集團有限公司)	Director	2019	2019
	Shanghai United Law Firm (上海市聯合律師事務所)	Director/senior partner	1986	to date
	Fu Shun Kai De International Enterprise Management Advisory (Beijing) Co., Ltd. (富順凱德國際企業管理顧問(北京)有限公司)	Supervisor	2011	to date
	Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	Director	2012	to date
	Jupai Holdings Limited (鉅派投資有限公司)	Independent Director	2015	to date
	Leju Holdings Limited (樂居控股有限公司)	Independent Director	2017	to date
	E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司)	Independent Director	2018	to date
Zhou Yu	Wonders Information Co. Ltd. (萬達信息股份有限公司)	Independent Director	2013	2019
	Chiho Environmental Group Limited (齊合環保集團有限公司)	Independent Director	2018	2020
	Shanghai Academy of Social Sciences (上海社會科學院)	Director of the International Finance Monetary Research Centre (國際金融貨幣研究中心), Director of the International Finance Research Institution of the Institute of World Economy of Shanghai Academy of Social Sciences (上海社會科學院世界經濟研究所國際金融研究室)	2008	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of resigned non-executive Directors:</b>				
Zhang Xinmei	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司)	Supervisor	2015	to date
	China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司)	Supervisor	2015	to date
Shen Tiedong	Liaoning Environmental Protection Group Co., Ltd. (遼寧省環保集團有限責任公司)	Chairman, Secretary of CPC Party Committee	2018	to date
<b>Positions of resigned independent non-executive Directors:</b>				
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing Director	1996	to date
	OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司)	Independent non-executive Director	2013	to date
	STT GDC Pte. Ltd.	Independent non-executive Director	2015	to date
	DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司)	Independent non-executive Director	2018	to date
	OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司)	Independent non-executive Director	2013	2019
	Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司)	Independent Supervisor	2015	2019
Xiao Suining	Herald Pacific Financial Leasing Co., LTD. (先鋒太盟融資租賃有限公司)	Chairman	2013	to date
	Nan Hai Corporation Limited (南海控股有限公司)	Independent Director	2016	to date
	China Digital Information Co., Ltd. (中國數碼信息有限公司)	Independent Director	2016	to date
	Shanghai Tahone Enterprise Management Consulting Co., Ltd. (上海太合匯企業管理諮詢有限公司)	Chairman	2016	to date
	Tahone (Shanghai) Enterprise Development Co., Ltd. (太合匯(上海)企業發展有限公司)	Chairman	2016	to date
	Shenzhen Qianhai Taining Investment Consulting Co., Ltd. (深圳前海太寧投資諮詢有限公司)	Director	2016	to date
	Chengdu Golden Apple Education Consulting Co., Ltd. (成都金蘋果教育諮詢有限公司)	Director	2016	to date
	Shenzhen Xin Jiao Cultural Information Consulting Co., Ltd. (深圳鑫教文化信息諮詢有限公司)	Chairman	2017	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Shenzhen Sida Assets Management Co., Ltd (深圳市思達資產管理有限公司)	Director	2017	to date
	Chengdu Golden Apple Education Investment Co., Ltd. (成都金蘋果教育投資有限責任公司)	Director	2017	to date
	Zhenai Information Technology (Shenzhen) Co., Ltd (珍愛信息技術(深圳)有限公司)	Director	2017	to date
	Beijing SPC Environment Protection Tech Co., LTD. (北京清新環境技術股份有限公司)	Independent Director	2013	2019
Feng Lun	Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司)	Chairman	1993	to date
	Beijing Sifang Yufeng Investment Co., Ltd. (北京四方御風投資有限公司)	Chairman	2016	to date
<b>Positions of current Supervisors:</b>				
Xu Renzhong	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司)	Financial Officer	2019	to date
Cao Yijian	Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司)	Director	2018	to date
	Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司)	Director	2018	to date
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Supervisor	2019	to date
	Shanghai Jiushi Investment Management Co., Ltd.(上海久事投資管理有限公司)	Executive Director, General Manager	2019	to date
Dai Li	Shanghai Dongjie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司)	Director	2016	to date
	Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司)	Director	2017	to date
	Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司)	Executive Director and Legal Representative	2019	to date
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director, President	2012	to date
	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Vice Chairman	2014	to date
	Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Director	2004	to date
	SIIC Investment Co., Ltd. (上海實業投資有限公司)	Chairman	2012	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Hong Kong South Pacific Hotel Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	to date
	Shanghai Guojin Financial Leasing Co., Ltd. (上海國金融資租賃有限公司) (formerly known as Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司))	Vice Chairman	2014	to date
	SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司)	Director	2014	to date
	SIIC Shanghai Asset Operation Co. Ltd. (上海上實資產經營有限公司)	Chairman	2014	to date
	SIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股股份有限公司) (formerly know as Shanghai Shangshi Financial Services Holding Company Limited (上海上實金融服務控股有限公司))	Director	2015	to date
	Shanghai International Shanghai Growth Investment Limited	Non-Executive Director	2015	to date
	Shanghai Invest and Asset Management Co., Ltd. (上海上投資資產經營有限公司)	Director	2015	to date
	Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Chairman, President	2014	to date
	SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司)	Director	2018	to date
<b>Positions of resigned Supervisors:</b>				
Li Lin	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman	2014	to date
	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司)	Director	2014	to date
	Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金(上海)有限公司)	Director	2014	to date
Cheng Feng	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Director	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Executive Vice Chairman	2017	to date

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

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司)	Chairman	2014	to date
	Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司)	Executive Director	2014	to date
	Jiemiao (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司)	Chairman of the Supervisory Committee	2014	to date
	Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司)	Director	2014	to date
	Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司)	Chairman	2015	to date
	Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司)	Executive Director	2015	to date
	Shanghai Human Resource Market Press Co., Ltd. (上海人才市場報社有限公司)	Executive Director	2016	to date
	Shanghai Real Estate Times Press Co., Ltd. (上海房地產時報社有限公司)	Executive Director	2016	to date
	Shanghai Culture Assets and Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司)	Chairman	2016	to date
	Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司)	Executive Director	2016	to date
	Shanghai Dongfang Press (Pengpai News) Co., Ltd. (上海東方報業(澎湃新聞)有限公司)	Chairman	2017	to date
	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)	Director	2016	to date
Song Chunfeng	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司)	Director	2017	to date
Chen Huifeng	Shanghai East Best International (Group) Co., Ltd. (上海東浩蘭生(集團)有限公司) (Forerunner: Shanghai East Best & Lansheng International (Group) Co., Ltd) (上海東浩蘭生國際服務貿易(集團)有限公司)	General Manager of Investment and Development Department	2013	to date
	Shanghai East Best Exhibition Group Co., Ltd. (上海東浩蘭生會展(集團)有限公司)	President	2016	to date
<b>Positions of other senior management:</b>				
Chen Chunqian	E-Capital Transfer Co., Ltd. (證通股份有限公司)	Director	2015	to date



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

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

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

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

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

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

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

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

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

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

The actual remuneration received in aggregate by all the Directors, Supervisors and senior management from the Company at the end of the Reporting Period was RMB42.8400 million (the total number above did not include remunerations senior management of the Company received from subsidiaries. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period included the 2019 deferred payment of performance bonus attributable to the year 2018 and 2017).

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

Name	Position	Particulars of changes	Reasons of change
Wu Yuezhou	Non-executive Director	Resignation	Election of new session of the Board
Zhang Xinmei	Non-executive Director	Resignation	Election of new session of the Board
Shen Tiedong	Non-executive Director	Resignation	Election of new session of the Board
Liu Cheeming	Independent Non-executive Director	Resignation	Election of new session of the Board
Xiao Suining	Independent Non-executive Director	Resignation	Election of new session of the Board
Feng Lun	Independent Non-executive Director	Resignation	Election of new session of the Board
Ren Peng	Executive Director	Election	Election of new session of the Board
Tu Xuanxuan	Non-executive Director	Election	Election of new session of the Board
Zhu Hongchao	Independent Non-executive Director	Election	Election of new session of the Board
Zhou Yu	Independent Non-executive Director	Election	Election of new session of the Board
Wang Meijuan	Employee representative Supervisor	Resignation	Election of new session of the Supervisory Committee
Hu Hairong	Employee representative Supervisor	Resignation	Election of new session of the Supervisory Committee

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

<b>Name</b>	<b>Position</b>	<b>Particulars of changes</b>	<b>Reasons of change</b>
Song Shihao	Employee representative Supervisor	Resignation	Election of new session of the Supervisory Committee
Rui Zhengxian	Employee representative Supervisor	Resignation	Election of new session of the Supervisory Committee
Li Lin	Supervisor	Resignation	Election of new session of the Supervisory Committee
Cheng Feng	Supervisor	Resignation	Election of new session of the Supervisory Committee
Song Chunfeng	Supervisor	Resignation	Election of new session of the Supervisory Committee
Chen Huifeng	Supervisor	Resignation	Election of new session of the Supervisory Committee
Shi Xu	Employee representative Supervisor	Election	Election of new session of the Supervisory Committee
Wu Xiangyang	Employee representative Supervisor	Election	Election of new session of the Supervisory Committee
Xu Renzhong	Supervisor	Election	Election of new session of the Supervisory Committee
Cao Yijian	Supervisor	Election	Election of new session of the Supervisory Committee
Dai Li	Supervisor	Election	Election of new session of the Supervisory Committee
Mao Yuxing	Deputy General Manager	Appointment	Changes of Position

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

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

On 25 November 2016, the CSRC issued the Notice of Administration Penalty ([2016] No. 127) to the Company, which found that the Company failed to certify and effectively manage the third-party trading software for end-users provided by Hundsun Technologies Inc. with dedicated access to the Company's Hangzhou Jiefang Road Securities Business Department and Shanghai Jianguo West Road Securities Business Department, and was lack of understanding of its customers. The Company was ordered to make rectification, warned and fined with all unlawful income (please refer to the announcement of the Company (No. Lin 2016-053) for details). Meanwhile, the Company has complied with regulatory requirements, and the income and fines in question were fully accounted for in profit or loss for 2015. Since then, the Company has fully complied with the requirements of the CSRC and Shanghai Securities Regulatory Bureau of the CSRC for rectifying unlawful securities business activities, continuously monitored legacy issued to ensure no more access from any external system.

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

#### (I) Particulars about Staff

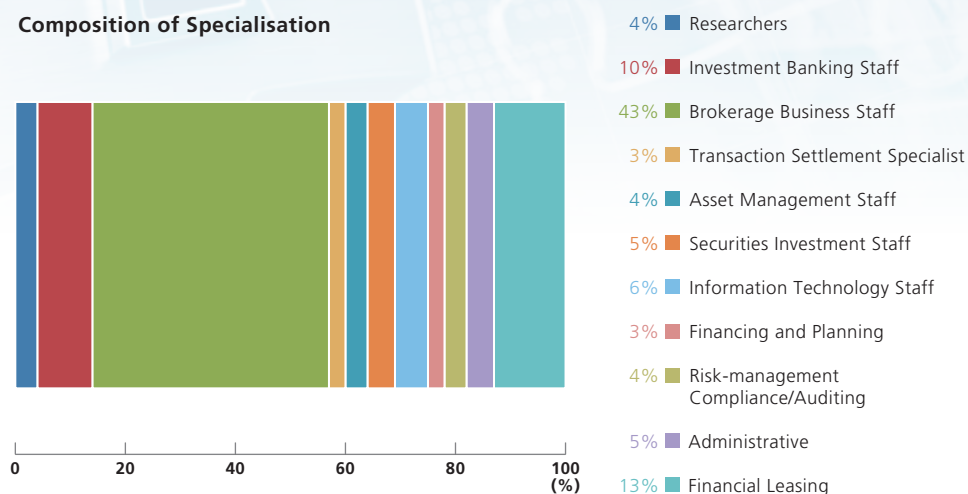
Number of existing employees of the Parent Company (persons)	5,718
Number of existing employees of major subsidiaries (persons)	5,119
Total number of existing employees (persons)	10,837
Total number of retired workers the Parent Company and its major subsidiaries should bear costs for	47

#### Composition of Specialisation

<u>Category of Specialisation</u>	<u>Number of Person</u>
Researchers	455
Investment Banking Staff	1,088
Brokerage Business Staff	4,328
Transaction Settlement Specialist	350
Asset Management Staff	453
Securities Investment Staff	482
Information Technology Staff	670
Futures Business Staff	289
Financing and Planning	296
Risk-management Compliance/Auditing	467
Administrative	537
Financial Leasing	1,422
<u>Total</u>	<u>10,837</u>

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

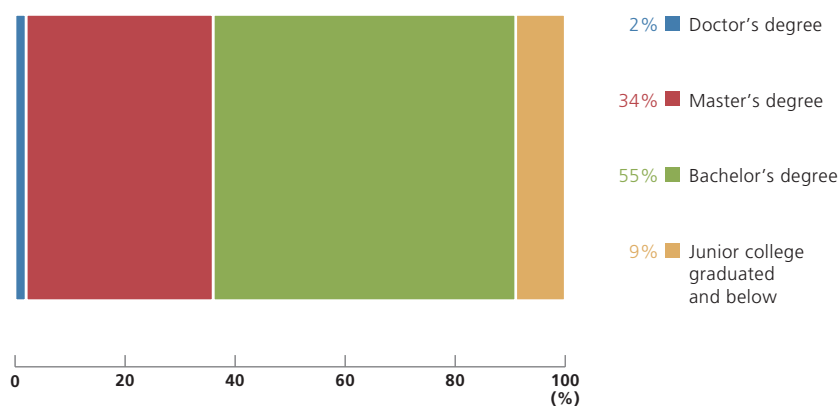
**Composition of Specialisation**



**Education Background**

Highest Level of Education Attained	Number of Persons
Doctor's degree	161
Master's degree	3,707
Bachelor's degree	5,996
Junior college graduated and below	973
<b>Total</b>	<b>10,837</b>

**Composition of education background**



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

### (II) Remuneration Policies

As at the end of the Reporting Period, the Group had 10,837 employees, of whom 5,718 were from the Company, and 5,119 were from subsidiaries.

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

### (III) Training Plans

In 2019, the Company conducted its training work centering on the Company's development strategies based on talent training and closely focused on training needs. The Company enhanced its hierarchical management and drew support from Haitong Wealth Management Academy to take full advantage of the integrated resources on the platform, finally realising reasonable allocation of training resources and improving overall training results.

In 2019, we organised 194 online trainings of all kinds and 376 people in total participated in our secondment trainings, which further improved our multi-level, diversified, and extensively-covered training system. We continued to optimise key training projects at the company level, organised training courses for young and middle-aged cadres across Shanghai, Hong Kong and Shenzhen, organised and implemented the "Spark Plan" and "Lighthouse Plan" for reserve cadres and unit leaders, which effectively supported the training of the Company's core cadre talents. We held new employee's orientation trainings in phases to strengthen the training of branch institutions and further enrich the content of the Dandelion Plan. We diversified and systematised forms of training and conducted various training activities in an orderly manner. We organised activities such as Haitong Wealth Lecture Hall series lectures, Yun Academy reading and sharing sessions, and redemption of credit points for education aids. We continued to optimise Haitong Wealth Management Academy, strengthened cooperation with various units, gave full play to collaborative support of the college platform to all units. We launched and promoted "Xi Jinping's Thirty Lectures" and other courses properly and effectively, and supported the implementation of activities such as Haitong's "Good Example" utilising our platform and resource advantages. We took full advantage of Haitong Wealth Management Academy's WeChat platform for promotion so as to actively cultivate good sentiment for training.

### (IV) Particulars about Labour Outsourcing

Total working hours involved in labour outsourcing	846,330.4 hours
Total compensation paid for labour outsourcing	RMB45.4136 million

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

### VII. OTHERS

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

Since its acquisition of securities brokerage qualification in 2009, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2 CSRC) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No. 302). Through the improvement of rules and regulations, internal control mechanisms, improving and supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As at the end of the Reporting Period, the Company has already had 275 securities business departments with 4,582 securities brokers, among which, 4,600 securities brokers have completed registration in the Securities Association of China.

Securities brokers engaging in soliciting customers and servicing customers authorised by the Company are affiliated with the securities business department directly and have to comply with the brokers' codes of conduct as well as the Company's regulations and rules. Customers can go through and check brokers' occupational registration information through ways such as visiting the Company's website, checking on-site information disclosed by the business department and calling 95553, the unified customer service hotline. The Company has established a risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risks. As the chief management officer, the director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and is subject to the management, coordination, supervision and inspection of the corporate headquarter. Securities business department will pay a return visit to customers that the securities brokers have solicited and served on a regular basis to understand the particulars of broker's practice through personal interviews, phone calls, letters or other ways. In 2019, the Company continued to reinforce training for securities brokers on compliant business practice and standardised practice management. The size of its team remained top in the market with steady and orderly business development.

## Section IX CORPORATE GOVERNANCE

### I. DESCRIPTION OF CORPORATE GOVERNANCE

#### (I) Overview of Corporate Governance

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

During the Reporting Period, according to the Company Law, the Corporate Governance Guidelines of Listed Companies (as amended in 2018) and the actual conditions of the Company, the Company has amended the Articles of Association, Rules of Procedure for Shareholders' General Meetings of the Company, Rules of Procedure for Board Meetings of the Company and Rules of Procedure for meetings of the Supervisory Committee of the Company. The main amendments included but not limited to the duties that the Board and shareholders' general meeting shall perform when a company acquires the Company's equity interest, supplements of the duties and relevant performance requirements of the Supervisory Committee, independent non-executive Directors and the secretary to the Board, and adjustment to the number of the Board and the Supervisory Committee. The amendments have been considered and approved by the general meeting of the Company, approved by regulatory authorities, and have taken effect since 11 September 2019.

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

During the Reporting Period, the Company convened 30 meetings in total, including 1 general meeting, 8 meetings of the Board, 5 meetings of the Supervisory Committee, 2 annual report work meetings of the independent non-executive Directors, 5 meetings of the Audit Committee, 3 meetings of the Nomination, Remuneration and Assessment Committee, 4 meetings of the Development Strategy and Investment Management Committee and 2 meetings of the Compliance and Risk Control Committee.



## Section IX CORPORATE GOVERNANCE

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

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

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

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

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

## II. BRIEFING OF THE GENERAL MEETINGS

<b>Session of the meeting</b>	<b>Date of the meeting</b>	<b>Query index of the designated website for poll results disclosure</b>	<b>Disclosure date of poll results</b>
2018 Annual General Meeting	18 June 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	18 June 2019
		<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	19 June 2019

## Section IX CORPORATE GOVERNANCE

### Descriptions of the general meetings

During the Reporting Period, the Company held the 2018 Annual General Meeting at Pine City Hotel in Shanghai on 18 June 2019 and 20 resolutions were considered, including: 1. the report of the Board of Directors of the Company for the year 2018; 2. the report of the Supervisory Committee of the Company for the year 2018; 3. the annual report of the Company for the year 2018; 4. the final accounts report of the Company for the year 2018; 5. the profit distribution proposal of the Company for the year 2018; 6. the resolution regarding the appointment of auditing firms for the year 2019; 7. the resolution regarding compliance of the company with conditions of non-public issuance of A Shares; 8. the resolution regarding the adjusted plan of the non-public issuance of A Shares of the Company; 9. the resolution regarding the adjusted proposal in respect of the non-public issuance of A Shares of the Company; 10. the resolution in relation to the execution of the subscription agreement with conditions precedent with specific subscribers; 11. the resolution regarding the adjusted feasibility report on the use of proceeds raised from the non-public issuance of A Shares of the Company; 12. the resolution regarding the related party transactions involved in the Company's non-public issuance of A Shares; 13. the resolution regarding the dilution of current returns as a result of the non-public issuance of A Shares of the Company and the remedial measures (Adjusted); 14. the resolution regarding the authorization by general meeting granted to authorise the Board of Directors of the Company and the delegation by the Board of Directors to the management personnel to deal with matters relating to the non-public issuance of A Shares of the Company; 15. the resolution regarding projected routine related party transactions of the Company in 2019; 16. the resolution regarding the general mandate to issue onshore and offshore debt financing instruments of the Company; 17. the resolution regarding the grant by the general meeting of general mandate for the Board to authorise, allot or issue A Shares and/or H shares; 18. the resolution regarding the proposed amendments to the Articles of Association and the appendix thereof; 19. the resolution regarding the election of new session of the Board of Directors of the Company; 20. the resolution regarding the election of new session of the Supervisory Committee of the Company. In particular, resolutions numbered 1 to 6, 13, 15 and 19 to 20 were ordinary resolutions, while resolutions numbered 7 to 12, 14 and 16 to 18 were special resolutions. The above resolutions were considered and approved. The relevant poll results were published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the date of the meeting, and published in the China Securities Journal, the Shanghai Securities News and the Securities Times on 19 June 2019.

## Section IX CORPORATE GOVERNANCE

### III. PERFORMANCE OF DUTIES BY DIRECTORS

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

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

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of the members of the Board. Four independent non-executive Directors of the Company are fully qualified as specified in Rules 3.10(1) and (2), and Rule 3.10(A) of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each of the independent non-executive Directors in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that all independent non-executive Directors fulfil the requirement of independence as required by the Hong Kong Listing Rules.

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

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

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

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Name of Director	Independent director or not	Attendance at the Board meetings					Attendance at the general meetings	
		Number of attendances as required during the year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not	Number of attendances at general meetings
Zhou Jie	No	8	8	3	0	0	No	1
Qu Qiuping	No	8	6	3	2	0	No	1
Ren Peng	No	5	5	2	0	0	No	0
Tu Xuanxuan	No	5	5	2	0	0	No	0
Yu Liping	No	8	8	3	0	0	No	1
Chen Bin	No	8	7	3	1	0	No	0
Xu Jianguo	No	8	7	5	1	0	No	0
Zhang Ming	Yes	8	7	3	1	0	No	1
Lam Lee G.	Yes	8	8	6	0	0	No	1
Zhu Hongchao	Yes	5	5	3	0	0	No	0
Zhou Yu	Yes	5	5	2	0	0	No	0
Wu Yuezhou (Resignation)	No	3	2	1	1	0	No	0
Zhang Xinmei (Resignation)	No	3	2	1	1	0	No	0
Shen Tiedong (Resignation)	No	3	3	1	0	0	No	0
Liu Cheeming (Resignation)	Yes	3	3	1	0	0	No	1
Xiao Suining (Resignation)	Yes	3	3	1	0	0	No	0
Feng Lun (Resignation)	Yes	3	1	1	2	0	No	0

Description of absence from two consecutive Board meetings

✓ Not applicable

Number of Board meetings convened during the year	8
Including: Number of meetings held on-site	1
Number of meetings held via correspondence	3
Number of meetings held on-site and via correspondence simultaneously	4

## Section IX CORPORATE GOVERNANCE

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

During the Reporting Period, the Board convened 8 meetings in total, details of which are as follows:

1. On 25 February 2019, the 35th meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Resolution regarding the Appointment of Mr. Mao Yuxing as Deputy General Manager of the Company.
2. On 27 March 2019, the 36th meeting of the sixth session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Annual Report of the Company for the Year 2018, the Final Accounts Report of the Company for the Year 2018, the Proposal regarding Changes to Accounting Policies of the Company, the Profit Distribution Proposal of the Company for the Year 2018, the Internal Control Evaluation Report of the Company for the Year 2018, the Special Audit Report on Related Party Transactions of the Company for the Year 2018, the Compliance Report of the Company for the Year 2018, the Proposal regarding the Appointment of Accounting Firms for the Year 2019, the Report on Performance of Duties of the Audit Committee under the Board of Directors for the Year 2018, the Report of the Board of Directors of the Company for the Year 2018, the Work Report of the Independent Directors for the Year 2018, the Corporate Social Responsibility Report of the Company for the Year 2018, the Proposal regarding Adjustments to the Organisational Structure of the Company, the Proposal regarding Asset Allocation of Equity and Non-Equity Investments of the Company, the Proposal regarding the Projected Daily Related Party Transactions of the Company for the Year 2019, the Proposal regarding Amendments to the Articles of Association, the Company's Rules of Procedure for Shareholders' General Meetings, and the Rules of Procedure for Board Meetings, the Proposal regarding Amendments to the Management Measures for Related Party Transactions of Haitong Securities Co. Ltd., the Proposal regarding Amendments to the Administrative Measures for Subsidiaries of Haitong Securities Co. Ltd., the Proposal regarding the Formulation and Amendment to Relevant Compliance Management System, the Proposal regarding Advising the General Meeting to Grant a General Mandate to the Board to Authorise, Allot or Issue A Shares and/or H Shares, the Proposal regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments, the Proposal regarding a Special Mandate Authorised to the Company's Management Personnel by the Board to Write Off Assets, the Proposal regarding the Three-year Development Plan from 2018 to 2020 for the Brand Building of Haitong Securities, the Proposal regarding the Election of the New Session of the Board of the Company and the Proposal regarding Additional Fund for the Total Investment for the Construction of the Zhangjiang Base Project.

## Section IX CORPORATE GOVERNANCE

3. On 25 April 2019, the 37th meeting of the sixth session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the First Quarterly Report For the Year 2019, the Resolution regarding Compliance of the Company with Conditions of Non-Public Issuance of A Shares, the Resolution regarding the Adjustment to Plan of Non-Public Issuance of A Shares of the Company, the Resolution regarding the Revised Proposal for Non-Public Issuance of A Shares of the Company, the Resolution regarding the Execution of Share Subscription Agreement with Specific Subscriber Subject to Conditions, the Resolution regarding the Revised Feasibility Report on the Use of Proceeds from the Non-Public Issuance of A Shares of the Company, the Resolution regarding the Related Party Transactions Involved in the Non-Public Issuance of A Shares of the Company, the Resolution regarding the Dilution of Current Returns as a Result of the Non-Public Issuance of A Shares of the Company and the Remedial Measures (Revised), the Resolution regarding Advising the General Meeting to Authorise the Board of Directors and the Delegation by the Board of Directors to the Management to Deal with Specific Matters Relating to the Non-Public Issuance of A Shares of the Company, the Resolution regarding Additional Fund for the Total Investment for the Construction of Haitong Building Project (formerly known as Golden Bund Project), the Proposal regarding Projected Related Party Transactions of the Company with Shanghai Guosheng Group Co. Ltd., the Proposal regarding Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary, the Proposal regarding the Results of Assessment on the Company's Senior Management in 2018, the Proposal regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2019, the Proposal regarding Convening of the 2018 General Meeting of the Company, the Proposal regarding the Formulation of the Management Measures on Integrity of Haitong Securities Co. Ltd. (Trial).

## Section IX CORPORATE GOVERNANCE

4. On 18 June 2019, the first meeting of the seventh session of the Board was held on-site, at which the Board considered and approved the Resolution regarding the Election of the Chairman, the Resolution regarding the Amendments to the Terms of Reference for the Development Strategy and Investment Management Committee, the Resolution regarding the Amendments to the Terms of Reference for the Nomination and Remuneration Assessment Committee, the Resolution regarding the Amendments to the Terms of Reference for the Audit Committee, the Resolution regarding the Election of Members and Chairman of Development Strategy and Investment Management Committee, the Resolution regarding the Election of Members and Chairman of Nomination and Remuneration Assessment Committee, the Resolution regarding the Election of Members and Chairman of Compliance and Risk Control Committee, the Resolution regarding the Election of Members and Chairman of Audit Committee, the Resolution regarding the Appointment of the General Manager, the Resolution regarding the Appointment of the Deputy General Manager and Chief Information Officer, the Resolution regarding the Appointment of the General Compliance Officer, the Resolution regarding the Appointment of the Assistant to the General Manager, the Resolution regarding the Appointment of the Board Secretary, the Resolution regarding the Appointment of the Chief Risk Officer, the Resolution regarding the Appointment of Chief Financial Officer, the Resolution regarding the Formulation of the Management Measures on the Information Technology of Haitong Securities Co., Ltd., and the Resolution regarding the Application for the Board's Authorisation to the Management to Assess the Overall Effect and Efficiency of the Company's Annual Information Technology Management.
5. On 10 July 2019, the second meeting of the seventh session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding the Special Report and Audit Report on the Use of Proceeds from Previous Fundraising Activities of the Company.
6. On 30 August 2019, the third meeting of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Interim Report of the Company for the Year 2019, the Special Audit Report regarding Anti-Money Laundering Work of the Company for the Year 2018, the Proposal regarding Amendments to the Articles of Association, the Proposal regarding the Acquisition of 100% Equity of Shanghai Zechun Investment & Development Co. Ltd. (上海澤春投資發展有限公司), the Proposal regarding the Acquisition of the Irish Subsidiary of Haitong Bank by Haitong International Holdings Limited, the Proposal regarding Adjustment to the General Mandate for Provision of Guarantees among Subsidiaries, the Proposal regarding Adjustment to the General Mandate for External Donations by the Company.

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7. On 30 October 2019, the fourth meeting of the seventh session of the Board was held via correspondence, at which the Board considered and approved the Third Quarterly Report of the Company for the Year 2019.
8. On 30 December 2019, the fifth meeting of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Proposal regarding Purchase and Renovation of Office Building by the Company and its Subsidiaries.

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

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" of this section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. Please refer to the Work Report of the Independent Non-executive Directors for the Year 2019 of Haitong Securities Co., Ltd. to be disclosed by the Company on the website of the SSE on 26 March 2020 for the details of the performance of duties of independent non-executive Directors.

### (III) Others

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

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

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

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

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

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



## Section IX CORPORATE GOVERNANCE

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

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

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

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

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

### **4. *Directors' Remunerations***

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

## Section IX CORPORATE GOVERNANCE

### 5. Directors' Trainings

The Company highly emphasises the continuous trainings for Directors to ensure that Directors have proper knowledge of the Company's operations and businesses and their duties imposed by the CSRC, the SSE, the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, apart from participating in the regular trainings organised by local regulatory authorities to complete continued trainings as required, Directors also receive from the office of the Board of the Company the Newsletter for Directors and Supervisors (12 issues in total for 2019) and Regulations of Securities Market and Case Analysis (4 issues in total for 2019), which are regularly compiled and delivered to the Directors. All current Directors (including Directors Zhou Jie, Qu Qiuping, Ren Peng, Tu Xuanxuan, Yu Liping, Chen Bin, Xu Jianguo, Wu Yuezhou (Resignation), Zhang Xinmei (Resignation) and Shen Tiedong (Resignation), independent non-executive Directors Zhang Ming, Lam Lee G., Zhu Hongchao, Zhou Yu, Liu Cheeming (Resignation), Xiao Suining (Resignation), and Feng Lun (Resignation)) received day-to-day written training in 2019. These trainings allowed the Directors to be timely informed of the latest policies, regulations and classic cases. The Company has also built multi-level information communication mechanisms and set up an information exchange platform to strengthen information sharing and exchanging among Directors, Supervisors and the management and improved Directors' duty performance capability. At the same time, the Company provided all Directors with the Training on Information Disclosure of Hong Kong Listed Company at the third meeting of the seventh session of the Board held on 30 August 2019. Apart from that, other trainings participated by the Directors are specified as follows:

Name of Director	Date	Duration	Organiser	Content	Place of training
Xu Jianguo	May 2019	1 day	Listed Companies Association of Shanghai	The first session of training course in 2019 for directors and supervisors of listed companies in Shanghai	Shanghai
Liu Cheeming	January 2019	1.5 hours	BCA Research	Geopolitics & Markets 2019 Outlook	Hong Kong
	January 2019	1.5 hours	European Chamber of Commerce in Hong Kong	Green Investment Bank	Hong Kong
	March 2019	1.5 hours	HKMA	HKMA Thematic Seminar on The Latest Global Crypto Trends	Hong Kong
	April 2019	1 hour	DBS Bank	Business Continuity Management	Hong Kong
	May 2019	1.5 hours	KPMG	Greater Bay Area update: Opening the door to opportunities	Hong Kong
	May 2019	1 hour	PricewaterhouseCoopers	NEDs for Banks @ PwC: Getting ready for the HKMA cultural dialogue	Hong Kong
	May 2019	2 hours	KPMG	KPMG Belt and Road Initiative Forum	Hong Kong

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Name of Director	Date	Duration	Organiser	Content	Place of training
Lam Lee G.	January 2019	0.5 hour	CSI Properties Limited	Amendments to the Listing Rules Update No.123 Chapter 3 General Authorised Representatives, Directors, Board Committees and Company Secretary Chapter 13 Equity Securities Continuing Obligations	Read documents (provided by Hong Kong Stock Exchange)
	January 2019	0.5 hour	ELIFE Holdings Limited	Overloading duties and Independent non-executive directors' time commitment	Read documents (provided by Hong Kong Stock Exchange)
	February 2019	0.5 hour	Zhuhai Dahengqin Company Limited	The Company Law of the People's Republic of China Training content: Company Law, relevant documents of corporate governance structure for state-owned enterprises, latest amendments to the Articles of Association of the Company, Rules of Procedure for Board Meetings of the Company and other relevant framework	Read documents
	March 2020	1 hour	Macquarie Infrastructure and Real Assets (MIRA)	Mandatory training Annual Compliance Training (2018/2019)	Online
	March 2019	0.5 hour	Securities Investors Association (Singapore) ("SIAS") and the Singapore Institute of Directors ("SID")	Guide on Best Practices for Shareholder Meetings of Listed Companies	Read documents
	April 2019	0.5 hour	Mingfa Group (International) Company Limited	The Guide on General Meetings as amended by the Stock Exchange on 21 December 2018	Read documents (provided by Hong Kong Stock Exchange)
	May 2019	3 hours	LexOmnibus By Dr. Gabriel B. K. Hung, Psychiatrist and Solicitor (non-practicing), The Central Practice   Enzo W. H. Chow, Barrister-at-law, Chambers of Anthony Rogers QC	CPD training/Mental and Testamentary Capacity: The Law and Practice CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745

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Name of Director	Date	Duration	Organiser	Content	Place of training
	June 2019	0.5 hour	Green Leader Holdings Group Limited	The training session for Environmental, Social and Governance Reporting Guide explains the Board's leadership role in ESG matters and covers the following six topics: <ul style="list-style-type: none"> <li>• What is ESG, and why is it important</li> <li>• The Board's role in ESG governance</li> <li>• Why report on ESG</li> <li>• Essential elements in an ESG report</li> <li>• Details on ESG reporting</li> <li>• ESG disclosure by IPO applicants</li> </ul>	Online
	June 2019	3 hours	LexOmnibus, Samuel Li, Solicitor & Notary Public, Samuel Li & Co	L19OT07 The Role of Hong Kong Notaries Public in Helping Business and Citizens CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745
	July 2019	0.5 hour	ELIFE Holdings Limited (provided by Loong & Yeung Solicitors)	Insider Information	Read documents
	July 2019	0.5 hour	Mingfa Group (International) Company Limited	Training materials for directors <ul style="list-style-type: none"> <li>– SFC Regulatory Bulletin: listing company (February 2019)</li> <li>– Guide Note on Directors' Duties regarding Valuations in Corporate Transactions dated 15 May 2017</li> </ul>	Read documents (provided by the Securities and Futures Commission)
	July 2019	0.5 hour	ELIFE Holdings Limited (provided by Loong & Yeung Solicitors)	Training information for directors Review of the Corporate Governance Code and Related Listing Rules	Read documents (materials provided by Hong Kong Stock Exchange)
	July 2019	3 hours	LexOmnibus	CPD Training/RME Elective The Dangerous Client and the Dangerous Solicitor? A course for Legal Practitioners on Risk Management Strategies and Systems for the Avoidance of Bribery and Corruption CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745

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Name of Director	Date	Duration	Organiser	Content	Place of training
	August 2019	3 hours	LexOmnibus	CPD Training/L19CF07 Rules and Regulations on IPO CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745
	August 2019	3 hours	LexOmnibus	CPD Training/L19TP04 Update on Equity and Trusts: Trusts, Companies, Divorce and Death CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745
	October 2019	0.5 hour	Mingfa Group (International) Company Limited	Training materials for directors/Guide on Practices and Procedures for Post-Vetting Announcements of Listed Issuers and Handling Matters Involving Trading Arrangements prior to Publication of Announcements	Read documents (1)
	December 2019	1 hour	Sunwah Kingsway Capital Holdings Limited	Environmental, Social and Governance Reporting Guide and related provisions of the Listing Rules Update No.128 (with respect to the amendments to the Main Board Listing Rules)	Read documents (provided by Hong Kong Stock Exchange)
	January 2019	0.5 hour	CSI Properties Limited	Amendments to the Listing Rules Update No.123 Chapter 3 General Authorised Representatives, Directors, Board Committees and Company Secretary Chapter 13 Equity Securities Continuing Obligations	Read documents (provided by Hong Kong Stock Exchange)
	January 2019	0.5 hour	ELIFE Holdings Limited	Overloading duties and independent non-executive directors' time commitment	Read documents (provided by Hong Kong Stock Exchange)
	February 2019	0.5 hour	Zhuhai Dahengqin Company Limited	The Company Law of the People's Republic of China Training content: Company Law, relevant documents of corporate governance structure for state-owned enterprises, latest amendments to the Articles of Association of the Company, Rules of Procedure for Board Meetings of the Company and other relevant framework	Read documents

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Name of Director	Date	Duration	Organiser	Content	Place of training
	April 2019	0.5 hour	Mingfa Group (International) Company Limited	The Guide on General Meetings as amended by the Stock Exchange on 21 December 2018	Read documents (provided by Hong Kong Stock Exchange)
	May 2019	3 hours	LexOmnibus By Dr. Gabriel B. K. Hung, Psychiatrist and Solicitor (non-practicing), The Central Practice   Enzo W. H. Chow, Barrister-at-law, Chambers of Anthony Rogers QC	CPD training/Mental and Testamentary Capacity: The Law and Practice CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745

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

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

On 18 June 2019, the Company held 2018 General Meeting, at which the Resolution regarding the Election of New Session of the Board of the Company was considered and approved, and on the same day, the Company held the first meeting of the seventh session of the Board of the Company, at which the relevant resolutions regarding elections of members and chairmen of four special committees were considered and approved.

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

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

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

1. Development Strategy and Investment Management Committee: Zhou Jie (Chairman), Ren Peng, Tu Xuanxuan, Chen Bin, Zhou Yu
2. Compliance and Risk Control Committee: Qu Qiuping (Chairman), Chen Bin, Xu Jianguo, Zhang Ming, Zhu Hongchao
3. Nomination, Remuneration and Assessment Committee: Zhu Hongchao (Chairman), Tu Xuanxuan, Yu Liping, Zhang Ming, Lam Lee G.
4. Audit Committee: Zhang Ming (Chairman), Yu Liping, Xu Jianguo, Lam Lee G., Zhou Yu

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

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

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

During the Reporting Period, the Compliance and Risk Control Committee of the sixth session of the Board held one meeting, and the Compliance and Risk Control Committee of the seventh session of the Board held one meeting, as specified below:

- The first meeting of the Compliance and Risk Control Committee of the sixth session of the Board in 2019 was convened on-site on 26 March 2019, at which the Internal Control Evaluation Report of the Company for the Year 2018, the Compliance Report of the Company for the Year 2018, the Risk Assessment Report of the Company for the Year 2018, and the Proposal regarding the Establishment and Amendment to the Relevant Compliance Management Systems were considered and approved.

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

<b>Name of the members of the sixth session of Compliance and Risk Control Committee</b>	<b>Number of actual attendances/number of attendances as required</b>
Xiao Suining	1/1
Liu Cheeming	0/1
Feng Lun	0/1
Qu Qiuping	0/1
Chen Bin	1/1
Zhang Xinmei	1/1

- The first meeting of Compliance and Risk Control Committee of the seventh session of the Board in 2019 was convened on-site and by means of teleconference simultaneously on 29 August 2019, at which the Interim Risk Assessment Report of the Company for the Year 2019 and the Special Audit Report regarding Anti-Money Laundering Work of the Company for the Year 2018 were considered and approved. In this meeting, the Committee also listened to the Working Report on Compliance Management of the Company for the First Half of 2019.

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

<b>Names of the members of the seventh session of Compliance and Risk Control Committee</b>	<b>Number of actual attendances/number of attendances as required</b>
Qu Qiuping	1/1
Chen Bin	1/1
Xu Jianguo	0/1
Zhang Ming	1/1
Zhu Hongchao	1/1



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### 2. *Audit Committee*

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

The Audit Committee convened meetings to consider relevant matters according to relevant provisions of the Terms of Reference of the Audit Committee under the Board of Directors and improved working efficiency as well as scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board of Directors. The Audit Committee fully communicated with certified public accountants to jointly formulate audit project plans in 2019 for the Company. The audit work in 2019 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of the audit and the improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee of the sixth session of the Board held three meetings in total and the Audit Committee of the seventh session of the Board held two meetings in total, as specified below:

- The first working meeting for the 2018 annual report of the Audit Committee of the sixth session of the Board was convened on-site on 16 January 2019, and the main contents of the meeting were: learning from relevant documents from the regulatory authorities on dealing with annual report of 2018 of listing companies, listening to the Chief Financial Officer's brief financial report of 2018 of the Company (parent company), discussing with certified public accountants of the annual audit to formulate the annual audit work plans, reviewing the (unaudited) financial statement of 2018 (of the parent company) prepared by the finance department of the Company and providing written opinions.

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- The second working meeting of the sixth session of the Audit Committee of the Board for the 2018 annual report was convened on-site on 26 March 2019, at which the Financial Report and Special Report of the Company (Audited or Reviewed Draft) for the Year 2018, the Proposal regarding Changes to Accounting Policies of the Company, Relevant Opinions of the Audit Committee under the Board of the Company on the Accounting Firm's Engagement in Audit Work for the Year, the Proposal regarding the Engagement of Accounting Firms for the Year 2019, the Proposal regarding the Amendment of the Management Measures for Related Party Transactions of Haitong Securities Co. Ltd., the Proposal regarding Daily Related Party Transactions of the Company for the Year 2019, the 2018 Special Audit Report on Related Party Transactions of the Company, the Internal Control Evaluation Report of the Company for the Year 2018, and the Report on Performance of Duties of the Audit Committee under the Board of the Company for the Year 2018 were considered and approved. In this meeting, the Committee also listened to the Company's Report on Final Accounts for the Year 2018 and Financial Budget for the Year 2019, the Communication Report related to Preliminary Audit Results for the Year 2018 by Accounting Firms as well as the Work Report of the Independent Directors for the Year 2018, and the list of the latest related parties was also confirmed.
- The 2019 First Quarterly Report meeting of the sixth session of the Audit Committee of the Board was convened on 24 April 2019 via correspondence, at which the First Quarterly Report of the Company for the Year 2018, the Proposal regarding the Execution of Share Subscription Agreement with Specific Subscriber subject to Conditions, the Proposal regarding the Related Party Transactions Involved in the Non-Public Issuance of A Shares of the Company and the Proposal regarding the Estimated Situation of the Related Transaction between the Company and Shanghai Guosheng Group Co. Ltd. were considered and approved.

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During the Reporting Period, meeting attendance of members of the Audit Committee of the sixth session of the Board is as follows:

<b>Name of the Audit Committee members of the sixth session of the Board</b>	<b>Number of actual attendances/number of attendances as required</b>
Zhang Ming	3/3
Liu Cheeming	1/3
Feng Lun	1/3
Zhang Xinmei	3/3
Xu Jianguo	3/3
Wu Yuezhou	3/3
Lam Lee G.	2/3

- The 2019 Interim Report meeting of the Audit Committee of the seventh session of the Board was convened on-site and by means of teleconference simultaneously on 29 August 2019, at which the Interim Financial Report of the Company for the Year 2019 was considered and approved. In this meeting, the Committee also listened to the Statement on Financial Position for the First Half of 2019 of the Company and the Report to Independent Directors and the Audit Committee of the 2019 Interim Financial Report of the Company, and the list of related persons of the Company was also confirmed.
- The 2019 Third Quarterly Report meeting of the Audit Committee of the seventh session of the Board was convened on 29 October 2019 via correspondence, at which the Third Quarterly Report of the Company for the Year 2019 was considered and approved.

During the Reporting Period, meeting attendance of members of the Audit Committee of the seventh session of the Board is as follows:

<b>Name of the Audit Committee member of the seventh session of the Board</b>	<b>Number of actual attendances/number of attendances as required</b>
Zhang Ming	2/2
Yu Liping	2/2
Xu Jianguo	1/2
Lam Lee G.	2/2
Zhou Yu	2/2

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

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

During the Reporting Period, the Development Strategy and Investment Management Committee of the sixth session of the Board held two meetings in total, and the Development Strategy and Investment Management Committee of the seventh session of the Board held two meetings in total, as specified below:

- The first meeting of the sixth session of the Development Strategy and Investment Management Committee of the Board in 2019 was convened on-site on 26 March 2019, at which the Proposal regarding Asset Allocation of Equity and Non-Equity Investments of the Company, the Resolution regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments, the Three-year Development Plan from 2018 to 2020 for Brand Building of Haitong Securities and the Proposal regarding Additional Fund for the Total Investment for Construction of the Zhangjiang Base Project (張江基地項目) were considered and approved. In this meeting, the Committee also listened to the Operating Report for the Year 2018 and Work Plan for the Year 2019 of the Company.

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- The second meeting of the Development Strategy and Investment Management Committee of the sixth session of the Board in 2019 was convened on-site on 25 April 2019, at which the Board considered and approved the Resolution regarding Compliance of the Company with Conditions of Non-Public Issuance of A Shares, the Resolution regarding the Adjustment to Plan of Non-Public Issuance of A Shares of the Company, the Resolution regarding the Revised Proposal for Non-Public Issuance of A Shares of the Company, the Resolution regarding the Execution of Share Subscription Agreement with Specific Subscribers Subject to Conditions, the Resolution regarding the Revised Feasibility Report on the Use of Proceeds from the Non-Public Issuance of A Shares of the Company, the Resolution regarding the Related Party Transactions Involved in the Non-Public Issuance of A Shares of the Company, the Resolution regarding the Dilution of Current Returns as a Result of the Non-Public Issuance of A Shares of the Company and the Remedial Measures (Revised), the Resolution regarding Advising the General Meeting to Extend the Authorisation Period of the Board of Directors and the Delegation by the Board of Directors to the Management to Deal with Specific Matters Relating to the Non-Public Issuance of A Shares of the Company, the Resolution regarding Additional Fund for the Total Investment for the Construction of Haitong Building Project (formerly known as Golden Bund Project).

During the Reporting Period, meeting attendance of members of the Development Strategy and Investment Management Committee of the sixth session of the Board is as follows:

<b>Name of the Development Strategy and Investment Management Committee members of the sixth session of the Board</b>	<b>Number of actual attendances/number of attendances as required</b>
Zhou Jie	2/2
Liu Cheeming	1/2
Xiao Suining	2/2
Yu Liping	2/2
Chen Bin	2/2
Xu Jianguo	1/2
Lam Lee G.	0/2

- The first meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2019 was convened on-site on 29 August 2019, at which the Proposal regarding the Acquisition of 100% Equity of Shanghai Zechun Investment & Development Co., Ltd. (上海澤春投資發展有限公司) and the Proposal regarding Acquisition of Irish Subsidiary of Haitong Bank by Haitong International Holdings Limited were considered and approved.

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- The second meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2019 was convened via correspondence on 26 December 2019, at which the Proposal regarding Purchase and Renovation of Office Building by the Company and its Subsidiaries was considered and approved.

During the Reporting Period, meeting attendance of members of the Development Strategy and Investment Management Committee of the seventh session of the Board is as follows:

<b>Name of the Development Strategy and Investment Management Committee members of the seventh session of the Board</b>	<b>Number of actual attendances/number of attendances as required</b>
Zhou Jie	2/2
Ren Peng	2/2
Tu Xuanxuan	2/2
Chen Bin	2/2
Zhou Yu	2/2

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

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

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### *Policy on Board Diversity*

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

### *Director Nomination Policy*

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

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

During the Reporting Period, the sixth session of the Nomination, Remuneration and Assessment Committee convened two meetings in total and the seventh session of the Nomination, Remuneration and Assessment Committee convened one meeting, as specified below:

- The first meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2019 was convened on-site on 26 March 2019, at which the Resolution regarding the Election of New Session of the Board of the Company was considered and approved.
- The second meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2019 was convened on-site and by means of teleconference simultaneously on 25 April 2019, at which the Resolution regarding the Results of Assessment on the Company’s Senior Management in 2018, the Resolution regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2019 were considered and approved. The meeting also reviewed the Work Report of Professional Managers.



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During the Reporting Period, meeting attendance of members of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board is as follows:

<u>Name</u>	<u>Number of actual attendances/number of attendances as required</u>
Liu Cheeming	1/2
Xiao Suining	2/2
Zhang Ming	2/2
Yu Liping	2/2
Wu Yuezhou	1/2
Shen Tiedong	2/2
Lam Lee G.	0/2

- The first meeting of the Nomination, Remuneration and Assessment Committee of the seventh session of the Board in 2019 was convened via correspondence on 26 November 2019, at which the Proposal regarding the Amendment to Management Rules on Incentive Fund Scheme of Professional Managers of Haitong Securities Co., Ltd. was considered and approved.

During the Reporting Period, meeting attendance of members of the Nomination, Remuneration and Assessment Committee of the seventh session of the Board is as follows:

<u>Name</u>	<u>Number of actual attendances/number of attendances as required</u>
Zhu Hongchao	1/1
Tu Xuanxuan	1/1
Yu Liping	1/1
Zhang Ming	1/1
Lam Lee G.	1/1

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

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

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

Name of Supervisor	Number of the meetings of Supervisory Committee as required to be present this year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not
Wu Hongwei	5	4	1	0	0	No
Shi Xu	3	2	1	0	0	No
Wu Xiangyang	3	1	1	1	0	No
Xu Renzhong	3	1	1	1	0	No
Cao Yijian	3	1	1	1	0	No
Dai Li	3	2	1	0	0	No
Zheng Xiaoyun	5	3	1	1	0	No
Feng Huang	5	4	1	0	0	No
Wang Meijuan (resigned)	2	2	0	0	0	No
Hu Hairong (resigned)	2	2	0	0	0	No
Song Shihao (resigned)	2	2	0	0	0	No
Rui Zhengxian (resigned)	2	2	0	0	0	No
Li Lin (resigned)	2	1	0	1	0	No
Cheng Feng (resigned)	2	0	1	1	0	No
Chen Hui Feng (resigned)	2	0	0	1	0	No
Song Chunfeng (resigned)	2	0	0	1	0	No

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

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### (II) Meetings of the Supervisory Committee

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

1. On 27 March 2019, the 21st meeting of the sixth session of the Supervisory Committee was held on-site and by means of teleconference simultaneously, at which the Annual Report of the Company for the Year 2018, the Internal Control Evaluation Report of the Company for the Year 2018, the Compliance Report of the Company for the Year 2018, the Report of the Supervisory Committee of the Company for the Year 2018, the Proposal regarding Changes to Accounting Policies of the Company, the Proposal regarding Amendments to Rules of Procedure for the Supervisory Committee of the Company and the Election of New Session of the Supervisory Committee were considered and approved.
2. On 25 April 2019, the 22nd meeting of the sixth session of the Supervisory Committee was held on-site and by means of teleconference simultaneously, at which the First Quarterly Report of the Company for the Year 2019 was considered and approved.
3. On 18 June 2019, the 1st meeting of the seventh session of the Supervisory Committee was held on-site, at which the Proposal regarding the Election of Vice Chairman of the Supervisory Committee was considered and approved.
4. On 30 August 2019, the 2nd meeting of the seventh session of the Supervisory Committee was held on-site, at which the Interim Report of the Company for the Year 2019 was considered and approved.
5. On 30 October 2019, the 3rd meeting of the seventh session of the Supervisory Committee was held through voting by correspondence, at which the Third Quarterly Report of the Company for the Year 2019 was considered and approved.

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

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

#### 1. Business Independence

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

#### 2. Staff Independence

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

#### 3. Assets Independence

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

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### 4. Institutional Independence

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

### 5. Financial Independence

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

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

✓ Not applicable

## Section IX CORPORATE GOVERNANCE

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

The Company formulated the Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (together, the “two Measures”). The Board will conduct the annual performance appraisal and consider related awards for senior management upon the end of an accounting year. During the Reporting Period, the Proposal regarding the Results of Assessment of Senior Management of the Company in 2018 and the Proposal regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2019 were considered and approved at the 37th meeting of the sixth session of the Board, to implement “an overall remuneration and performance appraisal system for the senior management, linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders” and “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives” established by the two Measures, so as to ensure the marketisation of the remuneration and rewarding system and maintain its competitive advantages in the industry.

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

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

For details of the self-evaluation report of internal control of the Company, please refer to the Internal Control Evaluation Report of Haitong Securities Co., Ltd. for the Year 2019 disclosed by the Company on the website of the SSE on 26 March 2020. Please refer to the relevant overseas regulatory announcement of the Company dated 26 March 2020 for details.

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

## Section IX CORPORATE GOVERNANCE

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

The Company's internal control audit institution, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), issued a standard unqualified audit report on internal control of the Company.

For details of the audit report on internal control of the Company, please refer to the 2019 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE dated 26 March 2020. Please refer to the relevant overseas regulatory announcement of the Company dated 26 March 2020 for details.

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

#### (I) Statement of the Board

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

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

The Board has assessed the risk management and internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid at 31 December 2019.

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

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

## Section IX CORPORATE GOVERNANCE

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

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

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



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

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

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

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

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

The Company attaches great importance to the establishment of risk management and internal control system and updates its relevant internal control system in a timely manner to ensure the effectiveness and promptness of the design of internal control in accordance with the latest requirements of relevant laws and regulations, the exchange rules, industry standards and self-disciplinary regulations.

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During the Reporting Period, the Company continues to improve internal control system by formulating or amending over 100 systems covering various aspects such as business management, compliance management, risk management, finance management, fund management, human resource and administrative management, for which, the Board considered and approved the proposals regarding the formulations and amendments of the Management Measures for Related Party Transactions, the Management Measures for Business Integrity (Trial), the Management Measures of Subsidiaries, the Management Measures for Information Technology, the Management Measures of Money Laundering and Terrorism Financing Risk, the Management Measures for the Information Wall (2019 Revision) and the Management Measures for the Conflict of Interest.

In terms of the innovative business, the Company has established the assessment and reviewing mechanism for innovative business to conduct adequate assessment and demonstration on its compliance, feasibility and risk in the preparatory stages, and formulated relevant management systems, operational processes and risk control measures as well as measures to protect the customers' legitimate rights and interests, etc. The Sci-Tech Innovation Board was formally open for business in 2019. Pursuant to the relevant regulatory regulations, the Company formulated various systems relating to the Sci-Tech Innovation Board, including underwriting and sponsoring, internal audit, research business, proprietary investment and broking. In December 2018, the Securities Association of China issued the Guidelines for Internal Control on Debt Investment and Transaction Businesses of Securities and Funds Management Institutions, pursuant to which, the Company formulated or amended and perfected various systems relating to the Management Measures for Non-equity Securities and Derivatives Investment Transaction Businesses.

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

Based on Basic Standards for Enterprise Internal Control and Guidelines for Enterprise Internal Control jointly issued by Five ministries including the Ministry of Finance, Guidelines for Internal Control of Securities Companies issued by the CSRC and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by Shanghai Stock Exchange, the Company has established a sound internal control system over financial reports.

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

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the internal control system over financial reports of the Company was sound and ran well. According to the identification of material defects in the internal control over financial reports, there are no material or important defects in the internal control over financial reports as at the base date of the assessment report on internal control.

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

The Company attached great importance to the establishment of risk management and internal control mechanisms and established internal control systems covering all departments, branches and subsidiaries of the Company. During the operation of various business activities, the Company was able to conduct risk management and internal control in a trinity way before, during and after the activities through following comprehensive and scientific policies and implementing execution and supervision mechanisms in respect of all the risks encountered in the course of operation.

The Company regularly conducted comprehensive assessment on the management and business process for all departments, branches and subsidiaries for the inspection of the major risks in the course of operation management. The Company continued to perfect the list of risk control management in respect of major business, key areas and critical sectors of the Company. In accordance with internal and external environment and business development, the Company formulated, amend or perfected various internal control systems to ensure their reasonableness and effectiveness. During the Reporting Period, overall internal control system of the Company ran well. Internal control systems corresponding to the natures, sizes and complexity of businesses have been established to reasonably ensure compliance with laws and regulations of business operation management, assets safety, truthfulness and completeness of financial reports and relevant information and improve operational efficiency and results.

Before the operations of business, the Company has formulated corresponding management system and review process for each business; during the operations of the business, the Company has established a real-time monitoring system, implementing the dynamic monitoring of risk control indicators and automatic warning, and has also established a net capital complementation mechanism to ensure that the risk control indicators, including the net capital, continuously conform to the requirements of regulatory authorities; in respect of the control after the operations of business, the Company is able to carry out rectification measures for the issues identified during the monitoring. The audit department has formulated auditing plan on an annual basis to proceed with the on-site audit of the Company's relevant departments, branches and subsidiaries and supervise the rectification of the identified issues.

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During the Reporting Period, the Company continued to improve the establishment and operation of its comprehensive risk management system. In respect of system building, the Company perfected the market risk management system. Information such as the investment transaction risk data of relevant subsidiaries and stock risk indicator of the Sci-Tech Innovation Board were incorporated into the system. The Company completed the impairment and internal grading functions for Phase II of the credit risk management system, and commenced the projects for Phase III. The operational risk management system was perfected so as to achieve real-time data connection between operational risk events, key risk indicators with the data of subsidiaries, so as to support subsidiaries to furnish, maintain and manage relevant data through the operational risk management system. The risk management assessment system was perfected so as to achieve systematic management of the procedures of risk management assessment rating, result notification and complaints. In terms of risk control indicator consolidation, the Company developed consolidated quarterly risk control indicators, prepared related consolidated statements and work reports and submit them to regulatory authorities in accordance with regulatory requirements. In addition, the Company consolidated internal risk control indicators monthly. The consolidated indicators of risk control of the Group and each of its subsidiaries were analysed and reported to the management of the Company monthly. Furthermore, the Company established and perfected the T+1 working mechanism of the consolidated risk control indicator of the Group, produced consolidated risk control indicator of the Group daily, monitored the operations of the consolidated indicator of the Group daily and incorporated the indicator into the risk reports of the Group and submit the reports to the management. In terms of risk management of subsidiaries, the Company revised the Management Measures for Comprehensive Risk of the Subsidiaries of Haitong Securities Co., Ltd., and further refined the risk management requirements of the subsidiaries. In the meantime, the Company vigorously strengthened its vertical risk management on subsidiaries through various manners, including nomination of risk management heads in subsidiaries, limits and reports, risk control consolidated management, review and approval of significant events of the subsidiaries, data connection, daily communication, risk investigations and examinations and risk management assessments. Under the vertical management, risk management heads of the subsidiaries were nominated by the chief risk officer of the Company and appointed by the boards of the subsidiaries. The risk limits of the subsidiaries and regular report templates were updated and issued. Significant risk events of the subsidiaries were tracked and supervised in a timely manner. The Company also perfected consolidated management of risk control indicator T+1 and incorporated the Group's overall risks into daily monitor system. The significant events of the subsidiaries were assessed and audited and relevant resolutions were proposed through internal procedures of parent company. Upon the approvals of the board of the subsidiaries, the resolutions were adopted. In addition, the Company perfected the collection of risk data of the Group, comprehensively gathered the risk data of domestic and overseas subsidiaries and conducted T+1 information pooling in respect of investment transaction type, credit type, asset management type, investment banking risk type and their corresponding customer information. The Company assigned designated persons responsible for the daily communication and contact in relation to risk management with domestic and overseas subsidiaries, strengthened the examination of risk management of subsidiaries, provided suggestions and strictly implemented the risk assessment on the subsidiaries and their risk management heads.

## Section IX CORPORATE GOVERNANCE

### **(VII) Internal Supervisions of the Establishment and Implementation of Risk Management and Internal Control**

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The Company has set up a leading group, a working group and an internal control evaluation group for implementation of internal control regulations. The office meeting among general managers has appointed the risk management department as the leader of the working group for implementation of risk management and internal control regulations, being responsible for guiding the establishment and implementation of risk management and internal control; and assigned the audit department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The risk management department and the audit department independently perform their duties to evaluate the implementation and effectiveness of internal control. The compliance and risk management department has pushed forward departmental coordination and urged each of the departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses and new operation processes. The audit department has organised all departments and subsidiaries to conduct self-assessment on the effectiveness of internal control, reviewed and evaluated the preliminary drafts of the evaluation report, summarised the weaknesses of internal control and tracked the rectification of such weaknesses.

In respect of risk management and internal control, the Company's Compliance and Risk Management Committee and Audit Committee undertake their supervising responsibility and examine the effectiveness of the Company's risk management and internal control system. The annual internal control self-assessment of the Company covers all the departments and subsidiaries, which includes the risk management and internal monitoring of finance, operation and compliance. In addition, the audit department would audit the situation of risk management and internal monitoring from time to time and evaluate their effectiveness. Besides the internal review and evaluation, the external audit institutions also evaluates the sufficiency and effectiveness of material risk and internal control of the Company.

### **(VIII) Defects in Risk Management and Internal Control and Identification**

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, which are consistent with those in previous years, under Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and taking into account of various factors including the size of the Company, industry features and risk levels.

## Section IX CORPORATE GOVERNANCE

Significant defects refer to a combination of one or more control defects which may cause serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences that are less serious than those of significant defects but may still cause deviation from the control target of the Company. Common defects refer to any defects other than significant defects and important defects.

### **(IX) Evaluation of Effectiveness of the Company's Risk Management and Internal Control**

The Company has self-evaluated the effectiveness of the design and operation of its internal control up to 31 December 2019 pursuant to the requirements of the Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and relevant laws and regulations, and has issued the 2019 Internal Control Evaluation Report. Based on the determination of material defects in terms of internal control in financial reports, there were no material defects in terms of internal control over financial reports on the reporting base date of internal control evaluation report. Based on the determination of material defects in terms of internal control in non-financial reports, there were no material defects in terms of internal control over non-financial reports on the reporting base date of internal control evaluation report. The Board is of the view that the Company has maintained effective internal control over financial reports in all material aspects in accordance with systems for enterprise internal control and relevant requirements.

From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the internal control that may have a substantive influence on the evaluation results.

### **(X) Work Plan of Risk Management and Internal Control in 2020**

The risk management and internal control should be adaptive with the operation scale, business scope, competitiveness and risk level of the Company and be timely adjusted according to the changes of situations. In 2020, the Company will continue to push forward the establishment of comprehensive risk management and internal control systems, focus on the risk control and internal control management in main business and areas, strengthen risk monitoring and identification capabilities, enhance related promotion and training and continuously improving internal control and risk management level of the Company pursuant to the requirements under Basic Standards for Enterprise Internal Control and the guidelines thereof as well as according to the strategic plans and development needs of the Company.

## Section IX CORPORATE GOVERNANCE

### (XI) OTHERS

#### (I) Company Secretaries

Mr. Jiang Chengjun and Ms. Wong Wai Ling are the joint company secretaries of the Company. Ms. Wong Wai Ling serves as a president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Jiang Chengjun, the secretary to the Board and the joint company secretary, is the main contact person within the Company. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Jiang Chengjun and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training during the year ended 31 December 2019.

#### (II) Compliance with Code on Securities Transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set guidelines, which is no less strict than the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any relevant employee violating the said guidelines.

The Board will examine the corporate governance and operations of the Company in accordance with relevant provisions in the Hong Kong Listing Rules from time to time to protect shareholders' interests.

#### (III) Internal Control

For details of the audit report on internal control of the Company, please refer to the 2019 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE dated 26 March 2020 and the overseas regulatory announcement of the Company dated 26 March 2020.

#### (IV) Directors' and Auditor's Responsibilities for the Financial Statements

The Board has acknowledged its responsibilities for preparing the annual report for the year ended 31 December 2019 of the Group.

The Board is responsible for the clear and fair assessment for annual reports, interim reports, price-sensitive information and other disclosures as required by the Hong Kong Listing Rules and other regulatory rules. The management has provided the Board with all necessary explanations and information for the Board to make an informed assessment of the Group's financial data and position for the Board's consideration and approval.

The Company has not encountered any significant uncertainties or situations that might cause material doubt to the ability of continuous operations of the Company.

In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

## Section IX CORPORATE GOVERNANCE

### (V) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company shall hold general meetings in strict accordance with relevant regulations to ensure that all shareholders, especially the minority shareholders, enjoy equal status and can exercise their rights adequately. Under the restriction imposed by the Articles of Association, the Company maintains orderly, stable and healthy development in the interest of the Company and its shareholders.

The Company attaches great importance to the opinions and recommendations of its shareholders and actively, proactively and normatively carries out various investor relationship activities to keep in contact with shareholders and timely satisfy their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website [www.htsec.com](http://www.htsec.com), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines or directly sending their letters to the Company's office address. The Company will properly and timely handle relevant enquiries.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly express any concerns they may have to the Board or to the management. Normally, the chairman of the Company, the chairmen of respective committees and the management will attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Shareholders may convene an extraordinary general meeting and make proposals on the general meeting in accordance with the procedures specified in Articles 71 and 76 of the Articles of Association, which have been published on the websites of the SSE, Hong Kong Stock Exchange and the Company.

The Company will arrange the Board to answer questions raised by shareholders at the 2019 annual general meeting.

Detailed procedures of voting and proposals to be voted by way of poll will be published on the website of the SSE (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).



## Section IX CORPORATE GOVERNANCE

### (VI) Investors Relationship Activities

In 2019, as required by the Board, the Management took effective measures to actively maintain investor relationship by introducing investors the Company's business strategy, the approach and operation results in various manners including performance updates, domestic and overseas roadshows, investor visits, participation in investor meetings, active enhancement on contacts between investors and analysts and timely response to investors' enquiries, so as to effectively strengthen communication with investors, carefully manage investors' expectations and effectively increase investor's confidence in the Company. In 2019, the Company convened a total of two result announcement sessions and conducted domestic and overseas performance roadshows. The Company was invited and attended forums held by 10 domestic and foreign investment banks and brokers, received domestic and foreign investors for a total of 36 survey visits and received approximately 320 visits by investors. With good fundamentals and through continuous and effective communication with investors, the Company's market value realised rapid growth in 2019, while the share prices of its A Shares and H Shares both outperformed the market.

### (VII) Other Reporting Issues

During the Reporting Period, the Company amended the Articles of Association once. The amendment was considered and approved by the 36th meeting of the sixth session of the Board convened on 27 March 2019, the 21st meeting of the sixth session of the Supervisory Committee convened on 27 March 2019, and by the 2018 annual general meeting convened on 18 June 2019. In September 2019, the Company received the Approval on Changes of Important Articles of Association of Haitong Securities Co., Ltd. (Hu Zheng Jian Xu Ke [2019] No. 83) from the Shanghai Supervision Bureau of the CSRC. For details of the amendment, please refer to the Company's announcement dated 11 September 2019.

## Section X CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

During the Reporting Period, the Company issued two tranches of corporate bonds in accordance with the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No. 2388) and (Zheng Jian Xu Ke [2019] No. 1686).

*Unit: 100 million Currency: RMB*

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18	Simple annualised interest rate	SSE
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 01	143231	11 August 2017	11 August 2020	50	4.63	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 02	143232	11 August 2017	11 August 2022	10	4.80	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	17 Haitong 03	143301	22 September 2017	22 September 2027	55	4.99	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	17 Haitong 04	143336	25 October 2017	25 October 2020	5	4.77	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	18 Haitong 01	143480	8 March 2018	8 March 2021	30	5.15	Simple annualised interest rate	SSE

## Section X CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2018 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	18 Haitong 02	143529	22 March 2018	22 March 2021	30	5.14	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	18 Haitong 03	143632	10 May 2018	10 May 2021	30	4.70	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd.	18 Haitong 04	143464	6 August 2018	6 August 2021	30	3.98	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd.	18 Haitong 05	155038	22 November 2018	22 November 2021	30	3.88	Simple annualised interest rate	SSE
2019 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	19 Haitong 01	155316	11 April 2019	11 April 2022	50	3.75	Simple annualised interest rate	SSE
2019 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	19 Haitong 02	155830	15 November 2019	15 November 2022	45	3.52	Simple annualised interest rate	SSE

### PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF CORPORATE BONDS

#### 1. Repayment

13 Haitong 05 of 2013 Corporate Bonds (Tranche 2) repaid the principal with dividends and delisting on 14 July 2019.

#### 2. Payment of Interest

The 2013, 2017 and 2018 corporate bonds issued publicly carry interest payable annually in arrears, and the interest payable for the last period will be paid in arrears together with principal upon maturity; no additional interest will be accrued upon payment date of interest for each period and upon repayment date of principal. The repayment of principal with dividends of the bonds shall be duly handled via the registration institutions and relevant institutions.

## Section X CORPORATE BONDS

### Further Description of Corporate Bonds

The Company's existing subordinated bonds, non-public issuance of corporate bonds, offshore bonds and financial bonds at the end of the Reporting Period are represented in the following table. Please refer to Bonds Payable of Note to the Consolidated Financial Statements in FINANCIAL REPORT for more details on corporate bonds.

*Unit: 100 million Currency: RMB (Foreign currencies in special remarks)*

Name of Bonds	Abbreviation	Code	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2016 subordinated bonds (Tranche 1)	16 Haitong C2	145180	5 years	17 November 2016	17 November 2021	20	3.40%	Simple annualised interest rate	SSE
2017 subordinated bonds (Tranche 1)	17 Haitong C1	145411	3 years	16 March 2017	16 March 2020	45	4.80%	Simple annualised interest rate	SSE
2019 subordinated bonds (Tranche 1)	19 Haitong C1	151202	3 years	28 February 2019	28 February 2022	33	4.09%	Simple annualised interest rate	SSE
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 02	135485	5 years	18 May 2016	18 May 2021	50	3.80%	Simple annualised interest rate	SSE
offshore bonds	Haitong Securities 4.5% B2023	5482	5 years	13 December 2018	13 December 2023	US\$300 million	4.5%	Simple semi-annualised interest rate	Hong Kong Stock Exchange
offshore bonds	Haitong Securities FRN B2023	5483	5 years	13 December 2018	13 December 2023	EUR230 million	3M EURIBOR EUR+1.65%	Simple quarterly interest rate	Hong Kong Stock Exchange
2019 financial bonds (Tranche 1)	19 Haitong Securities financial bonds 01	091900022	3 years	29 August 2019	29 August 2022	70	3.39%	Simple annualised interest rate	SCH

#### 1. Issuance of Subordinated Bonds

In accordance with the No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Subordinated Bonds issued by the Shanghai Stock Exchange (Shang Zheng Han [2018] No. 348), the Company issued 19 Haitong C1 subordinated bonds on 28 February 2019. Please refer to the overseas regulatory announcement of the Company dated 28 February 2019 for details.

## Section X CORPORATE BONDS

### 2. Issuance of Financial Bonds

Pursuant to the approval of Affirmative Decision of Administration License of the People's Bank of China (Yin Shi Chang Xu Zhun Yu [2019] No. 129), the Company issued the 19 Haitong Securities financial bond 01 on 29 August 2019. Please refer to the overseas regulatory announcement of the Company dated 29 August 2019 for details.

## II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

Bond trustee	Name	CITIC Securities Company Limited
	Office address	22nd Floor, CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact persons	Song Yilan, Chang Wei
	Tel	010-60836030
	Bonds under custody	13 Haitong 03, 13 Haitong 06, 17 Haitong 01, 17 Haitong 02, 17 Haitong 03, 17 Haitong 04, 18 Haitong 01, 18 Haitong 02, 18 Haitong 03, 18 Haitong 04, 18 Haitong 05, 19 Haitong 01
Bond trustee	Name	CSC Financial Co., Ltd.
	Office address	2/F, Building B, Building E, Kaiheng Centre, No.2 Chaoyangmen Inner Street, Dongcheng District, Beijing
	Contact persons	Fang Beibei, Lu Hongtu
	Tel	010-65608396
	Bonds under custody	19 Haitong 02
Bond trustee	Name	Shanghai AllBright Law Offices
	Office address	12th Floor, Shanghai Tower, No. 501 Yincheng Middle Road, Pudong New Area, Shanghai
	Contact persons	Pei Zhenyu, Lv Xijing, Xiao Wenyan
	Tel	021-20511217
	Bonds under custody	16 Haitong 02, 16 Haitong C2, 17 Haitong C1, 19 Haitong C1
Credit-rating agency	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)
	Office address	8th Floor, No. 760 Xizang South Road, Shanghai

## Section X CORPORATE BONDS

### III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

As at 31 December 2019, the said proceeds from issuance of bonds of the Company were fully used to pay its due debts, replenish the working capital of the Company to meet the Company's needs for business operations, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. The Company has raised aggregated proceeds RMB9,500 million from the two tranches of corporate bonds issued publicly in 2019, and such proceeds were mainly used to pay its matured subordinated bonds and income certificates with the rest used to replenish the working capital of the Company. Given that the bonds issued in tranches within the validity period of the same approval document use the same special account for proceeds, proceeds in the above special accounts have been used up with a zero balance.

According to the notice issued by the CSRC requiring bonds issuer to conduct self-inspection, during March 2020, the Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("BDO") to conduct special inspection on the deposit and usage of proceeds raised from bonds of the Company as at 31 December 2019, and BDO prepared an Inspection Report (XIN KUAI JI SHI BAO ZI [2020] No.ZA10279) accordingly. The Company deposits and uses the raised proceeds, and discloses relevant information in a timely, accurate and complete manner strictly subject to applicable regulations, and does not violate any such proceeds management regulations.

### IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (hereinafter referred to as "CCXR") which is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., established in August 1997 with its place of incorporation in Shanghai. CCXR was licenced by the CSRC and the People's Bank of China to principally carry out stock market credit rating and lending market credit rating businesses.

From April to November 2019, CCXR approved the credit ratings of AAA for the two tranches of corporate bonds publicly issued by the Company to qualified investors in 2019 (Xin Ping Wei Han Zi [2019] No.G245-F6, G391-F1).

On 27 April 2019, the Company announced CCXR's follow-up ratings reports on various bonds issued by the Company on the website of the SSE. Among which, credit ratings of publicly issued corporate bonds (Tranches 1 and 2) in 2013 remained at AAA (Xin Ping Wei Han Zi [2019] Gen Zong No. 076); credit rating of publicly issued corporate bonds (Tranche 1,2 and 3) in 2017 remained at AAA (Xin Ping Wei Han Zi [2019] Gen Zong No. 080); credit rating of publicly issued corporate bonds (Tranche 1-5) in 2018 and corporate bonds (Tranche 1) in 2019 remained at AAA (Xin Ping Wei Han Zi [2019] Gen Zong No. 081).

In 2019, the corporate credit rating of the Company remained at AAA (CCXR) and BBB (Standard & Poor) with a stable outlook.

## Section X CORPORATE BONDS

### V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

There were no credit enhancement mechanisms and no change in repayment plan and other repayment supporting measures.

#### 1. Repayment plan

The Company will perform the obligation of annual payment of interest and repayment of principal and interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities. Revenue streams and accumulation of profits of the Company assured of the ability of principal repayment and interest payment on time to a large extent.

#### 2. Other relevant information

On 28 March 2019, the Proposal regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments was considered and passed at the 36th meeting of the sixth session of the Board of the Company and was submitted to consider at the 2018 annual general meeting of the Company. On 18 June 2019, the above proposal was considered and approved at the 2018 annual general meeting of the Company, which stipulated repayment supporting measures, i.e., "authorising the Board and permitting the Board to re-authorise the authorised persons, jointly or separately, in respect of the issuances of the Corporate Onshore and Offshore Debt Financing Instruments to adopt at least the following measures when there is an anticipated failure to repay the principal and interest of the onshore and offshore debt financing instrument or an actual failure to repay the principal and interest of the onshore and offshore debt financing instrument on due dates: ①ceasing to distribute dividends to the Shareholders; ②suspending the implementation of capital expenditure projects such as material external investments, acquisitions and mergers; ③reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; ④freezing the job transfer of the key responsible personnel."

As for the implementation of other repayment supporting measures, the Company, in strict compliance with the relevant rules of procedure for the bondholders' meeting, organised bondholders to exercise their powers through bondholders' meetings, engaged CITIC Securities, CSC Financial and AllBright Law Offices as the bond trustees for corresponding bonds respectively, to safeguard bondholders' interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with the relevant fund management plans and information disclosure requirements. The above measures were consistent with the descriptions in the prospectus.

### VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, there is no meetings convened for holders of corporate bonds.

## Section X CORPORATE BONDS

### VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

As the Bond Trustee of the Company, CITIC Securities Company Limited, CSC Financial Co., Ltd. and Shanghai AllBright Law Offices had no conflict of interest in the course of performing their duties, conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus and agreements by the Company and focused on the credit status, inside and outside credit enhancement mechanisms and implementation of repayment supporting measures of the Company on an ongoing basis.

On 30 April 2019, CITIC Securities issued the report of entrusted management affairs for 2018 in respect of two tranches of 2013 Corporate Bonds, three tranches of 2017 Corporate Bonds and five tranches of 2018 Corporate Bonds of the Company.

On 4 June 2019, AllBright Law Offices issued the report of entrusted management affairs for 2018 in respect of 2016 Non-public Issued Corporate Bonds (Tranche 1), 2016 Non-public Issued Subordinated Bonds (Tranche 1) and 2017 Non-publicly Issued Subordinated Bonds (Tranche 1). The abovementioned reports were all disclosed on the bond section published on the website of the SSE.

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AT THE END OF THE REPORTING PERIOD

Unit: Yuan Currency: RMB

Key indicators	2019	2018	Movement for the period compared with the last corresponding period (%)	Reasons of change
EBITDA	28,603,712,194.58	20,835,874,280.06	37.28	Increase of profit
Liquidity ratio	1.79	2.04	-12.25	–
Quick ratio	1.79	2.04	-12.25	–
Gearing ratio (%)	74.31	74.10	increase 0.21 percentage point	–
EBITDA total debt ratio	0.08	0.06	33.33	Increase in EBITDA
Interest coverage ratio	2.02	1.60	26.25	–
Cash interest coverage ratio	2.88	0.80	260	Increased cash flow generated from operating activities
EBITDA interest coverage ratio	2.1	1.64	28.05	–
Loan repayment ratio (%)	100	100	–	–
Interest payment ratio (%)	100	100	–	–



## Section X CORPORATE BONDS

Liquidity ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Short-term financing bills payables + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Accounts payable).

Quick ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Short-term financing bills payables + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Accounts payable).

### IX. PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Name of Bonds	Abbreviation	Code	Date of issuance	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
2016 Non-publicly Issued Corporate Bonds (Tranche 1)	16 Haitong 01	135484	18 May 2016	18 May 2019	Redeemed
2016 Non-publicly Issued Corporate Bonds (Tranche 1)	16 Haitong 02	135485	18 May 2016	18 May 2019	Interest paid in full on time
2016 Non-publicly Issued Subordinated Bonds (Tranche 1)	16 Haitong C1	145179	17 November 2016	17 November 2019	Repayment
2016 Non-publicly Issued Subordinated Bonds (Tranche 1)	16 Haitong C2	145180	17 November 2016	17 November 2019	Interest paid in full on time
2017 Non-publicly Issued Subordinated Bonds (Tranche 1)	17 Haitong C1	145411	16 March 2017	16 March 2019	Interest paid full on time

## Section X CORPORATE BONDS

1. 16 Haitong 01 of 2016 Non-publicly Issued Corporate Bonds (Tranche 1) was amounted of RMB15,000 million, interest rate of 3.60% and option of redemption at the end of the third year upon the issuance, the details of which were published on the website of the SSE. The issuer chose to exercise its "option of redemption", and the redemption and delisting were published on the website of the SSE. The Company paid the interest of 16 Haitong 02 in a timely manner, the details of which were published on the website of the SSE.
2. 16 Haitong C1 subordinated bonds of 2016 Non-Publicly Issued Subordinated Bonds (Tranche 1) with a size of RMB4,000 million repaid and delisting, the details of which were published on the website of the SSE. The Company paid the interest of 16 Haitong C2 in a timely manner, the details of which were published on the website of the SSE.
3. The Company paid the interest of 2017 Non-publicly Issued Subordinated Bonds (Tranche 1) in a timely manner, the details of which were published on the website of the SSE.

### **X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company obtained aggregate credit facilities of various types of approximately 500,000 million from a total of approximately hundreds of banks. At the end of the Reporting Period, the unutilised credit facilities was over 300,000 million.

### **XI. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD**

There were no agreements or commitments described in the prospectus in connection with the issuance of corporate bonds.

### **XII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY**

On 9 September 2019, the Company released an announcement on the website of the SSE, announcing its accumulative new borrowings in the year has exceeded 20% of the net assets as at the end of the previous year. The Company's new borrowings in the year were in compliance with all relevant laws and regulations and in the ordinary and usual course of business of the Company. At present, the Company has a sound financial situation, fulfils its obligations of principal repayment and interest payment on maturity for each liability, and the new borrowings had no material adverse effect on the operations and solvency of the Company.

## Section XI FINANCIAL REPORT

- I. The Financial Report (H Share) of the Company for the year 2019 has been audited by Deloitte Touche Tohmatsu, which has issued a standard unqualified audit report.
- II. Consolidated Financial Statements (H Share) (Appendices).
- III. Notes to Consolidated Financial Statements (H Share) (Appendices).

## Section XII DOCUMENTS AVAILABLE FOR INSPECTION

- I. Text of annual report with the signature of legal representative of the Company.
- II. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
- III. Text of the audit report with seal of the accounting firm and the signatures and seals of the certified public accountants.
- IV. Original copies of all the Company's documents and announcements disclosed on newspapers designated by the CSRC during the Reporting Period.
- V. Annual reports disclosed in other securities markets.
- VI. Other relevant materials.

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING MATTERS OF THE COMPANY

#### (I) Administrative licensing of business departments during the Reporting Period

New business departments	Relocation of branches	Relocation of business departments	Cessation of business departments
11	3	11	1

#### 1. Administrative licensing of new business departments during the Reporting Period

No.	Business departments	Address	Approval document No.	Approval date	License obtained on
1	Business Department of Haitong Securities Co., Ltd. in Century Avenue, Jinjiang	Joint Store 62, Building 1- Building 2, Jinjiangwan Square, No. 888, Century Avenue, Meiling Street, Jinjiang, Quanzhou, Fujian	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019
2	Business Department of Haitong Securities Co., Ltd. in Binhe Avenue, Shenzhen	1902, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Street, Futian District, Shenzhen	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019
3	Business Department of Haitong Securities Co., Ltd. in Longhua, Shenzhen	35#C, Central Original Garden Cang Long Yuan, Daling Community, Minzhi Street, Longhua District, Shenzhen	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Business departments	Address	Approval document No.	Approval date	License obtained on
4	Business Department of Haitong Securities Co., Ltd. in Youyi South Road, Tangshan	No. 121, Youyi South Road, Lubei District, Tangshan, Hebei	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019
5	Business Department of Haitong Securities Co., Ltd. in Jiefang East Road Fortune Financial Center, Hangzhou	Room 1007, Building 2, Fortune Financial Center, No. 37, Jiefang East Road, Jianggan District, Hangzhou, Zhejiang	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019
6	Business Department of Haitong Securities Co., Ltd. in Jinhua South Road, Hangzhou	Room 510, Building 2, Ocean International Center, Gongshu District, Hangzhou, Zhejiang	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	3 December 2019
7	Business Department of Haitong Securities Co., Ltd. in Xingmin Road, Guangzhou	Room 1502, No. 222-3, Xingmin Road, Tianhe District, Guangzhou	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	30 December 2019
8	Business Department of Haitong Securities Co., Ltd. in Shuixian Street, Zhangzhou	Room 405, Building B, No. 88, Shuixian Avenue, Longwen District, Zhangzhou, Fujian	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	30 December 2019
9	Business Department of Haitong Securities Co., Ltd. in Hanxi Avenue East, Panyu, Guangzhou	Nos. 539 & 541, Hanxi Avenue East, Nancun Town, Panyu District, Guangzhou, Guangdong	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	30 December 2019
10	Business Department of Haitong Securities Co., Ltd. in Xinhua North Road, Tongzhou, Beijing	116, 1/F to 2/F, Building 3, No. 4, Guanyinan South Street, Tongzhou District, Beijing	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	30 December 2019
11	Business Department of Haitong Securities Co., Ltd. in Jinyuan Road, Nanhai, Foshan	Shop 146-147, Starcrest Zijing Commercial, No. 8, Jinyuan Road, Guicheng Street, Nanhai District, Foshan	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	30 December 2019

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### 2. Administrative licensing of relocation of branches during the Reporting Period

No.	Name of branch before relocation	Name of branch after relocation	New address	License obtained on
1	Zhejiang branch of Haitong Securities Co., Ltd.	Zhejiang branch of Haitong Securities Co., Ltd.	Rooms 801, 803 & 804, Dikai Yinzuo, Jianggan District, Hangzhou, Zhejiang	3 January 2019
2	Shanghai Pilot Free Trade Zone branch of Haitong Securities Co., Ltd.	Shanghai Pilot Free Trade Zone branch of Haitong Securities Co., Ltd.	Unit 02, 25/F, No. 1196, Century Avenue, China (Shanghai) Pilot Free Trade Zone	10 September 2019
3	Shanxi branch of Haitong Securities Co., Ltd.	Shanxi branch of Haitong Securities Co., Ltd.	Units 04, 05 & 06, 16/F, Building B, China Overseas International Center, No. 8, Jinci Road Section 1, Wanbailin District, Taiyuan, Shanxi	9 December 2019

### 3. Administrative licensing of relocation of business departments during the Reporting Period

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
1	Business Department of Haitong Securities Co., Ltd. in Stadium Road, Luoyang	Business Department of Haitong Securities Co., Ltd. in Changxing Street, Luoyang	No. 66, Changxing Street, Luolong District, Luoyang	7 March 2019
2	Business Department of Haitong Securities Co., Ltd. in Rushan Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Pudong South Road, Shanghai	1/F and units J, K, L, M, N, O of 25/F, No. 379, Pudong South Road, China (Shanghai) Pilot Free Trade Zone	4 June 2019
3	Business Department of Haitong Securities Co., Ltd. in Shaoxi West Road, Huzhou	Business Department of Haitong Securities Co., Ltd. in Shaoxi West Road, Huzhou	Nos. 277-281 (odd), Shaoxi West Road, Shaoxi Commercial & Residential Building 2, Wuxing District, Huzhou, Zhejiang	25 July 2019
4	Business Department of Haitong Securities Co., Ltd. in Jianshe Road, Xuchang	Business Department of Haitong Securities Co., Ltd. in Weiwen Road, Xuchang	3/F, 4/F & 5/F, Tianlun Building of Chunqiu Square, Jianshe Road, Xuchang	16 August 2019

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
5	Business Department of Haitong Securities Co., Ltd. in Yingze West Street, Taiyuan	Business Department of Haitong Securities Co., Ltd. in Jinci Road, Taiyuan	No. 386, Yingze West Street, Wanbailin District, Taiyuan	19 August 2019
6	Business Department of Haitong Securities Co., Ltd. in Longchuan South Road, Jiangdu	No. 139, Business Department of Haitong Securities Co., Ltd. in Wenchang East Road, Yangzhou	Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou	11 October 2019
7	Business Department of Haitong Securities Co., Ltd. in Tanghu South Road, Shuangliu	Business Department of Haitong Securities Co., Ltd. in Jiaozi North Second Road, Chengdu	3/F, Tianma Building, No. 244, Section 2 of Tanghu South Road, Dongsheng Street, Shuangliu District, Chengdu	25 October 2019
8	Business Department of Haitong Securities Co., Ltd. in Minzhu Road, Nanning	Business Department of Haitong Securities Co., Ltd. in Shuangyong Road, Nanning	1/F & 2/F, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning	21 November 2019
9	Business Department of Haitong Securities Co., Ltd. in Gaoxin South Fourth Road, Shenzhen	Business Department of Haitong Securities Co., Ltd. in High-Tech Park, Shenzhen	1703, Building 1, Block 1, Dachong Business Center (Phase II), No. 9680, Shennan Road, Dachong community, Yuehai Street, Nanshan District, Shenzhen	20 December 2019
10	Business Department of Haitong Securities Co., Ltd. in Dongfang Road, Danyang	Business Department of Haitong Securities Co., Ltd. in Jinling West Road, Danyang	Store 1-2, No. 180, Jinling West Road, Danyang	26 December 2019
11	Business Department of Haitong Securities Co., Ltd. in Pingwu Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Century Avenue, Pudong New Area, Shanghai	Room D, 1/F, No. 1777, Century Avenue, China (Shanghai) Pilot Free Trade Zone	31 December 2019

#### 4. *Administrative licensing of cessation of business departments during the Reporting Period*

No.	Name of business department	Number of approval document	Approval Date	Date of Examination Note
1	Business Department of Haitong Securities Co., Ltd. in West Shangcheng Road, Wuxing, Huzhou	Zhe Zheng Jian Xu Ke [2019] No.9	24 July 2019	27 November 2019



## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### (II) Inaugural administrative licencing matters of Directors, Supervisors and senior management

No.	Date	Contents
1	May 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Dai Li as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 24) to the Company, approving the qualification of the supervisor of securities company.
2	May 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Wu Xiangyang as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 28) to the Company, approving the qualification of the supervisor of securities company.
3	May 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Tu Xuanxuan as Director of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 27) to the Company, approving the qualification of the director of securities company.
4	June 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Xu Renzhong as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 30) to the Company, approving the qualification of the supervisor of securities company.
5	June 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Cao Yijian as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 31) to the Company, approving the qualification of the supervisor of securities company.
6	June 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Shi Xu as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 40) to the Company, approving the qualification of the supervisor of securities company.
7	June 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Zhu Hongchao as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 32) to the Company, approving the qualification of the independent director of securities company.
8	June 2019	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Zhou Yu as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 37) to the Company, approving the qualification of the independent director of securities company.

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### (III) Other Administrative Permissions

<b>Date</b>	<b>Business qualification</b>	<b>Approval organisation</b>	<b>Title of approval document</b>	<b>No. of approval</b>
1 January 2019	Permission for Printing Publication of Internal Information	Shanghai Press and Publication Bureau	Permission Number (K)0772 (valid for a year)	None

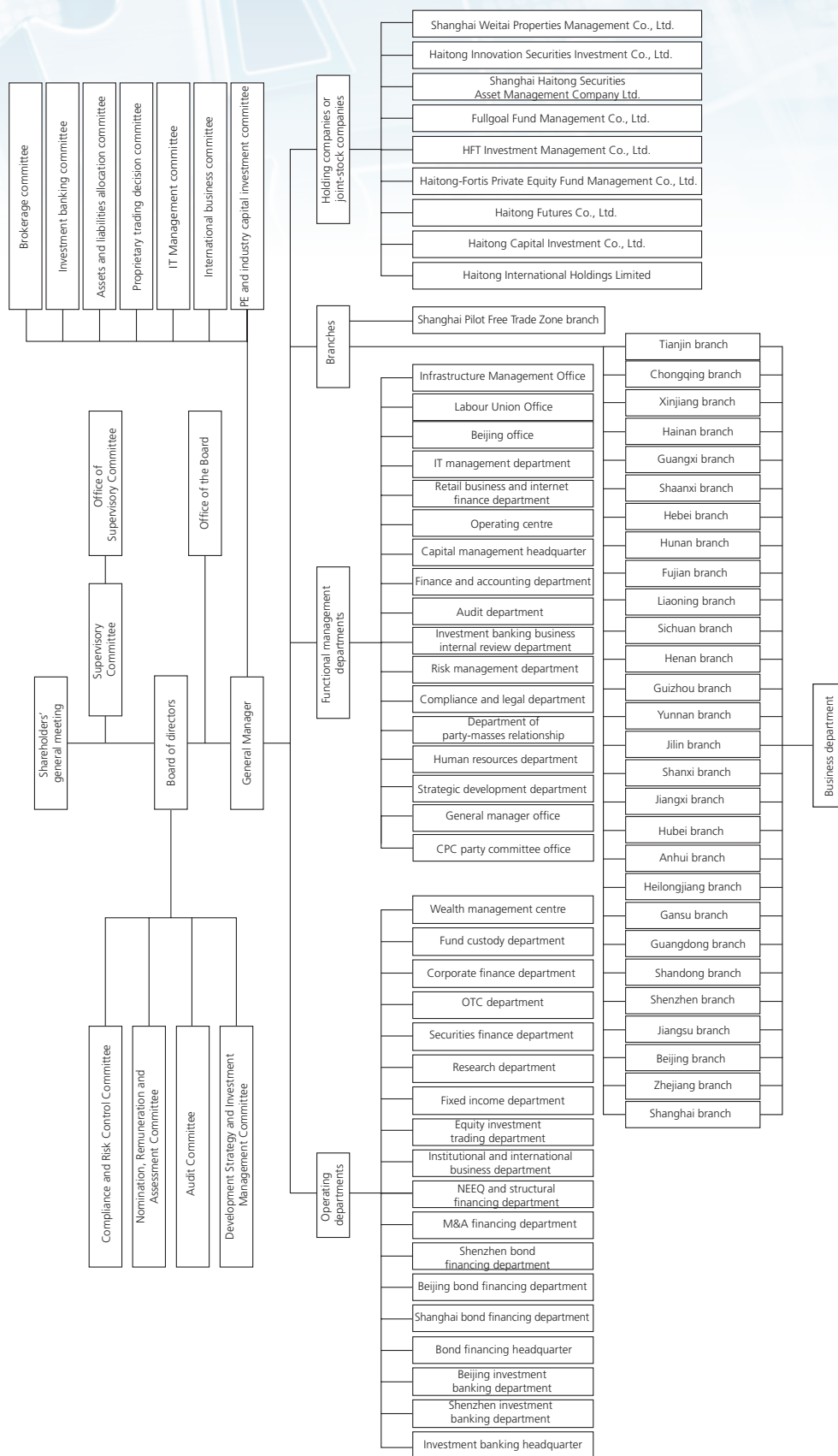
## II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2019, the Company was rated as Grade AA under Category A company in classification and evaluation of securities firms.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU JIE**  
*Chairman*

Shanghai, the PRC  
26 March 2020

# APPENDIX I: ORGANIZATIONAL STRUCTURE CHART OF HAITONG SECURITIES CO., LTD.



## APPENDIX II

### List of branches

No.	Branches	Address	Year of establishment	Person in charge
1	Shanghai branch	19, 20/F, No. 285, Jianguo West Road, Xuhui District, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	Rooms 801, 803 & 804, Dikai Yinzu, Jianggan District, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	Rooms B, C, D & E, 49/F, Times Wealth Building, No. 88, Fuhua Third Road, Futian District, Shenzhen	2009	Wu Guohua (吳國華)
5	Guangdong branch	Rooms 901-902, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou	2009	Cai Zhaopeng (蔡昭鵬)
6	Beijing branch	Room 601, 6/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin	2009	Hu Haibin (胡海斌)
8	Gansu branch	10/F, Complex, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	2009	Han Gang (韓鋼)
9	Hubei branch	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	2009	Wang Song (王宋)
10	Anhui branch	6/F, Xingdu Building, crossing between Huangshan Road and Susong Road, Baohe District, Hefei, Anhui	2009	Sun Wei (孫偉)
11	Jilin branch	Building 4, Xinglan Community (No. 550, Dajing Road), Nangan District, Changchun	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	Rooms 4504, 4505 & 4506, Lianfa Square Office Building, No. 129, Lvyin Road, Honggutan New Area, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	Units 04, 05 & 06, 16/F, Building B, China Overseas International Center, No. 8, Jinci Road Section 1, Wanbailin District, Taiyuan, Shanxi	2011	Li Benquan (李本權)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Ye Kang (葉康)
15	Guizhou branch	No. 1, 12-14/F, North Tower, South-North Building of Tianheng Building, Tianheng City Garden, Fushui North Road, Yunyan District, Guiyang, Guizhou	2011	Zhong Jian (鍾健)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Jinshui District, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)

## APPENDIX II

No.	Branches	Address	Year of establishment	Person in charge
17	Shandong branch	2/F, Building D, Shunhuayuan, No. 28, Shungeng Road, Shizhong District, Jinan, Shandong	2011	Lin Peng (林鵬)
18	Sichuan branch	No. 12, Xiaohe Street, Qingyang District, Chengdu	2011	Liu Hongzhi (劉宏志)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)
20	Fujian branch	Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	2011	Lin Yupeng (林毓鵬)
21	Guangxi branch	16/F, Building C, Guangxi Xinyi Financial Investment Building, No. 34 Shuangyong Road, Qingxiu District, Nanning	2012	Lu Xiangyang (盧向陽)
22	Hunan branch	16/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha, Hunan	2012	Song Jiaqing (宋家清)
23	Shaanxi branch	West Area, 10/F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya (孟立亞)
24	Hebei branch	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	2012	Liu Tao (劉濤)
25	Hainan branch	AVIC Building, No. 15, Longkun North Road, Haikou	2014	Xing Weichang (邢維暢)
26	Xinjiang branch	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	2014	Lin Hai (林海)
27	Shanghai Pilot Free Trade Zone branch	Unit 02, 25/F, No. 1196, Century Avenue, China (Shanghai) Pilot Free Trade Zone	2014	Xu Li (許莉)

## APPENDIX II

### List of Securities Business Departments

No.	Name of business department	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Rooms 1-2, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui	Wang Tao (王韜)
2	Bengbu Zhongrong Street Securities Business Department	Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
4	Chuzhou Tianchang East Road Securities Business Department	No. 549, Tianchang East Road, Chuzhou, Anhui	Shu Ya ming (束亞明)
5	Fuyang Qinghe East Road Securities Business Department	Building 1, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui	Wan Hao (萬浩)
6	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Wang Liguó (王立國)
7	Huaibei Xiangshan Road Securities Business Department	Rooms 1017-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, Huaibei	Huang Baohong (黃保宏)
8	Huainan Dongshan Middle Road Securities Business Department	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxing Community, Dongshan Street, Tianjia'an District, Huainan	Zhao Zhifeng (趙陟峰)
9	Liu'an Qiupai East Road Business Department	Shops S2-1022 & 2022, Outside Walking Street, Wanda Plaza, Qiupai East Road, Jin'an District, Liu'an	Qu Yue (曲樂)
10	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui	Wang Huaiqi (汪懷其)
11	Tongling Changjiang Middle Road Securities Business Department	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Xiao Lianqi (肖連齊)
12	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Zhang Haibo (張海波)
13	Suzhou Bianhe Road Securities Business Department	2/F, West Gate of the Central Square Building, Bianhe Road, Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
14	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuancheng District, Xuancheng, Anhui	Kuai Yongxiang (蒯永祥)
15	Hefei Feicui Road Securities Business Department	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Economic & Technological Development Area, Hefei, Anhui	Huang Fei (黃飛)
16	Beijing Guanghua Road Securities Business Department	Room 3-302, 3/F, Building 1, No. A8 Block, Guanghua Road, Chaoyang District, Beijing	Bai Rubin (白汝斌)
17	Beijing Workers Stadium North Road Securities Business Department	Unit 301, 3/F, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)

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No.	Name of business department	Address	Person in charge
18	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Liu Yi (劉毅)
19	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Guo Ran (郭冉)
20	Beijing Pinggu Jinxiang Road Securities Business Department	1 & 3/F, No. 1, Jinxiang Road, Pinggu District, Beijing	Yu Hao (于昊)
21	Beijing Miyun Drum Tower East Street Securities Business Department	No. 19, Drum Tower East Street, Miyun County, Beijing	Li Yuanzheng (李元正)
22	Beijing Fuwai Street Securities Business Department	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Meng Xiujuan (孟秀娟)
23	Beijing Liangmaqiao Road Securities Business Department	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Lin Yi (林鷗)
24	Tongzhou Xinhua North Road Securities Business Department	116, 1/F to 2/F, Building 3, No.4, Guanyinan South Street, Tongzhou District, Beijing	Qi Pengjin (齊彭進)
25	Fuan Yangtou Square North Road Securities Business Department	Office B05, 5/F, Building 1, Pearl along Riverside, No. 6, Yangtou Square North Road, Fu'an Urban Area, Fujian	Tang Yongbin (湯永彬)
26	Fuzhou Qunzhong Road Securities Business Department	3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	Chen Chaoying (陳朝迎)
27	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Zhu Chengkai (朱承凱)
28	Xiamen Zhanhong Road Securities Business Department	Unit 2604, International Finance Centre, No. 82, Zhanhong Road, Siming District, Xiamen	Liu Yanxiang (劉雁翔)
29	Sanming Liedong Street Securities Business Department	No. 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian	Guan Na (管娜)
30	Fuqing Qingchang Avenue Securities Business Department	Room 1206, Office Building A2, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian	Li Qiang (李強)
31	Longyan Longteng Middle Road Securities Business Department	Room 03, 2/F, Block 56-61, (City Center Garden Phase 3), No. 488, Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian	Su Weijian (蘇偉建)
32	Jinjiang Century Avenue Securities Business Department	Joint Store 62, Building 1- Building 2, Jinjiangwan Square, No. 888, Century Avenue, Meiling Street, Jinjiang, Quanzhou, Fujian	Li Yanqing (李燕清)
33	Zhangzhou Shuixian Street Securities Business Department	Room 405, Building B, No. 88, Shuixian Street, Longwen District, Zhangzhou, Fujian	Yang Guoqiang (楊國強)
34	Chengxian East Binhe Middle Road Securities Business Department	No. 21, 3/F, Unit 3, Guanshui Lijing Commercial and Residential Building, East Binhe Middle Road, Chengxian, Longnan, Gansu	Zhou Qiong (周瓊)
35	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Zhou Youxue (周有學)

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No.	Name of business department	Address	Person in charge
36	Jinchang Changchun Road Securities Business Department	China Salt Administration Building, Changchun Road, Jinchang	Xu Longshan (許龍善)
37	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Yang Junfeng (楊俊峰)
38	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Shen Ziqiang (沈自強)
39	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Wu Yong (武勇)
40	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Xu Yi (徐毅)
41	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Wang Weida (王維達)
42	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Liu Ru (劉儒)
43	Tianshui Xinhua Road Securities Business Department	1/F, Tianshui Feitian Meiju Hotel, No. 108, Xinhua Road, Qinzhou District, Tianshui, Gansu	Zhou Jun (周軍)
44	Wuwei Qilian Avenue Securities Business Department	No. 612, Qilian Avenue, Liangzhou District, Wuwei, Gansu	Qian Qian (錢茜)
45	Xining Wusi West Road Securities Business Department	2/F, Building 1, New Energy Building, No. 22 Wusi West Road, Chengxi District, Xining, Qinghai	Ren Chengxin (任承新)
46	Dongguan Shenghe Road Securities Business Department	3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Chen Yunying (陳雲穎)
47	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Lin Peigui (林培貴)
48	Guangzhou Dongfeng West Road Securities Business Department	11/F & 12/F, Tower B, Teaching and Academic Exchange Center of Guangzhou Medical University, No. 195, Dongfeng West Road, Yuexiu District, Guangzhou	Zhuang Yiqun (莊益群)
49	Guangzhou Xingang East Road Securities Business Department	Room 2601, No. 148, Xingang East Road, Haizhu District, Guangzhou	Wang Zhenghe (王正和)
50	Guangzhou Zhujiang West Road Securities Business Department	9/F (whole floor), No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Tian Xiangming (田向明)
51	Huizhou Yanda First Road Securities Business Department	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda First Road, Huizhou, Guangdong	Wang Nanwang (王南望)
52	Jieyang Puning Xinhe East Road Securities Business Department	6th and 7th from South of the Westward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Lin Dequan (林德銓)
53	Shantou Zhongshan Middle Road Securities Business Department	Rooms 203 & 303, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong	Zhu Shiqun (朱詩群)



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No.	Name of business department	Address	Person in charge
54	Shaoguan Wenhua Street Securities Business Department	1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan	Lin Hanli (林漢利)
55	Zhongshan Yuelai South Road Securities Business Department	2/F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Wang Tieping (王鐵平)
56	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai, Guangdong	Ma Chufeng (馬楚峰)
57	Guangzhou Huadu Fenghuang North Road Securities Business Department	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Huang Haixiang (黃海翔)
58	Jiangmen Yingbin Avenue West Securities Business Department	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Zhang Ming (張鳴)
59	Guangzhou Xingmin Road Securities Business Department	Room 1502, No. 222-3, Xingmin Road, Tianhe District, Guangzhou	Ou Yangting (歐陽婷)
60	Guangzhou Panyu Hanxi Avenue East Securities Business Department	Nos. 539 & 541, Hanxi Avenue East, Nancun Town, Panyu District, Guangzhou, Guangdong	Huang Shuolin (黃燦林)
61	Foshan Nanhai Jinyuan Road Securities Business Department	Shop 146-147, Starcrest Zijing Commercial, No. 8, Jinyuan Road, Guicheng Subdistrict, Nanhai District, Foshan	Li Wu (李銓)
62	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin	Zhang Lingang (張林剛)
63	Nanning Shuangyong Road Securities Business Department	16/F, Building C, Guangxi Xinyi Financial Investment Building, No.34 Shuangyong Road, Qingxiu District, Nanning	Zhang Ning (張寧)
64	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, Building 7, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Liuzhou	Ma Jun (馬俊)
65	Qinzhou Zicai West Street Securities Business Department	Shop 119, Building 1, No. 69, Zicai West Street, Qinzhou	Bin Yifeng (賓一鋒)
66	Bijie Kaihang Road Securities Business Department	No. 25, 9/F, Lianbangjinzhuo, No. 163, Kaihang Road, Mayuan Avenue, Sanshimi Avenue, Qixingguan District, Bijie, Guizhou	Peng Xianhong (彭顯洪)
67	Guiyang Fushui North Road Securities Business Department	Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Zhang Kai (章凱)
68	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, Building 1, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	Yuan Liting (袁麗婷)
69	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Crossing between Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Zhou Hong (周洪)

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No.	Name of business department	Address	Person in charge
70	Zunyi Zhonghua South Road Securities Business Department	3/F, Longjinggou Complex, Zunyi	Huang Zhiyi (黃志義)
71	Haikou Longkun North Road Securities Business Department	AVIC Building, No 15, Longkun North Road, Haikou, Hainan	Yang Haiyan (楊海燕)
72	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Gu Yue (谷悅)
73	Baoding Dongfeng East Road Securities Business Department	Ground Floor Shop, Renhe Yijia Apartment, No. 215, Dongfeng East Road, Baoding	Tian Hong (田紅)
74	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	Ma Xiaoyong (馬驍勇)
75	Shijiazhuang Zhaiying South Street Securities Business Department	Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	Ma Shang (馬上)
76	Cangzhou Shuxi Street Securities Business Department	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei	You Mu (尤牧)
77	Tangshan Youyi South Road Securities Business Department	No. 121, Youyi South Road, Lubei District, Tangshan, Hebei	Sun Chuchuan (孫楚川)
78	Luoyang Changxing Street Securities Business Department	No. 66, Changxing Street, Luolong District, Luoyang	Mao Yun (毛贇)
79	Shangqiu Minzhu Road Securities Business Department	Rooms 1309A & 1310A, Hualian International Trade Building, Minzhu Road, Liangyuan District, Shangqiu	Shen Shuaipeng (僧帥鵬)
80	Xuchang Weiwen Road Securities Business Department	1/F & 2/F, Building 1, Zhongyuan Yunding Square, No. 2019, Weiwen Road, Xuchang	Zhao Limin (趙麗敏)
81	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou, Henan	Dong Yixing (凍逸興)
82	Zhengzhou Hanghai East Road Securities Business Department	Room 2207, Building 1, Futian Wealth Plaza, No. 1394, Hanghai East Road, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)
83	Jiaozuo Tanan Road Securities Business Department	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Meng Xinke (孟信可)
84	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang	Liu Yaxuan (劉亞軒)
85	Jiagedaqi Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang	You Mingzhe (尤明哲)
86	Jiamusi Baowei Road Securities Business Department	No. 263 (Baowei Community), Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Han Min (韓民)
87	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)
88	Daqing Jingliu Street Securities Business Department	No. 47, Jingliu Street, Sa'ertu District, Daqing, Heilongjiang	Li Gaoping (李高平)

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No.	Name of business department	Address	Person in charge
89	Daqing Jingsan Street Securities Business Department	Business Outlets 1-1, 2, 3 and 4 and Business Outlets 2, 3 and 4, Block D, No. 29, Jingsan Street, Sa'ertu District, Daqing, Heilongjiang	Song Junjie (宋俊頡)
90	Daqing Honggang South Road Securities Business Department	Half of 2/F (Rooms 203, 204 & 205) & Room 402, No. 11, Honggang South Road, Honggang District, Daqing, Heilongjiang	Wang Xichen (王喜臣)
91	Harbin Heping Road Securities Business Department	Heping Building, No. 2, Heping Road, Xiangfang District, Harbin, Heilongjiang	Zhao Qun (趙群)
92	Harbin Changjiang Road Securities Business Department	No. 99-5, Changjiang Road, Nangang District, Harbin	Guo Wei (郭威)
93	Harbin Gogol Avenue Securities Business Department	3/F & 4/F, No. 278, Gogol Avenue, Nangang District, Harbin	Qu Pu (曲譜)
94	Harbin Yiman Street Securities Business Department	2/F & 3/F, No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang	Zhao Jia (趙家)
95	Harbin Tongjiang Street Securities Business Department	No. 218, Tongjiang Street, Daoli District, Harbin	Liu Songtao (劉松濤)
96	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Nangang District, Harbin	Zou Qi (鄒祺)
97	Harbin Xinyang Road Securities Business Department	No. 240, Xinyang Road, Daoli District, Harbin	Sun Lei (孫雷)
98	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin	Li Yanli (李延立)
99	Harbin Hulan Beierdao Street Securities Business Department	No. 135, Beierdao Street, Group 2, Committee 4, Shengli Street, Hulan District, Harbin	Tian Ran (田然)
100	Harbin Shuangcheng Longhua Street Securities Business Department	Business Outlets 28, 29 and 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng Town, Shuangcheng City	Yao Haitao (姚海濤)
101	Hegang East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
102	Heihe Zhongyang Street Securities Business Department	No. 258, Zhongyang Street, Aihui District, Heihe, Heilongjiang	Su Xianwu (蘇憲武)
103	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang	Zhang Chi (張弛)
104	Heihe Nenjiang Nenxing Road Securities Business Department	No. 8, Nenxing Road, Nenjiang County, Heihe, Heilongjiang	Wang Nan (王楠)
105	Jixi Hulin Hongqi Street Securities Business Department	Central Community, Hongqi Street, Hulin Town, Jixi, Heilongjiang	He Ming (何明)
106	Jixi Zhongxin Street Securities Business Department	(No. 110, Zhongxin Street), Xiangyang Office, Jiguan District, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
107	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)

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No.	Name of business department	Address	Person in charge
108	Daxing'anling Mohe Zhenxing Road Securities Business Department	Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Daxing'anling Region, Heilongjiang	Yin Ziguang (尹子光)
109	Mudanjiang Mudan Street Securities Business Department	No. 1, Mudan Street, Xi'an District, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
110	Mudanjiang Ping'an Street Securities Business Department	No. 7, West Ping'an Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
111	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75, Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang	Su Xingli (蘇興利)
112	Mudanjiang Hailin Linhai Road Securities Business Department	2/F, BOC Building, No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Yao Houyu (姚厚宇)
113	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
114	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
115	Qitaihe Datong Street Securities Business Department	No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
116	Qiqihar Bukui Street Securities Business Department	No. 42, Bukui Street, Longsha District, Qiqihar, Heilongjiang	Wang Hongwei (王宏偉)
117	Qiqihar Heping Road Securities Business Department	No. 81, Heping Road, Fularji District, Qiqihar, Heilongjiang	Liu Yi (劉義)
118	Qiqihar Anshun Road Securities Business Department	No. 6, Anshun Road, Longsha District, Qiqihar, Heilongjiang	Tian Yukun (田玉坤)
119	Shuangyashan Wuma Road Securities Business Department	No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Wang Xiaofei (王曉飛)
120	Suihua Anda Niu Street Securities Business Department	No. 235, Niu Street, Anda, Suihua, Heilongjiang	Wang Xibin (王希斌)
121	Suihua Kangzhuang Road Securities Business Department	Building 16, Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
122	Yichun Xinxing Middle Road Securities Business Department	Office Building of the City People's Congress, No. 90, Xinxing Middle Road, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
123	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Yinzuo Dijingwan (Tianmen CBD), Tianmen Xincheng, Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
124	Macheng Jinqiao Avenue Securities Business Department	(3 storefronts on the east side of 1/F of the office building of the Development and Reform Bureau), No. 61, Jinqiao Avenue, Macheng, Hubei	Yu Zhonggui (余宗貴)
125	Wuhan Zhaojiatiao Securities Business Department	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	Li Dong (李冬)

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No.	Name of business department	Address	Person in charge
126	Wuhan Zhongbei Road Securities Business Department	No. 259, Zhongbei Road, Wuchang District	Zhou Lihua (周麗華)
127	Wuhan Shisheng Road Securities Business Department	6/F, Tower A, No. 1 (Te), Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)
128	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	Huang Li (黃莉)
129	Yueyang Baling Middle Road Securities Business Department	Room 703, 7/F, Haichuan Building, No. 450, Baling Middle Road, Yueyanglou District, Yueyang	Deng Jiabin (鄧家斌)
130	Chenzhou Qingnian Avenue Securities Business Department	Room 1013, 10/F, Building 1, Yangguang Ruicheng, No. 333, Qingnian Avenue, Bailudong Street, Suxian District, Chenzhou	Li Jie (李傑)
131	Changde Langzhou Road Securities Business Department	1/F & 6/F, No. 619, Langzhou Road, Binhu Community, Chuanzi River Sub-district, Wuling District, Changde, Hunan	Liu Jianle (劉建樂)
132	Hengyang Zhengyang South Road Securities Business Department	Rooms 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Cao Songtao (曹松濤)
133	Shaoyang Minzhou Road Securities Business Department	2/F, Shaoyang Food Bureau, Minzhou East Road, Daxiang District, Shaoyang	Liu Lei (劉磊)
134	Changsha Wuyi Avenue Securities Business Department	1/F & 6/F, Yinhua Building, No. 618, Wuyi Avenue, Changsha, Hunan	Li Ying (李穎)
135	Dongfeng Dongfeng Road Securities Business Department	Rooms 1-4, Building 2, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Wei Jinliang (蔚金良)
136	Jilin Nanjing Street Securities Business Department	No. 104, Nanjing Street, Jilin, Jilin	Song Baohong (宋寶紅)
137	Liaoyuan Renmin Avenue Securities Business Department	No. 2853, Renmin Avenue, Longshan District, Liaoyuan, Jilin	Qin Jingbo (秦靖波)
138	Songyuan Wulan Street Securities Business Department	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin	Zhang Hongtao (張洪濤)
139	Changchun Dajing Road Securities Business Department	No. 550, Dajing Road, Nangan District, Changchun, Jilin	Zheng Weichao (鄭偉超)
140	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong, Jiangsu	Zhang Fugui (張富貴)
141	Changshu Haiyu North Road Securities Business Department	No. 20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)
142	Changzhou Jianshen Road Securities Business Department	No. 16, Jianshen Road, Changzhou, Jiangsu	Chen Zhiping (陳志平)
143	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu	Zhang Lei (張蕾)

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No.	Name of business department	Address	Person in charge
144	Danyang Jinling West Road Securities Business	Store 1-2, No. 180, Jinling West Road, Danyang	Ma Yuefeng (馬躍峰)
145	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an, Jiangsu	Liang Liang (梁樑)
146	Yangzhou Wenchang East Road Securities Business Department	Rooms 296 & 298, Building S2, Merlion Garden, No. 368, Wenchang East Road, Jiandu District, Yangzhou	Qiao Leizhang (喬雷璋)
147	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Ren Xiaoping (任筱萍)
148	Kunshan Tongfeng Road Securities Business Department	Nos. 347 & 349, Tongfeng Road, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu	Xu Jianqiang (徐建強)
149	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No. 28, Yanshan Middle Road, Licheng Town, Liyang, Jiangsu	Jiang Yi (姜怡)
150	Lianyungang Julong South Road Securities Business Department	Room 110, Building 5, Junyue Fortune Plaza, No. 66, Julong South Road, Lianyungang, Jiangsu	Cun Jiansong (寸建松)
151	Nanjing Changfu Street Securities Business Department	No. 85-7, Changfu Street, Qinhuai District, Nanjing, Jiangsu	Xu Xuchao (徐旭超)
152	Nanjing Guangzhou Road Securities Business Department	No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu	Qian Jingxing (錢敬星)
153	Nantong Renmin Middle Road Securities Business Department	No. 23-6, Renmin Middle Road, Nantong, Jiangsu	Liao Pengfei (繆鵬飛)
154	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou, Jiangsu	Yue Lan (岳嵐)
155	Taicang Renmin South Road Securities Business Department	Room 107, No. 168, Renmin South Road, Taicang, Jiangsu	Huang Yingda (黃穎達)
156	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing, Jiangsu	Huang He (黃何)
157	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou	Xing Yi (邢翼)
158	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Zhang Wei (張瑋)
159	Suqian Huanghe South Road Securities Business Department	Room C104, Podium, Building 6, Jintian Lake Spring, Huanghe South Road, Sucheng District, Suqian	Wang Xuefeng (王雪峰)
160	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Chen Lu (陳律)
161	Yancheng Jianjun Middle Road Securities Business Department	Room 201 (1), Complex Building, No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
162	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou, Jiangsu	Xue Xiaoyan (薛曉雁)

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No.	Name of business department	Address	Person in charge
163	Yixing Jiubin South Road Securities Business Department	No. 63, 65 & 67, Jiubin Avenue, Yicheng Street, Yixing, Jiangsu	Pan Jun (潘駿)
164	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu	Zhu Cuihong (朱翠紅)
165	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, Zhenjiang, Jiangsu	Liang Zheng (梁正)
166	Suzhou Lize Road Securities Business Department	Room 102, Building 4, Zhentai Community, Songling Town, Wujiang District, Suzhou, Jiangsu	Shu Mingqing (舒明清)
167	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County, Yangzhou, Jiangsu	Cui Junlan (崔俊嵐)
168	Yancheng Funing Shanghai Road Securities Business Department	Store (C), 1F, 05 & 06, Building 1, Jincheng Times Square, Groups 2 & 3, Cuiwan Village, Fucheng Town, Funing County, Yancheng	Xu Qijun (徐其俊)
169	Yingtian Wuzhou Road Securities Business Department	No. 9, Building 1, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Peng Chao (彭超)
170	Jingdezhen Cidu Avenue Securities Business Department	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Tang Liting (唐麗婷)
171	Jiujiang Xunyang East Road Securities Business Department	3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Chin Jun (秦俊)
172	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Zhong Jinying (鍾瑾瑛)
173	Ganzhou Hongqi Avenue Securities Business Department	Building 1, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Liang Xiaohui (梁小輝)
174	Nanchang Nanjing East Road Securities Business Department	Rooms 211-213, 2/F, Office Building, Tianyu International Building, No. 399, Nanjing East Road, Qingshanhu District, Nanchang, Jiangxi	Yang Hai (楊海)
175	Pingxiang Chuping East Road Securities Business Department	27/F, Comprehensive Building 1, No. 98, Chu Ping East Road, An Yuan District, Pingxiang City, Jiangxi	Yu Li (余立)
176	Shangrao Jiefang Road Securities Business Department	Flat 1-2-1, No. 6, Jiefang Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
177	Xinyu Laodong South Road Securities Business Department	No. 1, Laodong South Road, Xinyu, Jiangxi	Zhu Farong (朱發榮)
178	Xinyu Fenyi Fuqian Road Securities Business Department	Building 101/320/370-374, Block A, North Side of Qianyang Road (Dream Times Square), East Side of Fuqian Road, Fenyi County, Xinyu, Jiangxi	Fei Jun (費俊)
179	Yichun Yuanshan Middle Road Securities Business Department	No. 695, Yuanshan Middle Road, Yuanzhou District, Yichun, Jiangxi	Li Guohua (李國華)
180	Yingkou Hudiequan Road Securities Business Department	Outlet 7#, 10#/F, Yinhewan, No. 36-6, Hudiequan Road, Bayuquan District, Yingkou	Jiang Dayong (姜大勇)

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No.	Name of business department	Address	Person in charge
181	Dandong Xingwu Road Securities Business Department	Building 1, Bawai, Xingwu Road, Zhenxing District, Dandong	Wang Liang (王亮)
182	Anshan Erdao Street Securities Business Department	No. 90, Erdao Street, Tiedong District, Anshan	Liu Na (劉娜)
183	Anshan Xiuyan Securities Business Department	Street No. 1 (located in West Unit 7 and Unit 8 of Building No. 2 Yihua Yuan), Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning	Hong Yangyang (洪洋洋)
184	Dalian Tianjin Street Securities Business Department	No. 91, Tianjin Street, Zhongshan District, Dalian	Qiao Wenxuan (喬文選)
185	Panjin Shuangxin Road Securities Business Department	No. 177, Shuangxing South Road, Xinglongtai District, Panjin, Liaoning	Yang Fan (楊帆)
186	Shenyang Daxi Road Securities Business Department	No. 364, Daxi Road, Shenhe District, Shenyang	Wang Qun (王群)
187	Yingkou Liaohe Street Securities Business Department	No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Wei Chunmin (衛春敏)
188	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Tang Hongyu (湯宏宇)
189	Weifang Dongfeng West Street Securities Business Department	Room 2-04, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong	Lv Zhicheng (呂志成)
190	Linyi Suhe South Street Securities Business Department	Room 103, Building 1, No. 46-1, Suhe South Street, Lanshan District, Linyi, Shandong	Han Jianfei (韓建飛)
191	Dongying Beiyi Road Securities Business Department	E-106, No. 730, Beiyi Road, Dongying District, Dongying, Shandong	Xu Yongjian (許永健)
192	Feicheng Xincheng Road Securities Business Department	No. 039, Xincheng Road, Feicheng, Shandong	Liu Shanshun (劉善順)
193	Jinan Quancheng Road Securities Business Department	No. 13, Quancheng Road, Lixia District, Jinan, Shandong	Yu Hongquan (于洪泉)
194	Jinan Hongjialou South Road Securities Business Department	No. 25, Hongjialou South Road, Jinan, Shandong	Zhou Xi (周熙)
195	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Jiao Xuefu (焦學福)
196	Qingdao Zhanshan First Road Securities Business Department	No. 25, Zhanshan First Road, Shinan District, Qingdao	Cui Ning (崔寧)
197	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Kong Liqian (孔力前)
198	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an, Shandong	Xiang Ying (項穎)
199	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai, Shandong	Tang Qiong (湯瓊)



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No.	Name of business department	Address	Person in charge
200	Yantai Jiefang Road Securities Business Department	No. 164, Jiefang Road, Zhifu District, Yantai	Qi Jieyun (齊潔雲)
201	Zaozhuang Yanshan Road Securities Business Department	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang, Shandong	Wang Peng (王鵬)
202	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong	Zhao Qun (趙群)
203	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
204	Zibo Huantai Dongyue Road Securities Business Department	2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Huantai County, Zibo, Shandong	Zhang Yong (張勇)
205	Liaocheng Dongchang Road Securities Business Department	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong	Wang Pengfei (王鵬飛)
206	Jincheng Huanghua Street Securities Business Department	First Floor Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng Urban Area, Shanxi	Yang Yong (楊勇)
207	Taiyuan Xinjian Road Securities Business Department	No. 92, Xinjian Road, Taiyuan, Shanxi	Liu Hong (劉虹)
208	Taiyuan Jinci Road Securities Business Department	Commercial No. 1006, No.91, Jinci Road, Wanbailin District, Taiyuan	Feng Bing (馮冰)
209	Taiyuan North Street Securities Business Department	No. 109, North Street, Xinghualing District, Taiyuan	Du Yuqing (都玉清)
210	Taiyuan Pingyang Road Securities Business Department	No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi	Zhang Bin (張濱)
211	Datong Xiangyang Street Securities Business Department	No. 14, Xiangyang Street, Datong Urban Area	Li Wei (李瑋)
212	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji, Shaanxi	Liu Zhao (劉昭)
213	Hanzhong Tianhan Avenue Securities Business Department	BOC Building, Tianhan Avenue, Hantai District, Hanzhong, Shaanxi	Wang Peng (王鵬)
214	Xi'an Xixin Street Securities Business Department	10/F (Nos. 11001 & 11002 of Building 1), Haixing Intelligent Square, No. 11, Xixin Street, Xincheng District, Xi'an	He Qian (何倩)
215	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1, Shenxing North Road, Qingdu District, Xianyang	Zhao Chenguang (趙晨光)
216	Yulin Yuyang Securities Business Department	Room 01, 3/F, No. 112, Shangjun North Road, Yuyang District, Yulin, Shaanxi	Chen Jian (陳劍)
217	Yinchuan Wenhua West Street Securities Business Department	Room B07, 12/F, Block B, Yinchuan International Trade Center, No.106, Wenhua West Street, Xingqing District, Yinchuan	Wu Wei (武偉)

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No.	Name of business department	Address	Person in charge
218	Shanghai Xuanhua Road Securities Business Department	Room 709-711, No. 300, Xuanhua Road, Changning District, Shanghai	Lu Kaiyi (陸凱誼)
219	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Shanghai	Zhu Ying (朱瑩)
220	Shanghai Huangpu District Fuzhou Road Securities Business Department	No. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road of Huangpu District, Shanghai	Du Jun (杜峻)
221	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758, Fuhai Road, Jiading District, Shanghai	Yuan Yangdong (袁楊棟)
222	Shanghai Pudong South Road Securities Business Department	1/F and units J, K, L, M, N, O of 25/F, No. 379 Pudong South Road, China (Shanghai) Pilot Free Trade Zone	Zhou Wei (周韡)
223	Shanghai Mudanjiang Road Securities Business Department	No. 263-265, Mudanjiang Road, Shanghai	Lu Yan (陸雁)
224	Shanghai Gonghexin Road Securities Business Department	Room 101, No. 3703, Gonghexin Road, Zhabei District, Shanghai	Lu Zhiquan (盧志泉)
225	Shanghai Zhongdeqiao Road Securities Business Department	No. 2, Zhongdeqiao Road, Shanghai	Cheng Lin (成琳)
226	Shanghai Putuo District Dahua First Road Securities Business Department	Rooms 101, 102, 103, 104, 1/F & Rooms 201 & 202, 2/F, No. 6, Lane 239, Dahua First Road, Putuo District, Shanghai	Wang Yuan (王園)
227	Shanghai Gushan Road Securities Business Department	1/F & 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Zhang Yingxia (張穎俠)
228	Shanghai Pudong New Area Century Avenue Securities Business Department	Room D, 1/F, No. 1777, Century Avenue, China (Shanghai) Pilot Free Trade Zone	Zhang Minghua (張明華)
229	Shanghai Putuo District Yichuan Road Securities Business Department	1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai	Lou Gang (樓剛)
230	Shanghai Jianguo West Road Securities Business Department	No. 285, Jianguo West Road, Shanghai	Zhou Jie (周杰)
231	Shanghai Hongkou District Xinjian Road Securities Business Department	Ground floor & 2/F, No. 207 & 211, Xinjian Road, Hongkou District, Shanghai	Xie Wenbo (謝聞博)
232	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Yu Yonghao (于永浩)
233	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Putuo District, Shanghai	Du Shuang (杜霜)
234	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road	Li Jianxin (李建新)
235	Shanghai Hefei Road Securities Business Department	No. 293, Hefei Road, Huangpu District, Shanghai	Wang Yi (王軼)
236	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Zhang Feng (張峰)

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No.	Name of business department	Address	Person in charge
237	Shanghai Yutian Branch Road Securities Business Department	1-3/F, No. 11, Yutian Branch Road, Shanghai	Lin Jia (林佳)
238	Shanghai Jinshan District Weiqing West Road Securities Business Department	No. 612, Weiqing West Road, Jinshan District, Shanghai	Liao Dayu (廖達愉)
239	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, Fengxian District, Shanghai	Zhang Cheng (張成)
240	Shanghai Putuo District Tongchuan Road Securities Business Department	Rooms 102, 125 & 335-345, No. 1601-1613 (odd), Tongchuan Road, Putuo District, Shanghai	Xu Lan (徐嵐)
241	Shanghai Minhang District Wuzhong Road Securities Business Department	B101, 4/F, Building 6, No. 1059, Wuzhong Road, Minhang District, Shanghai	Si Anxiang (司安祥)
242	Shanghai Changning District Tianshan West Road Securities Business Department	1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai	Gu Hongman (谷紅漫)
243	Shanghai Xuhui District Liuzhou Road Securities Business Department	Rooms 109, 703-2, 704, No. 138, Liuzhou Road, Xuhui District, Shanghai	Mao Jiajun (茅佳俊)
244	Shanghai Putuo District Zaoyang Road Securities Business Department	3/F, Building 1, No. 182, Zaoyang Road, Putuo District, Shanghai	Yang Na (楊娜)
245	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road, Shanghai	Wang Yajun (王雅君)
246	Shanghai Songjiang District Renmin North Road Securities Business Department	No. 5, 6, 7 & 8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Song Lina (宋麗娜)
247	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Xu Jun (徐俊)
248	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Renci (張任慈)
249	Shanghai Chongming District Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming District, Shanghai	Chen Hao (陳浩)
250	Shenzhen Baoyuan Road Securities Business Department	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Street, Bao'an District, Shenzhen	Yang Kenan (楊科南)
251	Shenzhen Haide Third Road Securities Business Department	Rooms 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
252	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Shen Zhijing (沈志敬)
253	Shenzhen Branch Huaifu Road Securities Business Department	Room 500, Nanguang Building, No. 1004, Huaifu Road, Huahang Community, Huaqiang North Road, Futian District, Shenzhen	Bao Weihua (包衛華)
254	Shenzhen Branch Hongling South Road Securities Business Department	Shop B, 3/F, Podiums No. 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Luo Jianbin (羅建斌)

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No.	Name of business department	Address	Person in charge
255	Shenzhen Jintian Road Securities Business Department	1603-1605, Building 1, Huanggang Business Centre/Excellence Century Centre, Southeast of the Junction of Fuhua 3rd Road and Jintian Road, Fushan Community, Futian Subdistrict, Futian District, Shenzhen	Huang Kun (黃琨)
256	Shenzhen Jingtian Road Securities Business Department	Room 201, Ruida Court, Jingtian Road, Lotus Subdistrict, Futian District, Shenzhen	Wang Lei (王磊)
257	Shenzhen Shennan Avenue Securities Business Department	Rooms 2912-2915, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉燁吉)
258	Shenzhen High-Tech Park Securities Business Department	1703, Building 1, Block 1, Dachong Business Center (Phase II), No. 9680, Shennan Road, Dachong Community, Yuehai Subdistrict, Nanshan District, Shenzhen	Lin Xinmeng (林新孟)
259	Shenzhen Meilin Road Securities Business Department	6/F, ZTE R&D Building, No. 13 Gaoxin South Road Four, Nanshan District, Shenzhen	Nie Jing (聶靜)
260	Shenzhen Binhe Avenue Securities Business Department	1902, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen	Wang Feng (汪豐)
261	Shenzhen Longhua Securities Business Department	35#C, Zhongyang Yuanzhe Garden Cang Long Yuan, Daling Community, Minzhi Subdistrict, Longhua District, Shenzhen	Zhuang Yongxu (莊永許)
262	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu	Qi Yan (齊燕)
263	Chengdu Jinfeng Road Securities Business Department	No. 201, 2/F, No. 1-1, Jinfeng Road, Qingyang District, Chengdu	Xu Jianqiang (徐建強)
264	Chengdu Jiaozi North Second Road Securities Business Department	1/F, No. 60, Jiaozi North 2nd Road, Hi-tech Zone, Chengdu	Lang Yanyan (郎妍妍)
265	Leshan Tongyue Road Securities Business Department	Room 1, Building 2, No. 26, Tongyue Road, Shizhong District, Leshan	Tan Yulong (譚喻隆)
266	Mianyang Changhong Avenue Securities Business Department	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	Liu Nian (劉念)
267	Zigong Dangui Street Securities Business Department	No. 407, 4/F, Taifeng Commercial Exhibition Center, No. 80, Dangui Street, Ziliujing District, Zigong, Sichuan	Chen Xuefeng (陳雪峰)
268	Tianjin Shuishang Gongyuan East Road Securities Business Department	5/F, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	Ren Yu (任宇)

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No.	Name of business department	Address	Person in charge
269	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Urumqi	He Qun (何群)
270	Karamay Junggar Road Securities Business Department	No. 220, Junggar Road (Building 8, New Word Commercial Street), Karamay, Xinjiang	Liu Cengceng (劉層層)
271	Shihezi Beiyi Road Securities Business Department	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Dong Weijun (董偉軍)
272	Dali Yuhua Road Securities Business Department	No. 13, Yuhua Road, Xiaguan Town, Dali, Dali Bai Autonomous Prefecture, Yunnan	Tong Wanlin (童婉琳)
273	Mile Ranweng Road Securities Business Department	Yixin Community Shop, Ranweng West Road, Mile, Honghe Prefecture, Yunnan	Chen Junjun (陳俊駿)
274	Jinghong Galan Middle Road Securities Business Department	No. 100, Galan Middle Road, Jinghong, Yunnan	Luo Yanping (羅艷萍)
275	Kunming Dongfeng West Road Securities Business Department	No. 162, Dongfeng West Road, Kunming	Zheng Li (鄭莉)
276	Kunming Hongjin Road Securities Business Department	No. 101, Unit 1, Block 26, Jiangdong Ankangyuan, Wuhua District, Kunming, Yunnan	Huang Fen (黃芬)
277	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandu District, Lishui, Zhejiang	He Zheng (何嶢)
278	Xinchang Qixing Road Securities Business Department	No. 166, Qixing Road, Xinchang County	Zhang Minhua (張敏華)
279	Hangzhou Jiefang Road Securities Business Department	No. 138, Jiefang Road, Hangzhou, Zhejiang	Wang Zheng (汪嶢)
280	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Xiacheng District, Hangzhou, Zhejiang	Ma Jie (馬劼)
281	Hangzhou Wenhua Road Securities Business Department	No. 208, Wenhua Road, Chengxiang Street, Xiaoshan District, Hangzhou, Zhejiang	Yu Guoping (俞國平)
282	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District, Hangzhou, Zhejiang	Mu Miao (繆苗)
283	Huzhou Shaoxi West Road Securities Business Department	Nos. 277-281 (odd), Shaoxi West Road, Shaoxi Commercial & Residential Building 2, Wuxing District, Huzhou, Zhejiang	Fei Jianping (費建平)
284	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
285	Ninbo Zhongshan East Road Securities Business Department	Room (2-1), No. 922, Zhongshan East Road, Yinzhou District, Ningbo, Zhejiang	Wang Yong (王甬)
286	Ningbo Jiefang North Road Securities Business Department	No. 136-148, Jiefang North Road, Haishu District, Ningbo	Mei Wensheng (梅文勝)
287	Cixi Bei'erhuan East Road Securities Business Department	Room 108, No. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Ge Qiming (葛啓明)

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No.	Name of business department	Address	Person in charge
288	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Road, Baiguan Avenue, Shangyu District, Shaoxing, Zhejiang	Pan Wei (潘偉)
289	Shaoxing Laodong Road Securities Business Department	No. 158, Laodong Road, Shaoxing, Zhejiang	Xu Bin (徐斌)
290	Shengzhou Xiqian Street Securities Business Department	No. 89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
291	Wenzhou Jinxiu Road Securities Business Department	Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou	Zhu Lianyou (朱連有)
292	Yiwu Binwang Road Securities Business Department	1-3/F, No. 226, Binwang Road, Choucheng Street, Yiwu, Zhejiang	Pan Jingxia (潘靜霞)
293	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Yu Zhihao (俞智浩)
294	Zhuji Genta East Road Securities Business Department	No. 24, Genta East Road, Jiyang Street, Zhuji	Gao Hongming (高洪銘)
295	Jinhua Huixi Street Securities Business Department	No.196, Huixi Street, Chengbei Subdistrict, Wucheng District, Jinhua, Zhejiang	Wang Haiqin (汪海琴)
296	Taizhou Shifu Avenue Securities Business Department	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Zheng Yawen (鄭雅文)
297	Hangzhou Jiefang East Road Fortune Financial Center Securities Business Department	Room 1007, Building 2, Fortune Financial Center, No. 37, Jiefang East Road, Jianggan District, Hangzhou, Zhejiang	Gao Jinxiao (高金嘯)
298	Hangzhou Jinhua South Road Securities Business Department	Room 510, Building 2, Ocean International Center, Gongshu District, Hangzhou, Zhejiang	Yang Yi (楊溢)
299	Chongqing Jinlong Road Securities Business Department	Unit 3-Business 4, Building 10, Caixin City International, No. 261-21, Jinlong Road, Longxi Street, Yubei District, Chongqing	Li Guojing (李國靜)
300	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yang Zhou (楊洲)

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF  
**HAITONG SECURITIES CO., LTD.**

(incorporated in the People's Republic of China with limited liability)

## Opinion

We have audited the consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 277 to 492 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### **Provision of expected credit loss (“ECL”) for advances to customers on margin financing , financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements**

We identified the provision of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables, and receivables arising from sale and leaseback arrangements as a key audit matter because the aggregate amount of above mentioned assets is material and it requires judgment and estimation to determine the amount of expected credit loss.

The measurement model for ECL involves significant judgements and estimations, including determination of whether there is significant increase in credit risk or credit impaired, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information.

As disclosed in Notes 42, 34, 27, and 28, respectively, as at 31 December 2019, the Group held advances to customers on margin financing of RMB53,906 million, less ECL of RMB1,108 million; financial assets held under resale agreements of RMB58,416 million, less ECL of RMB931 million; finance lease receivables of RMB54,364 million, less ECL of RMB1,423 million; and receivables arising from sale and leaseback arrangements of RMB22,193 million, less ECL of RMB249 million.

Our procedures in relation to the provision of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables, and receivables arising from sale and leaseback arrangements included:

- Understanding and testing the key controls over the Group’s credit risk management and practice in relation to the measurement model for ECL under IFRS 9, including ongoing model monitoring, validation and governance;
- Evaluating the appropriateness of the measurement model for ECL, including the critical assumptions and parameters used in the model, the determination of significant increase in credit risk or credit impaired, and forward-looking information used in the model; and on a sample basis testing the key data sources used; and
- For credit-impaired assets under Stage 3, on a sample basis, assessing the reasonableness of the estimates in the amount and timing of future cash flows made by the management by reference to operating performances of the borrowers and realization of collateral etc.



# INDEPENDENT AUDITOR'S REPORT

## Key audit matter

## How our audit addressed the key audit matter

### **Impairment of goodwill**

We identify the impairment of goodwill as a key audit matter due to the significant judgement applied by the management in assessing impairment.

As disclosed in Note 4, the Group determines whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value.

As at 31 December 2019, the Group held goodwill of RMB4,134 million. Details of goodwill and impairment testing on goodwill are set out in Note 21 and 23 respectively.

Our audit procedures in relation to management's impairment assessment of goodwill included:

- Understanding and testing the key controls of management over the impairment assessment of goodwill;
- Examining the estimation of the value in use of the cash-generating unit to which goodwill has been allocated and understanding the financial positions and future prospects of the cash-generating units;
- Evaluating the reasonableness of key inputs and assumptions adopted by management in estimations of value in use of the cash-generating units, including projections of cash flows, discount rates and growth rates applied by checking approved financial budget of those cash-generating unit, evaluating the reasonableness of these budgets with reference to the past performance as well as our knowledge of the business; and
- Involving internal valuation experts in reviewing the appropriateness of the discounted rates used in the calculation of value in use of certain cash-generating units.

# INDEPENDENT AUDITOR'S REPORT

## Key audit matter

## How our audit addressed the key audit matter

### Consolidation of structured entities

We identified consolidation of structured entities as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as the investment manager. The Group applied significant judgement in determining whether the Group should consolidate these structured entities. The consolidation or not of these structured entities will have a significant impact on the consolidated statement of financial position of the Group.

As disclosed in Note 4, for collective asset management schemes and investment funds where the Group is involved as the manager, the Group assesses whether the combination of investments it holds together with its remuneration, credit enhancement and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of a principal.

Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 25 and 29 to the consolidated financial statements respectively.

Our procedures in relation to consolidation of structured entities included:

- Understanding and testing the key controls of the management in assessing consolidation of structured entities;
- Checking the information used by the management in assessing the consolidation criteria of significant structured entities such as the related service agreements and other agreements of interests in structured entities newly established, invested or with changes in the proportion of ownership interest or constructed terms during the year on a sample basis; and
- For the sample selected, assessing management judgement in assessing consolidation for each of the significant structured entities and the conclusions about whether or not the consolidation criteria are met.

# INDEPENDENT AUDITOR'S REPORT

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in the independent auditor's report is Eric Tong.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

26 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Commission and fee income	6	12,628,260	9,852,687
Interest income	7	13,631,113	14,248,355
Finance lease income	7	4,552,042	3,698,412
Investment income and gains (net)	8	11,450,319	3,483,520
		<b>42,261,734</b>	31,282,974
Other income and gains	9	9,290,378	7,386,733
Total revenue, gains and other income		<b>51,552,112</b>	38,669,707
Depreciation and amortisation	10	(1,128,068)	(558,166)
Staff costs	11	(7,313,379)	(5,929,829)
Commission to account executives		(454,539)	(504,297)
Brokerage transaction fees and other services expenses	12	(2,244,365)	(834,025)
Interest expenses	13	(14,035,306)	(13,126,493)
Impairment losses under expected credit loss model	14	(2,847,410)	(1,622,167)
Impairment losses on other assets		(16,447)	(25,060)
Other expenses	15	(9,790,321)	(8,532,013)
Total expenses		<b>(37,829,835)</b>	(31,132,050)
Share of results of associates and joint ventures		149,644	32,709
Profit before income tax		13,871,921	7,570,366
Income tax expense	16	(3,331,258)	(1,799,658)
Profit for the year		<b>10,540,663</b>	5,770,708
Attributable to:			
Owners of the Company		9,523,248	5,211,093
Non-controlling interests		1,017,415	559,615
Including: Perpetual notes		50,148	49,897
		<b>10,540,663</b>	5,770,708
Earnings per share (Expressed in RMB per share)			
– Basic	17	0.83	0.45
– Diluted	17	0.83	0.45

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year	<b>10,540,663</b>	5,770,708
Other comprehensive income/(expenses):		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit obligations	<b>(28,705)</b>	(20,166)
Fair value gains/(losses) on equity instruments measured at fair value through other comprehensive income	<b>790,998</b>	(2,039,573)
Income tax impact	<b>(198,760)</b>	509,893
Subtotal	<b>563,533</b>	(1,549,846)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>29,041</b>	17,109
Fair value gains on hedging instrument designated in cash flow hedges	<b>2,502</b>	–
Fair value gains on hedges of net investments in foreign operations	<b>94,155</b>	152,998
Fair value gains/(losses) on debt instruments measured at fair value through other comprehensive income		
Net fair value changes during the year	<b>(566,680)</b>	60,018
Reclassification adjustment to profit or loss on disposal	<b>(34,593)</b>	(38,370)
Reclassification adjustment to profit or loss for expected credit losses	<b>461,704</b>	34,636
Income tax relating to components of other comprehensive income	<b>39,391</b>	(31,274)
Share of other comprehensive of income/(expense) associates and joint ventures, net of related income tax	<b>71,043</b>	(231,985)
Subtotal	<b>96,563</b>	(36,868)
Other comprehensive income/(expenses) for the year (net of tax)	<b>660,096</b>	(1,586,714)
Total comprehensive income for the year	<b>11,200,759</b>	4,183,994
Attributable to:		
Owners of the Company	<b>9,858,692</b>	3,092,588
Non-controlling interests	<b>1,342,067</b>	1,091,406
Including: Perpetual notes	<b>50,030</b>	50,065
	<b>11,200,759</b>	4,183,994

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
Non-current assets			
Property and equipment	18	6,714,638	6,044,423
Right-of-use assets	19	1,774,060	–
Investment properties	20	176,839	213,429
Goodwill	21	4,134,434	4,046,190
Other intangible assets	22	546,059	517,795
Investments accounted for using equity method	26	4,942,938	5,312,881
Finance lease receivables	27	24,786,256	30,824,664
Receivables arising from sale and leaseback arrangements	28	13,148,660	–
Equity instruments at fair value through other comprehensive income	30	15,783,978	15,228,291
Debt instruments at fair value through other comprehensive income	31	7,551,256	5,768,988
Debt instruments measured at amortised cost	32	2,624,093	679,214
Financial assets at fair value through profit or loss	33	21,562,385	18,368,406
Financial assets held under resale agreements	34	17,137,937	11,002,055
Other loans and receivables	35	4,761,754	5,647,819
Loans and advances	36	2,695,362	3,744,563
Deferred tax assets	37	3,143,086	3,241,202
Deposits with exchanges	38	1,152,342	1,381,539
Restricted bank balances and cash	39	966,912	739,260
Other non-current assets	41	1,787,754	1,179,204
<b>Total non-current assets</b>		<b>135,390,743</b>	<b>113,939,923</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
<b>Current assets</b>			
Advances to customers on margin financing	42	52,797,926	48,861,009
Accounts receivable	43	9,752,377	8,257,214
Finance lease receivables	27	28,155,387	30,828,048
Receivables arising from sale and leaseback arrangements	28	8,795,032	–
Debt instruments at fair value through other comprehensive income	31	3,602,965	9,362,242
Debt instruments measured at amortised cost	32	–	4,082
Financial assets at fair value through profit or loss	33	198,030,685	158,837,008
Derivative financial assets	44	1,516,496	1,780,757
Financial assets held under resale agreements	34	40,347,256	71,676,737
Other loans and receivables	35	20,222,329	14,043,711
Loans and advances	36	611,826	618,924
Other current assets	45	3,215,757	3,031,728
Placements to banks and other financial institutions		90,085	31,144
Deposits with exchanges	38	9,603,759	5,601,350
Clearing settlement funds	46	8,611,101	7,646,561
Deposits with central banks	47	4,783,145	2,426,236
Deposits with other banks	47	204,669	253,908
Bank balances and cash	39	111,062,093	97,423,052
<b>Total current assets</b>		<b>501,402,888</b>	460,683,711
<b>Total assets</b>		<b>636,793,631</b>	574,623,634

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
Current liabilities			
Borrowings	48	57,040,864	52,489,162
Short-term financing bills payables	49	32,206,855	26,537,968
Bonds payable	50	43,699,917	41,923,410
Accounts payable to brokerage clients	51	87,464,142	71,893,535
Customer accounts	52	2,873,637	2,160,326
Contract liabilities	53	182,998	284,005
Other payables and accruals	54	17,748,106	13,455,014
Lease liabilities	19	372,395	–
Provisions	55	75,080	145,107
Tax liabilities		1,976,794	1,535,337
Financial liabilities at fair value through profit or loss	56	26,211,555	23,862,827
Derivative financial liabilities	44	2,170,599	2,218,774
Financial assets sold under repurchase agreements	57	68,877,678	56,372,903
Placements from banks and other financial institutions	58	14,421,611	8,482,577
Deposits from central banks		171,941	470,838
Deposits from other banks	59	3,099	19,950
<b>Total current liabilities</b>		<b>355,497,271</b>	<b>301,851,733</b>
<b>Net current assets</b>		<b>145,905,617</b>	<b>158,831,978</b>
<b>Total assets less current liabilities</b>		<b>281,296,360</b>	<b>272,771,901</b>
Equity			
Share capital	60	11,501,700	11,501,700
Capital reserve		56,526,247	56,405,921
Revaluation reserve	61	114,007	(400,148)
Translation reserve		(1,002,905)	(803,870)
General reserves	62	22,092,447	19,819,343
Retained profits	62	36,859,497	31,335,629

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
Equity attributable to owners of the Company		<b>126,090,993</b>	117,858,575
Non-controlling interests		<b>15,027,750</b>	12,327,344
Including: Perpetual notes	63	<b>1,266,372</b>	1,266,286
<b>Total equity</b>		<b>141,118,743</b>	130,185,919
Non-current liabilities			
Long-term payables	64	<b>8,109,336</b>	6,664,935
Deferred tax liabilities	37	<b>251,079</b>	206,710
Long-term borrowings	48	<b>31,084,259</b>	27,714,158
Bonds payable	50	<b>89,042,454</b>	98,223,447
Other payables and accruals	54	<b>996,696</b>	1,197,086
Financial liabilities at fair value through profit or loss	56	<b>3,874,411</b>	2,338,127
Lease liabilities	19	<b>618,479</b>	–
Placements from banks and other financial institutions	58	<b>6,200,903</b>	6,241,519
<b>Total non-current liabilities</b>		<b>140,177,617</b>	142,585,982
<b>Total equity and non-current liabilities</b>		<b>281,296,360</b>	272,771,901

The consolidated financial statements on pages 277 to 492 were approved and authorised for issue by the Board of Directors on 26 March 2020 and signed on its behalf by:

**Zhou Jie**

*Chairman of Board*

**Qu Qiuping**

*Executive Director and  
General Manager*

**Zhang Xinjun**

*Chief Financial Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						Non-controlling interests				Total equity RMB'000
	Share capital	Capital reserve	Revaluation reserve	Translation and other reserve	General reserve	Retained profits	Share of net assets of subsidiaries	Perpetual notes	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total RMB'000	RMB'000	RMB'000		
At 31 December 2018	11,501,700	56,405,921	(400,148)	(803,870)	19,819,343	31,335,629	117,858,575	11,061,058	1,266,286	12,327,344	130,185,919
Adjustment (Note 2)	-	-	-	-	-	(35,423)	(35,423)	(2,876)	-	(2,876)	(38,299)
At 1 January 2019 (restated)	11,501,700	56,405,921	(400,148)	(803,870)	19,819,343	31,300,206	117,823,152	11,058,182	1,266,286	12,324,468	130,147,620
Profit for the year	-	-	-	-	-	9,523,248	9,523,248	967,267	50,148	1,017,415	10,540,663
Other comprehensive income/(expense) for the year	-	-	534,479	(199,035)	-	-	335,444	324,770	(118)	324,652	660,096
Total comprehensive income/(expense) for the year	-	-	534,479	(199,035)	-	9,523,248	9,858,692	1,292,037	50,030	1,342,067	11,200,759
H shares issued by a subsidiary	-	(86,898)	-	-	-	-	(86,898)	2,060,672	-	2,060,672	1,973,774
Redemption of convertible bond	-	111,943	-	-	-	-	111,943	(111,943)	-	(111,943)	-
Shares issued under convertible bond and share option schemes of a subsidiary (Note 71)	-	4,131	-	-	-	-	4,131	2,119	-	2,119	6,250
Appropriation to general reserve	-	-	-	-	2,273,104	(2,273,104)	-	-	-	-	-
Cash dividend recognised as distribution (Note 68)	-	-	-	-	-	(1,725,255)	(1,725,255)	-	-	-	(1,725,255)
Distribution to non-controlling interests and perpetual notes holders	-	-	-	-	-	12,516	12,516	(436,495)	(50,062)	(486,557)	(474,041)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	43,887	-	43,887	43,887
Repurchase of shares of subsidiary	-	91,450	-	-	-	-	91,450	(162,180)	-	(162,180)	(70,730)
Disposal of equity instruments at fair value through other comprehensive income	-	-	(20,324)	-	-	20,324	-	-	-	-	-
Changes in non-controlling interests	-	(300)	-	-	-	-	(300)	16,779	-	16,779	16,479
Others	-	-	-	-	-	1,562	1,562	(1,680)	118	(1,562)	-
At 31 December 2019	11,501,700	56,526,247	114,007	(1,002,905)	22,092,447	36,859,497	126,090,993	13,761,378	1,266,372	15,027,750	141,118,743

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						Non-controlling interests				
	Share capital RMB'000	Capital reserve RMB'000 (Note)	Revaluation reserve RMB'000	Translation and other reserve RMB'000	General reserve RMB'000 (Note 62)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Perpetual notes RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2018	11,501,700	56,357,980	1,359,762	(445,275)	18,018,053	30,560,381	117,352,601	10,647,409	1,264,427	11,911,836	129,264,437
Profit for the year	-	-	-	-	-	5,211,093	5,211,093	509,718	49,897	559,615	5,770,708
Other comprehensive (expense)/income for the year	-	-	(1,759,910)	(358,595)	-	-	(2,118,505)	531,623	168	531,791	(1,586,714)
Total comprehensive (expense)/income for the year	-	-	(1,759,910)	(358,595)	-	5,211,093	3,092,588	1,041,341	50,065	1,091,406	4,183,994
Changes in non-controlling interests	-	-	-	-	-	-	-	(6,256)	-	(6,256)	(6,256)
Shares issued under convertible bond and share option schemes of a subsidiary (Note 71)	-	8,273	-	-	-	-	8,273	3,589	-	3,589	11,862
Appropriation to general reserves	-	-	-	-	1,801,290	(1,801,290)	-	-	-	-	-
Cash dividends recognised as distribution (Note 68)	-	-	-	-	-	(2,645,391)	(2,645,391)	-	-	-	(2,645,391)
Distribution to non-controlling interests and perpetual notes holders	-	-	-	-	-	12,456	12,456	(562,168)	(49,826)	(611,994)	(599,538)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	31,515	-	31,515	31,515
Purchase of shares held under the share award scheme of a subsidiary	-	(34,801)	-	-	-	-	(34,801)	(19,928)	-	(19,928)	(54,729)
Others	-	74,469	-	-	-	(1,620)	72,849	(74,444)	1,620	(72,824)	25
At 31 December 2018	11,501,700	56,405,921	(400,148)	(803,870)	19,819,343	31,335,629	117,858,575	11,061,058	1,266,286	12,327,344	130,185,919

*Note:* Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before income tax	<b>13,871,921</b>	7,570,366
Adjustments for		
Interest expenses	<b>14,035,306</b>	10,542,979
Share of results of associates and joint ventures	<b>(149,644)</b>	(32,709)
Depreciation and amortisation	<b>1,128,068</b>	558,166
Impairment losses of other assets	<b>16,447</b>	25,060
Impairment losses under expected credit loss model	<b>2,847,410</b>	1,622,167
Share-based payment of a subsidiary	<b>43,887</b>	31,515
Losses on disposal of property and equipment and other intangible assets	<b>4,792</b>	4,378
Foreign exchange gains, net	<b>(243,053)</b>	(219,127)
Interest income from debt instruments at fair value through other comprehensive income	<b>(618,077)</b>	(504,409)
Interest income from debt instruments measured at amortised cost	<b>(42,364)</b>	(4,176)
Dividend income arising from equity instruments at fair value through other comprehensive income	<b>(996,847)</b>	(1,295,120)
Net gains arising from debt instruments at fair value through other comprehensive income	<b>(34,593)</b>	(38,370)
Net realised gains and income arising from FVTPL	<b>(130,604)</b>	(255,613)
Fair value change of financial instruments at fair value through profit or loss	<b>(2,369,068)</b>	2,018,938
Others	<b>(31,996)</b>	34,963
<b>Operating cash flows before movements in working capital</b>	<b>27,331,585</b>	20,059,008

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Decrease/(increase) in finance lease receivables	7,971,983	(18,852,762)
Increase in receivables from sale and leaseback arrangements	(22,193,103)	–
Increase in financial assets at fair value through profit or loss	(39,320,481)	(53,089,941)
Decrease in financial assets held under resale agreements	24,837,986	13,823,235
(Increase)/decrease in other loans and receivables	(5,642,387)	4,218,718
Decrease in loans and advances	1,449,321	738,324
(Increase)/decrease in advances to customers on margin financing	(4,459,932)	12,640,598
Increase in accounts receivables and other current assets	(2,840,571)	(1,030,637)
(Increase)/decrease in placements to banks and other financial institutions	(58,772)	645,918
(Increase)/decrease in deposits with exchanges	(3,624,767)	1,275,615
Increase in deposit with central banks	(4,881)	(11,894)
Decrease in restricted bank deposits	153,274	472,277
(Increase)/decrease in cash held on behalf of clients	(14,499,516)	9,387,287
Increase/(decrease) in accounts payable to brokerage clients and other payables and accruals	22,770,279	(10,089,070)
Increase/(decrease) in customer accounts	713,311	(1,590,295)
(Decrease)/increase in contract liabilities	(101,007)	284,005
Decrease in provisions	(58,122)	(57,871)
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	3,833,456	4,177,394
Increase in financial assets sold under repurchase agreements	12,412,951	24,757,635
Increase in placements from banks and other financial institutions	5,879,580	3,437,117
(Decrease)/increase in deposit from central banks	(298,897)	2,700
Decrease in deposit from other banks	(16,851)	(273,783)
Cash from operations	14,234,439	10,923,578
Income taxes paid, net	(2,958,400)	(2,995,607)
Interest paid	(2,719,834)	(2,730,139)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,556,205</b>	<b>5,197,832</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates and other investments		166,889	141,420
Dividends received from equity instruments at fair value through other comprehensive income		996,847	1,295,120
Interest from debt instruments at fair value through other comprehensive income and from debt instrument at amortised cost		789,453	491,886
Purchases of property and equipment and other intangible assets		(2,606,058)	(3,708,379)
Payments for rental deposits		(9,032)	–
Purchase of investment properties		–	(250,067)
Proceeds on disposal of property and equipment		45,386	11,015
Cash paid for investments accounted for using equity method		(180,000)	(212,765)
Proceeds from partial disposal of an associate		–	71,251
Cash received from an associate and joint venture for investments exit		612,748	–
Purchases of equity instruments at fair value through other comprehensive income		(147,753)	(355,965)
Debt instruments at fair value through other comprehensive income		(8,835,836)	(33,534,956)
Debt instruments measured at amortised cost		(2,424,185)	(682,726)
Financial assets at fair value through profit or loss		(7,012,548)	(572,030)
Proceeds from disposal of equity instruments at fair value through other comprehensive income		383,064	–
Debt instruments at fair value through other comprehensive income		12,089,938	28,866,394
Debt instruments measured at amortised cost		471,264	–
Financial assets at fair value through profit or loss		6,711,808	1,668,576
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>1,051,985</b>	<b>(6,771,226)</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(2,156,371)	(3,179,705)
Proceeds from issuance of subsidiaries' shares		14,304	6,244
Proceeds from H share issuance of a subsidiary		2,040,364	–
Payments on capital returned to non-controlling shareholders		(877)	(9,000)
Borrowings raised		24,082,502	59,126,986
Interest paid for borrowings and bonds		(11,793,174)	(10,632,184)
Interest paid for perpetual notes		(50,062)	(49,826)
Issue cost of a subsidiary listed		(65,866)	–
Issuance cost paid for short-term bonds, non-convertible bonds and others		(192,522)	(168,596)
Repayment of lease liabilities		(489,961)	–
Repayment of borrowings, short-term bonds, non-convertible bonds and others		(151,480,626)	(149,301,671)
Proceeds from share issued upon exercise of share options of a subsidiary		6,250	9,899
Proceeds from non-convertible bonds and short-term financing bills payables		133,305,458	111,865,436
Purchase of shares held under the share award scheme of a subsidiary		(70,730)	(54,729)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(6,851,311)</b>	7,612,854
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,756,879</b>	6,039,460
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>38,110,682</b>	31,820,863
Effect of foreign exchange rate changes		179,324	250,359
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	40	<b>41,046,885</b>	38,110,682
Total interest paid		<b>(14,563,070)</b>	(13,412,149)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL INFORMATION OF THE GROUP

Haitong Securities Co., Ltd. (the “Company”) was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People’s Bank of China in September 1994 and changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the “CSRC”). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company’s merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year. After its listing, its name was changed to “Haitong Securities”. On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The address of the Company’s registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund management business and provision of investment advisory and consultancy services.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are relevant to the Group for the first time in the current year:

### Application of new and amendments to IFRSs

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

#### *Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, for certain lease contracts, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. For the other lease contracts, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

#### *As a lessee (continued)*

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied by the relevant group entities ranges from 3.03% to 5.26%.

The reconciliation of the operating lease commitments and the opening balance of lease liabilities as at 1 January 2019 comprises the following:

	<b>2019/1/1</b> <b>RMB'000</b>
Operating lease commitments disclosed as at 31 December 2018	<b>1,008,160</b>
Lease liabilities discounted at relevant incremental borrowing rates	<b>930,358</b>
Less: Recognition exemption – short-term leases	<b>(78,352)</b>
Recognition exemption – low value assets	<b>(20)</b>
<u>Lease liabilities as at 1 January 2019</u>	<u><b>851,986</b></u>
Analysed for reporting purpose as	
Current liabilities	<b>310,494</b>
Non-current liabilities	<b>541,492</b>
	<u><b>851,986</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

#### *As a lessee (continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<b>2019/1/1</b> <b>RMB'000</b>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	<b>813,687</b>
Reclassified from prepaid lease payments ( <i>Note</i> )	
Non-current	<b>808,713</b>
Current	<b>503</b>
Reclassified from prepaid rental expenses ( <i>Note</i> )	
Current	<b>1,661</b>
	<b>1,624,564</b>
By class:	
Buildings	<b>804,203</b>
Leasehold land	<b>809,216</b>
Others	<b>11,145</b>
	<b>1,624,564</b>

*Note :*

As at 31 December 2018, upfront payments for leasehold land and buildings in the PRC were classified as prepaid lease payments, and prepaid rental expenses were classified as other receivables and prepayments. Upon application of IFRS 16, the prepaid lease payments and prepaid rental expenses were reclassified to right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

#### *As a lessor*

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

Effective on 1 January 2019, the Group has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

#### *Sales and leaseback transactions – the Group acts as a buyer-lessor*

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. During the period, some sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

The following table summarises the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	<b>Impact of adopting IFRS 16 at 1 January 2019</b>
	<b>RMB'000</b>
Retained profits	<b>(35,423)</b>
<b>Impact at 1 January 2019</b>	<b>(35,423)</b>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	2018/12/31	IFRS 16 (adjustments)	2019/1/1
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Right-of-use assets	–	1,624,564	<b>1,624,564</b>
Other assets	1,179,204	(808,713)	<b>370,491</b>
Current assets			
Other receivables and prepayments	3,031,728	(2,164)	<b>3,029,564</b>
Equity			
Retained profits	31,335,629	(35,423)	<b>31,300,206</b>
Non-controlling interests	12,327,344	(2,876)	<b>12,324,468</b>
Current liabilities			
Lease liabilities	–	310,494	<b>310,494</b>
Non-current liabilities			
Lease liabilities	–	541,492	<b>541,492</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

The following tables summarize the impacts of applying IFRS 16 as a lessor on the Group's consolidated statement of financial position as at December 31, 2019, its consolidated statement of profit or loss for the current year and the consolidated statement of cash flows for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position:

	As reported	Adjustments	Amounts without application of IFRS 16, as a lessor
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Finance lease receivables	24,786,256	13,148,660	37,934,916
Receivables arising from sale and leaseback arrangements	13,148,660	(13,148,660)	–
Current assets			
Finance lease receivables	28,155,387	8,795,032	36,950,419
Receivables arising from sale and leaseback arrangements	8,795,032	(8,795,032)	–

Impact on the consolidated statement of profit or loss:

	As reported	Adjustments	Amounts without application of IFRS 16, as a lessor
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
Finance lease income	4,552,042	716,325	5,268,367
Interest income from receivables arising from sale and leaseback arrangements	716,325	(716,325)	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 IFRS 16 Leases (continued)

Impact on the consolidated statement of cash flows:

	<b>As reported</b>	<b>Adjustments</b>	<b>Amounts without application of IFRS 16, as a lessor</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities			
Decrease in finance lease receivables	7,722,573	(21,943,692)	(14,221,119)
(Increase)/decrease in receivables arising from sale and leaseback arrangements	(21,943,692)	21,943,692	–

*Note:* The adjustments are related to sale and leaseback transactions which did not satisfy the requirements of IFRS 15 as a sale. If IAS 17 were applied, there will be reclassification of receivables arising from sale and leaseback arrangements to finance lease receivables of RMB21,943,692 thousand, and the reclassification of interest income from sale and leaseback arrangements to finance lease income of RMB716,325 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs which are relevant to the Group that have been issued but are not yet effective.

Amendments to IFRS 3	Definition of a Business <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>3</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>

<sup>1</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Basis of consolidation (continued)**

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owner of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contract, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers (continued)

#### *Contract with multiple performance obligations (including allocation of transaction pricing)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

##### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

##### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers (continued)

#### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### *Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its business activities, e.g. sponsorship services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract 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 component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessee (continued)*

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under 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.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessee (continued)*

#### *Lease liabilities (continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessee (continued)*

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a 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 the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessor (continued)*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### **Sale and leaseback transactions**

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Employee benefits**

#### ***Social welfare***

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

#### ***Contributions to pension schemes and annuity plans***

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Employee benefits (continued)

#### *Retirement benefit costs and termination benefits*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Employee benefits (continued)

#### *Retirement benefit costs and termination benefits (continued)*

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Employee benefits (continued)

#### *Short-term and other long-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Share-based payment transactions

#### *Share options granted to employees*

The Company's subsidiary Haitong International Securities ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to capital reserve. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to capital reserve.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Property and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	22 – 25 years
Leasehold improvements	nil	Over the lease term

### Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Investment properties (continued)**

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### **Intangible assets**

#### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### ***Derecognition of Intangible assets***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Intangible assets (continued)

#### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill*

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Intangible assets (continued)

#### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets*

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Classification and subsequent measurement of financial assets (continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at fair value through other comprehensive income ("FVTOCI reserve"). Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Classification and subsequent measurement of financial assets (continued)*

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt;
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;
- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

- (i) Significant increase in credit risk (continued)
- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority;
  - Actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitization, which may result in ability decrease of relevant subordinated interest to absorb expected credit losses.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions, and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial liabilities and equity instruments (continued)*

##### *Financial liabilities at FVTPL (continued)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Derecognition/non-substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### *Compound financial instruments*

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

#### *Embedded Derivative*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

#### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements (continued)*

##### *(a) Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statement of financial position.

##### *(b) Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statement of financial position.

### **Hedge accounting**

The Group designates certain derivatives and bank loans for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Hedge accounting (continued)*

##### *Assessment of hedging relationship and effectiveness (continued)*

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

##### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other income and gains line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Hedge accounting (continued)*

##### *Discontinuation of hedge accounting*

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### *Securities lending*

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as "accounts payable to brokerage clients". For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

#### *Financial guarantee contracts*

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

#### *Provision of ECL for loans and advances, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements*

The Group reviews its loans and advances, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### **Key sources of estimation uncertainty (continued)**

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

#### ***Significant increase of credit risk***

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information, which are detailed in note 74.

#### ***Establishing groups of assets with similar credit risk characteristics***

When ECLs are measured on a collective basis, the finance lease receivable and financial assets subject to impairment are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### ***Models and assumptions used***

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Details are set out in note 74.

#### ***Forward-looking information***

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details are set out in note 74.

#### ***Probability of default (PD)***

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details are set out in note 74.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### Key sources of estimation uncertainty (continued)

#### *Loss given default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details are set out in note 74.

#### **Fair value measurement of financial instruments**

Certain of the Group's financial assets are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details are set out in note 74.

#### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 23.

#### **Income taxes**

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### Critical accounting judgments

#### *Principal versus agent consideration (principal)*

The Group engages in commodity trading. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk.

#### *Determination on classification of financial assets*

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### *Consolidation of structured entities*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 25 and 29 to the consolidated financial statements respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group’s strategic planning and satisfy internal management in the meantime. The Group’s business segments are classified in accordance with the requirements of International Financial Reporting Standards, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component’s accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, asset management, trading and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;
- (2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. SEGMENT REPORTING (continued)

- (3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;
- (4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market-making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;
- (5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;
- (6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, pricing service, market-making service and services related to risk management.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2019 and 2018 is as follows:

### Operating and Reportable segment

For the year ended 31 December 2019

	Wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Asset management <i>RMB'000</i>	Trading and institution <i>RMB'000</i>	Finance lease <i>RMB'000</i>	Consolidated Others <i>RMB'000</i>	total <i>RMB'000</i>
<b>Segment revenue and results</b>							
Revenue and net investment gain	14,705,706	4,058,893	2,928,269	14,761,013	5,817,927	(10,074)	42,261,734
Other income and gains	171,548	135,552	78,610	381,382	1,757,304	6,765,982	9,290,378
Segment revenue	14,877,254	4,194,445	3,006,879	15,142,395	7,575,231	6,755,908	51,552,112
Segment expenses	10,059,301	2,685,484	1,668,325	10,461,445	6,207,289	6,747,991	37,829,835
Segment results	4,817,953	1,508,961	1,338,554	4,680,950	1,367,942	7,917	13,722,277
Share of results of associates and joint ventures	-	-	218,701	(87,148)	18,091	-	149,644
Profit before income tax	4,817,953	1,508,961	1,557,255	4,593,802	1,386,033	7,917	13,871,921
<b>Segment assets and liabilities</b>							
Segment assets	181,059,877	17,138,804	12,205,777	318,605,725	98,066,304	1,631,120	628,707,607
Investments accounted for using equity method							4,942,938
Deferred tax assets							3,143,086
Group's total assets							636,793,631
Segment liabilities	144,166,325	17,339,935	10,622,245	228,971,803	93,235,194	1,088,307	495,423,809
Deferred tax liabilities							251,079
Group's total liabilities							495,674,888
<b>Other segment information</b> (Amounts included in the measure of segment profit or loss:)							
Depreciation and amortization	285,310	160,196	131,255	238,253	311,105	1,949	1,128,068
Capital expenditure	884,450	150,773	29,521	621,611	918,147	1,556	2,606,058
Impairment losses under expected credit loss model	899,684	148,532	(3,961)	513,451	1,289,598	106	2,847,410
Impairment losses of other assets	-	-	-	-	16,447	-	16,447

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. SEGMENT REPORTING (continued)

### Operating and Reportable segment (continued)

For the year ended 31 December 2018

	Wealth management RMB'000	Investment banking RMB'000	Asset management RMB'000	Trading and institution RMB'000	Finance lease RMB'000	Others RMB'000	Consolidated total RMB'000
<b>Segment revenue and results</b>							
Revenue and net investment gain	13,845,632	3,586,547	2,256,576	7,038,032	4,453,584	102,603	31,282,974
Other income and gains	185,100	232,863	61,248	318,314	1,234,431	5,354,777	7,386,733
Segment revenue	14,030,732	3,819,410	2,317,824	7,356,346	5,688,015	5,457,380	38,669,707
Segment expenses	9,099,135	2,522,163	1,241,308	8,481,433	4,371,748	5,416,263	31,132,050
Segment results	4,931,597	1,297,247	1,076,516	(1,125,087)	1,316,267	41,117	7,537,657
Share of results of associates and joint ventures	-	-	195,625	(198,618)	35,702	-	32,709
Profit before income tax	4,931,597	1,297,247	1,272,141	(1,323,705)	1,351,969	41,117	7,570,366
Segment assets and liabilities							
Segment assets	171,334,595	13,041,818	13,063,298	285,159,759	81,444,488	2,025,593	566,069,551
Investments accounted for using equity method							5,312,881
Deferred tax assets							3,241,202
Group's total assets							574,623,634
Segment liabilities	124,288,794	13,113,398	8,988,473	217,066,090	79,231,875	1,542,375	444,231,005
Deferred tax liabilities							206,710
Group's total liabilities							444,437,715
Other segment information (Amounts included in the measure of segment profit or loss:)							
Depreciation and amortization	197,324	132,367	31,278	99,515	97,390	292	558,166
Capital expenditure	648,063	204,913	51,374	380,569	2,673,527	-	3,958,446
Impairment losses	717,623	115,155	(12,055)	10,454	794,673	21,377	1,647,227

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2019 and 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. COMMISSION AND FEE INCOME

	2019 RMB'000	2018 RMB'000
Securities, futures and options dealing and broking fee income	6,171,840	4,266,797
Financial advisory and consultancy fee income	1,249,648	1,154,101
Underwriting and sponsors fees	2,689,853	2,390,967
Asset management fee income (including fund management income)	2,395,113	1,925,194
Others	121,806	115,628
	<b>12,628,260</b>	<b>9,852,687</b>

The major business types of commission and fee income from customers are as follows:

### (1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

### (2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

### (3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2019, the Group's most contracts with customers have original expected duration of less than one year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. INTEREST INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Bank interest income	2,740,904	3,095,155
Interest income from advances to customers on margin financing	3,757,414	3,885,678
Interest income from loans and advances	701,125	729,849
Interest income from other loans and receivable	1,072,355	815,409
Interest income from financial assets held under resale agreements	3,883,351	5,097,024
Interest income from debt instruments at fair value through other comprehensive income	618,077	504,409
Interest income from debt instrument at amortised cost	42,364	4,176
Interest income from receivables arising from sale and leaseback arrangements	716,325	–
Other interest income	99,198	116,655
	<b>13,631,113</b>	<b>14,248,355</b>
<b>FINANCE LEASE INCOME</b>		
Finance lease income	<b>4,552,042</b>	3,698,412

The group has no variable lease payments which is not included in the measurement of finance lease receivables for the year ended December 31, 2019.

## 8. INVESTMENT INCOME AND GAINS (NET)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	8,048,509	4,168,968
Fair value change of financial instruments at fair value through profit or loss	2,369,068	(2,018,938)
Dividend income from equity instruments at fair value through other comprehensive income	996,847	1,295,120
Net realised gains arising from debt instruments at fair value through other comprehensive income	34,593	38,370
Others	1,302	–
	<b>11,450,319</b>	<b>3,483,520</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 9. OTHER INCOME AND GAINS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Income from commodity trading	6,755,041	5,310,407
Government grants ( <i>Note</i> )	514,214	432,706
Rental income from operating lease	433,634	174,339
Foreign exchange gains	243,053	219,127
Rental income from investment properties	12,580	15,443
Others	1,331,856	1,234,711
	<b>9,290,378</b>	<b>7,386,733</b>

*Note:* Government grants were received by the Group and its subsidiaries from the local government where they reside. The main purpose is to subsidise the operations of these entities.

## 10. DEPRECIATION AND AMORTISATION

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Depreciation of property and equipment	504,294	358,570
Depreciation for right-of-use assets	445,982	–
Depreciation of investment properties	7,187	7,103
Amortisation of other intangible assets	170,605	171,687
Amortisation of prepaid lease payments	–	20,806
	<b>1,128,068</b>	<b>558,166</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. STAFF COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Staff costs (including directors' remuneration ( <i>Note 69</i> )):		
Salaries, bonus and allowances	<b>6,149,541</b>	4,829,742
Contributions to annuity plans and retirement schemes ( <i>Note</i> )	<b>834,406</b>	782,758
Other social welfare	<b>329,432</b>	317,329
	<b>7,313,379</b>	5,929,829

*Note:* The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirements plans are charged to profit or loss in the period to which they relate.

One of the Group's subsidiary in Portugal operated a defined benefit scheme. As at 31 December 2019, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR 84,044,000, equivalent to RMB656,846,000 (31 December 2018: EUR72,659,000, equivalent to RMB570,117,000) and EUR 78,792,000, equivalent to RMB615,799,000 (31 December 2018: EUR69,641,000, equivalent to RMB546,494,000), respectively.

Share option award of subsidiaries is disclosed in Note 71.

## 12. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Securities and futures dealing and broking expenses	<b>2,146,290</b>	813,845
Services expenses for underwriting and financial advisory, etc.	<b>98,075</b>	20,180
	<b>2,244,365</b>	834,025

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13. INTEREST EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest expenses for:		
– Borrowings and overdrafts	<b>3,480,724</b>	2,992,938
– Deposit taken from banks and other financial institutes	<b>339,786</b>	170,074
– Financial assets sold under repurchase agreements	<b>1,937,066</b>	1,543,592
– Accounts payable to brokerage clients	<b>431,583</b>	419,152
– Advances from China Securities Finance Corporation Ltd.	<b>69,286</b>	359,126
– Bond payables and short-term financing bills payable	<b>7,318,553</b>	7,550,041
– Lease liabilities	<b>37,857</b>	–
– Others	<b>420,451</b>	91,570
	<b>14,035,306</b>	13,126,493

## 14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Expected credit losses in respect of:		
– Finance lease receivables	<b>739,086</b>	722,061
– Receivables arising from sale and leaseback arrangements	<b>249,411</b>	–
– Advances to customers on margin financing	<b>510,966</b>	456,508
– Financial assets held under resale agreements	<b>355,599</b>	255,804
– Other loans and receivables	<b>346,998</b>	(68,165)
– Debt instruments at amortised cost	<b>64,932</b>	3,511
– Debt instruments at fair value through other comprehensive income	<b>461,704</b>	34,636
– Loans and advances	<b>16,237</b>	181,479
– Accounts receivable	<b>83,858</b>	(8,245)
– Other financial assets	<b>18,619</b>	44,578
	<b>2,847,410</b>	1,622,167

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15. OTHER EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Cost of commodity trading	6,692,525	5,308,201
Consulting expense	369,123	319,232
Electronic device operating cost	328,397	255,217
Agency fee	237,411	216,243
Business travel expenses	227,044	212,839
Sales charges for funds	225,640	133,961
Postal and communication expenses	163,522	158,225
Tax and surcharges	162,294	172,034
Business entertainment expenses	153,875	146,460
Lease expenses	71,672	445,573
Others	1,158,818	1,164,028
	<b>9,790,321</b>	8,532,013

## 16. INCOME TAX EXPENSE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax	3,313,060	2,500,911
Under/(over) provision in prior years	86,797	(168,580)
Deferred tax	(68,599)	(532,673)
	<b>3,331,258</b>	1,799,658

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment)(No.7) Bill 2017, which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD 2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 16. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit before income tax	<b>13,871,921</b>	7,570,366
Tax at the statutory tax rate of 25%	<b>3,467,980</b>	1,892,592
Effect of share of results of associates and joint ventures	<b>(37,411)</b>	(15,815)
Tax effect of expenses not deductible for tax purpose	<b>871,830</b>	947,859
Tax effect of income not taxable for tax purpose	<b>(652,732)</b>	(693,480)
Under/(over) provision in prior years	<b>86,797</b>	(168,580)
Utilisation of tax losses previously not recognised	<b>(431,526)</b>	(231,255)
Tax effect of tax losses and deductible temporary differences not recognised	<b>169,378</b>	215,156
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(143,058)</b>	(146,819)
Tax charge	<b>3,331,258</b>	1,799,658

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	9,523,248	5,211,093
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share ( <i>Notes i, ii</i> )	(13,236)	(30,458)
<b>Earnings for the purpose of diluted earnings per share</b>	<b>9,510,012</b>	<b>5,180,635</b>
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	11,501,700	11,501,700
Basic earnings per share (expressed in RMB per share)	0.83	0.45
Diluted earnings per share (expressed in RMB per share)	0.83	0.45

*Notes:*

- (i) As disclosed in Note 50, a subsidiary of the Company issued convertible bonds. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary, assuming outstanding convertible bonds were fully converted to ordinary shares of that subsidiary on the first day of the year.
- (ii) Subsidiaries of the Company operated various share option or share awards schemes. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of these subsidiaries when additional shares have to be issued to relevant employees.
- (iii) The calculation of diluted earnings per share for the the year ended 31 December 2019 has not taken into the over-allotment share option of Haitong UniTrust International Leasing Co., Ltd. ("UniTrust"), a subsidiary of the Group, since the exercise price was higher than the average market price of its shares during the option exercisable period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>							
As at 1 January 2019	1,885,031	966,503	1,197,111	4,287,539	196,022	37,522	8,569,728
Additions during the year	76,341	77,744	160,580	493,049	18,767	231,570	1,058,051
Disposals during the year	-	(29,682)	(110,903)	(11,373)	(33,891)	-	(185,849)
Transfer in from investment properties	34,996	-	-	-	-	-	34,996
Transfer during the year	-	17,741	287	-	28	(18,056)	-
Exchange difference	5,202	3,260	3,229	87,691	2,019	163	101,564
<b>As at 31 December 2019</b>	<b>2,001,570</b>	<b>1,035,566</b>	<b>1,250,304</b>	<b>4,856,906</b>	<b>182,945</b>	<b>251,199</b>	<b>9,578,490</b>
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2019	472,163	811,235	863,994	209,445	138,086	-	2,494,923
Provided for the year	58,547	93,163	151,550	182,683	18,351	-	504,294
Eliminated on disposals	-	(29,086)	(104,983)	(10,353)	(32,365)	-	(176,787)
Transfer in from investment properties	1,078	-	-	-	-	-	1,078
Exchange difference	125	2,276	2,422	3,322	1,817	-	9,962
<b>As at 31 December 2019</b>	<b>531,913</b>	<b>877,588</b>	<b>912,983</b>	<b>385,097</b>	<b>125,889</b>	<b>-</b>	<b>2,833,470</b>
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2019 and 31 December 2019	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2019	1,439,275	157,978	337,321	4,471,809	57,056	251,199	6,714,638



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 18. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2018	1,246,460	906,216	1,166,343	1,603,132	192,224	40,512	5,154,887
Additions during the year	591,273	30,765	153,259	2,623,343	38,333	21,470	3,458,443
Disposals during the year	-	-	(129,297)	(7,361)	(37,420)	(331)	(174,409)
Transfer in from investment properties	47,192	-	-	-	-	-	47,192
Transfer during the year	-	23,660	332	-	738	(24,730)	-
Exchange difference	106	5,862	6,474	68,425	2,147	601	83,615
<b>As at 31 December 2018</b>	<b>1,885,031</b>	<b>966,503</b>	<b>1,197,111</b>	<b>4,287,539</b>	<b>196,022</b>	<b>37,522</b>	<b>8,569,728</b>
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2018	426,150	741,634	818,887	144,748	130,716	-	2,262,135
Provided for the year	45,212	65,113	154,465	71,161	22,619	-	358,570
Eliminated on disposals	-	-	(114,159)	(6,939)	(17,030)	-	(138,128)
Transfer in from investment properties	793	-	-	-	-	-	793
Exchange difference	8	4,488	4,801	475	1,781	-	11,553
<b>As at 31 December 2018</b>	<b>472,163</b>	<b>811,235</b>	<b>863,994</b>	<b>209,445</b>	<b>138,086</b>	<b>-</b>	<b>2,494,923</b>
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2018 and 31 December 2018	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2018	1,382,486	155,268	333,117	4,078,094	57,936	37,522	6,044,423

Transportation equipment of the Group includes aircraft held for operating lease businesses, as of 31 December 2019, the cost of aircraft amounts to RMB4,690,429,000 (2018: RMB4,115,892,000), accumulated depreciation amounts to RMB254,259,000 (2018: RMB81,162,000), and the carrying values of aircraft amounts to RMB4,436,170,000 (2018: RMB4,034,730,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 18. PROPERTY AND EQUIPMENT (continued)

As some lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as finance leases and accounted for as property and equipment.

As of 31 December 2019 and 31 December 2018, included in leasehold land and buildings, there are carrying amounts of RMB32,061,000 and RMB33,462,000, respectively, for which the Group have yet to obtain the relevant land and building certificates.

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

	Leasehold land and buildings <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>					
As at 1 January 2019	2,035,703	669	9,938	736	2,047,046
Additions during the year	606,136	–	196	1,512	607,844
Decreases during the year	(46,426)	–	–	(119)	(46,545)
Exchange difference	4,945	88	(1,232)	–	3,801
<b>As at 31 December 2019</b>	<b>2,600,358</b>	<b>757</b>	<b>8,902</b>	<b>2,129</b>	<b>2,612,146</b>
<b>ACCUMULATED AMORTISATION</b>					
As at 1 January 2019	422,284	–	–	198	422,482
Provided for the year	440,921	358	4,098	605	445,982
Decreases during the year	(29,574)	–	–	(119)	(29,693)
Exchange difference	(435)	3	(253)	–	(685)
<b>As at 31 December 2019</b>	<b>833,196</b>	<b>361</b>	<b>3,845</b>	<b>684</b>	<b>838,086</b>
<b>CARRYING VALUES</b>					
As at 31 December 2019	1,767,162	396	5,057	1,445	1,774,060

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

### Lease liabilities

	2019/12/31 <i>RMB'000</i>
Within one year	372,395
Within a period of more than one year but not more than two years	267,434
Within a period of more than two years but not more than five years	327,269
Within a period of more than five years	23,776
Less: Amount due for settlement with 12 months shown under current liabilities	372,395
Amount due for settlement after 12 months shown under non-current liabilities	618,479

The Group leases various land and buildings, electronic equipment, transportation equipment and others for its operations. Most lease contracts are entered into for terms from 1 year to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2019, total cash outflow for leases amounts to RMB561,633 thousand.

For the year ended 31 December 2019, interest expenses for lease liabilities amounts to RMB37,857 thousand.

For the year ended 31 December 2019, expenses relating to short-term leases, other leases with lease terms end within 12 months of the date of initial application of IFRS 16, and leases of low value assets amounts to RMB71,672 thousand in total.

As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in Note 15.

As at 31 December 2019, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the Group did not enter into any significant lease that is not yet commenced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 20. INVESTMENT PROPERTIES

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
<b>COST</b>		
At beginning of the year	<b>240,485</b>	37,610
Addition during the year	–	250,067
Transfer to property and equipment	<b>(34,996)</b>	(47,192)
Exchange difference	<b>4,534</b>	–
At end of the year	<b>210,023</b>	240,485
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of the year	<b>27,056</b>	20,746
Provided for the year	<b>7,187</b>	7,103
Transfer to property and equipment	<b>(1,078)</b>	(793)
Exchange difference	<b>19</b>	–
At end of the year	<b>33,184</b>	27,056
<b>CARRYING VALUES</b>		
At end of the year	<b>176,839</b>	213,429

The fair values of the Group's investment properties at 31 December 2019 and 31 December 2018, were RMB318,820,000 and RMB340,743,000 respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 21. GOODWILL

### Cost and carrying values

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
At beginning of the year	4,046,190	3,863,520
Exchange adjustments	88,244	182,670
At end of the year	4,134,434	4,046,190

Particulars regarding impairment testing on goodwill are disclosed in Note 23.

## 22. OTHER INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
As at 1 January 2019	225,410	1,078,828	107,842	10,148	1,422,228
Additions during the year	–	225,735	582	18,917	245,234
Disposals during the year	(600)	(73,180)	(1,948)	(735)	(76,463)
Transfer during the year	–	5,360	–	(5,360)	–
Exchange difference	129	(1,096)	811	(335)	(491)
As at 31 December 2019	224,939	1,235,647	107,287	22,635	1,590,508
ACCUMULATED AMORTISATION					
As at 1 January 2019	118,400	728,952	57,081	–	904,433
Provided for the year	–	163,942	6,663	–	170,605
Eliminated on disposals	(600)	(31,975)	(1,850)	–	(34,425)
Exchange difference	–	3,659	177	–	3,836
As at 31 December 2019	117,800	864,578	62,071	–	1,044,449
CARRYING VALUES					
As at 31 December 2019	107,139	371,069	45,216	22,635	546,059

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 22. OTHER INTANGIBLE ASSETS (continued)

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>					
As at 1 January 2018	225,144	898,494	105,917	8,063	1,237,618
Additions during the year	–	192,955	–	4,246	197,201
Disposals during the year	–	(50,301)	(137)	–	(50,438)
Transfer during the year	–	2,169	–	(2,169)	–
Exchange difference	266	35,511	2,062	8	37,847
<b>As at 31 December 2018</b>	<b>225,410</b>	<b>1,078,828</b>	<b>107,842</b>	<b>10,148</b>	<b>1,422,228</b>
<b>ACCUMULATED AMORTISATION</b>					
As at 1 January 2018	118,400	574,881	50,284	–	743,565
Provided for the year	–	165,280	6,407	–	171,687
Eliminated on disposals	–	(45,634)	(137)	–	(45,771)
Exchange difference	–	34,425	527	–	34,952
<b>As at 31 December 2018</b>	<b>118,400</b>	<b>728,952</b>	<b>57,081</b>	<b>–</b>	<b>904,433</b>
<b>CARRYING VALUES</b>					
<b>As at 31 December 2018</b>	<b>107,010</b>	<b>349,876</b>	<b>50,761</b>	<b>10,148</b>	<b>517,795</b>

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives. Details regarding impairment testing on trading right are disclosed in Note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

### Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 21 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A"), one subsidiary in Hong Kong ("Unit B"), one subsidiary with headquarters in Hong Kong and operation mainly in Shanghai ("Unit C"), one subsidiary with headquarters in Portugal ("Unit D"), one subsidiary with headquarters in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2019 and 31 December 2018 allocated to these units are as follows:

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	703,170	687,800
Unit C – Haitong UT Capital Group Co., Ltd.	2,243,193	2,194,161
Unit D – Haitong Bank S.A.	1,044,792	1,023,952
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	132,435	129,541
Unit F – G. K. Goh Financial Services (Singapore) Pte. Ltd.	4,948	4,840
	<b>4,134,434</b>	4,046,190

During the year ended 31 December 2019 and 2018, management of the Group determined that there were no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 3.025% to 11.54% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2019. The discount rates used reflect specific risks relating to the relevant CGUs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

### Impairment testing on goodwill (continued)

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit D, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2019 and 2018.

## 24. PRINCIPAL SUBSIDIARIES

### Investment in subsidiaries:

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Unlisted entities, at cost	<b>28,629,222</b>	26,622,222



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries:

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
			As at 31 December 2019	As at 31 December 2018		
海富通基金管理有限公司 <sup>1</sup> HFT Investment Management Co., Ltd. *	有限責任公司 (中外合資) Limited liability company (equity joint venture)	PRC	51%	51%	RMB 300,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 <sup>1</sup> Haitong-Fortis Private Equity Fund Management Co., Ltd. *	有限責任公司 (中外合資) Limited liability company (equity joint venture)	PRC	67%	67%	RMB 100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 <sup>1</sup> Haitong Capital Investment Co. Ltd. * ("HCICL")*	有限責任公司 (法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB 10,650,000,000	Provision of advisory services and fund management
海通國際控股有限公司 <sup>1 3</sup> Haitong International Holdings Limited ("HTIH")*	N/A	Hong Kong	100%	100%	HKD 11,179,726,140	Investment holding
海通期貨股份有限公司 <sup>1 2</sup> Haitong Futures Co., Ltd.*	股份有限公司 (新三板上市) <sup>4</sup> Company limited by shares (listed on NEEQ)	PRC	66.667%	66.667%	RMB 1,301,500,000	Financial and commodity futures contracts broking and dealing
海通國際證券集團有限公司 Haitong International Securities Group Limited ("HISGL")*	N/A	Bermuda	64.40%	63.59%	HKD 594,058,387	Security Company
海通創新證券投資有限公司 <sup>1</sup> Haitong Chuangxin Securities Investment Company Limited*	有限責任公司 (法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB 4,100,000,000	Financial products investment, investment advisory and equity investment

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries: (continued)

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
			As at 31 December 2019	As at 31 December 2018		
上海海通證券資產管理有限公司 <sup>1</sup> Shanghai Haitong Securities Asset Management Company Limited*	有限責任公司 (法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB 2,200,000,000	Securities investment management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited*	N/A	Hong Kong	100%	100%	HKD 4,146,162,881	Investment
海通恒信國際租賃股份有限公司 Haitong UniTrust International Leasing Co., Ltd. ("UniTrust")*	股份有限公司 (上市) Company limited by shares (listed)	PRC	85%	100%	RMB 8,235,300,000	Lease
海通銀行 Haitong Bank S.A. ("Haitong Bank")*	N/A	Portugal	100%	100%	EUR844,769,000	Banking Services
上海惟泰置業管理有限公司 <sup>1</sup> Shanghai Weitai Properties Management Co., Ltd.*	有限責任公司 (法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB10,000,000	Real estate development, property management and catering management

\* English translated name is for identification only.

<sup>1</sup> The subsidiary is directly held by the Company.

<sup>2</sup> The share capital of Haitong Futures Co., Ltd. changed to RMB 1,302 million after the capital injection in February 2019.

<sup>3</sup> The share capital of Haitong International Holdings Limited changed to HKD 11,180 million after the capital injection in January 2019.

<sup>4</sup> Haitong Futures Co., Ltd. was listed on New National Equities Exchange and Quotations Market (NEEQ) in March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries: (continued)

In the opinion of directors of the Company, further disclosure of information for the indirectly held subsidiaries through HISGL and UniTrust in these financial statements would not add value to the shareholders as the related information is already being included in note the annual report of HISGL and UniTrust for year ended 31 December 2019 currently being available to public.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Some subsidiaries had issued debt securities at the end of the year, details are disclosed in Note 49 and Note 50.

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ordinary shares and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2019	31/12/2018	31/12/2019 RMB'000	31/12/2018 RMB'000	31/12/2019 RMB'000	31/12/2018 RMB'000
HISGL	Bermuda	35.60%	36.41%	502,690	334,033	8,552,768	8,295,298
UniTrust	PRC	15.00%	–	164,345	49,812	3,359,268	1,239,666

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. PRINCIPAL SUBSIDIARIES (continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Current assets	<b>118,731,644</b>	114,187,043
Non-current assets	<b>21,255,930</b>	18,277,824
Current liabilities	<b>106,115,482</b>	100,653,384
Non-current liabilities	<b>9,658,638</b>	9,196,466
Total equity	<b>24,213,454</b>	22,615,017
Non-controlling interests of the subsidiary	<b>8,552,768</b>	8,295,298

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Total income	<b>7,350,023</b>	5,545,279
Total expenses	<b>(5,960,795)</b>	(4,649,068)
Profit for the year	<b>1,389,228</b>	896,211
Other comprehensive income	<b>(34,957)</b>	(101,121)
Total comprehensive income for the year	<b>1,354,271</b>	795,090
Total comprehensive income attributable to the non-controlling interests of the subsidiary	<b>518,930</b>	296,388
Dividends paid to non-controlling interests	<b>233,812</b>	465,665
Net cash outflow from operating activities	<b>(1,532,297)</b>	(12,129,801)
Net cash (outflow)/inflow from investing activities	<b>(124,342)</b>	4,160,048
Net cash (outflow)/inflow from financing activities	<b>(868,762)</b>	10,205,827
Net cash (outflow)/inflow	<b>(2,525,401)</b>	2,236,074

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. PRINCIPAL SUBSIDIARIES (continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of UniTrust is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	<b>2019/12/31</b>	2018/12/31
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	<b>51,149,472</b>	43,472,819
Non-current assets	<b>47,897,803</b>	38,638,562
Current liabilities	<b>46,183,686</b>	35,082,953
Non-current liabilities	<b>37,573,802</b>	34,108,584
Total equity	<b>15,289,787</b>	12,919,844
Non-controlling interests of the subsidiary	<b>3,359,268</b>	1,239,666
Including: Perpetual notes	<b>1,237,212</b>	1,237,008

	<b>2019</b>	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Total income	<b>7,448,981</b>	5,565,372
Total expenses	<b>(6,094,069)</b>	(4,254,116)
Profit for the year	<b>1,354,912</b>	1,311,256
Other comprehensive income	<b>30,394</b>	(8,797)
Total comprehensive income for the year	<b>1,385,306</b>	1,302,459
Total comprehensive income attributable to the non-controlling interests of the subsidiary	<b>167,987</b>	49,812
Dividends paid to non-controlling interests	<b>61,765</b>	-
Net cash outflow from operating activities	<b>(9,366,233)</b>	(12,084,464)
Net cash outflow from investing activities	<b>(1,025,480)</b>	(3,614,371)
Net cash inflow from financing activities	<b>11,760,495</b>	17,398,181
Net cash inflow	<b>1,368,782</b>	1,699,346

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 25. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2019 and 2018, and the results and cash flows for the years ended 2019 and 2018, though consolidated, are not individually significant to the Group.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB17,770,241,000 and RMB20,791,513,000 at 31 December 2019 and 2018, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2019 and 2018, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB581,151,000 and RMB4,387,208,000 respectively.

Interests held by other interest holders are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position and the corresponding changes are presented as changes in net investment gains or losses in the consolidated statement of profit or loss.

## 26. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Cost of unlisted investments in associates and joint ventures	<b>4,178,002</b>	4,611,140
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>764,936</b>	701,741
Total	<b>4,942,938</b>	5,312,881

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of investments accounted for using equity method:

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2019/12/31	2018/12/31
上海彤關投資管理合夥企業(有限合夥) Shanghai Tong Guan Investment Management Limited Partnership*	PRC	Equity investment; Investment management services	50.00%	50.00%
貴安恒信融資租賃(上海)有限公司 Gui'an UT Financial Leasing (Shanghai) Co., Ltd*	PRC	Finance leasing	34.00%	40.00%
遼寧中德產業股權投資基金合夥企業 (有限合夥) <sup>1</sup> Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	20.00%	N/A
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Provision of fund trading distribution services	27.775%	27.775%
吉林省現代農業和新興產業投資基金 有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Investing in securities	35.71%	35.71%
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Investing in securities	37.06%	37.06%
上海文化產業股權投資基金合夥企業 (有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Investing in securities	45.49%	42.83%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Details of investments accounted for using equity method: (continued)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2019/12/31	2018/12/31
上海並購股權投資基金合夥企業 (有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	Investing in securities	<b>35.33%</b>	33.68%
海通(吉林)現代服務業創業投資基金 合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Investing in securities	<b>34.71%</b>	34.71%
海通興泰(安徽)新興產業投資基金 (有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	Equity investment; Investment management services	<b>27.58%</b>	27.58%
海通齊東(威海)股權投資基金 合夥企業(有限合夥) Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership*	PRC	Equity investment; Investment management services	<b>34.95%</b>	34.38%
廣東南方媒體融合發展投資基金 (有限合夥) Guangdong South Media Integration Fund Limited Partnership*	PRC	Equity investment; Investment management services	<b>28.18%</b>	27.76%
海通(吉林)股權投資基金 合夥企業(有限合夥) Haitong (Jilin) Equity Investment Fund Limited Partnership*	PRC	Private equity funds investment	<b>28.00%</b>	27.02%
西安軍融電子衛星基金投資有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd*	PRC	Investment management services	<b>35.71%</b>	35.71%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Details of investments accounted for using equity method: (continued)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2019/12/31	2018/12/31
嘉興海通旭初股權投資基金合夥企業 (有限合夥) <sup>1</sup> Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership*	PRC	Equity investment; Investment management services	19.39%	19.39%
上海併購股權投資基金二期合夥企業 (有限合夥) Shanghai Equity Investment Fund II Limited Partnership*	PRC	Investing in securities	20.00%	19.67%
Haitong High Yield Bond Multi-Tranche Fund S.P.	The Cayman Islands	Investment holding	0.00%	78.05%
Fundo Espirito Santo IBERIA	Portugal	Venture capital fund	45.93%	45.93%

\* The English translated name is for identification only.

1 As general partner of Liaoning China-Germany Industrial Equity Investment Fund Limited Partnership and Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership, the group has a significant influence on them.

All of these associates and joint ventures are unlisted entities without quoted market price available.

All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

The financial information of Fullgoal Fund Management Co., Ltd which is an individually significant associate to the Group, is set out below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Fullgoal Fund Management Co., Ltd

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Total assets	<b>5,655,704</b>	4,701,753
Total liabilities	<b>1,711,019</b>	1,308,774
Net assets	<b>3,944,685</b>	3,392,979
Total revenue	<b>2,854,916</b>	2,381,397
Net profit	<b>791,356</b>	703,983
Total comprehensive income	<b>811,705</b>	698,598

Aggregate information of associates and joint ventures that are not individually material:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
The Group's share of (loss)/profit	<b>(70,621)</b>	(162,822)
The Group's share of other comprehensive income/(expense)	<b>65,392</b>	(230,489)
The Group's share of total comprehensive (expense)/income	<b>(5,229)</b>	(393,311)
Aggregate carrying amount of the Group's interests in these associates and joint ventures	<b>3,846,836</b>	4,370,481

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## 27. FINANCE LEASE RECEIVABLES

	2019/12/31 <i>RMB'000</i>
Minimum finance lease receivables	
– Within one year	31,614,990
– In the second year	18,316,347
– In the third year	7,717,572
– In the fourth year	1,102,009
– In the fifth year	196,705
– After five years	401,150
Gross amount of finance lease receivables	59,348,773
Less: Unearned finance lease income	(4,984,413)
Present value of minimum finance lease receivables	54,364,360
Less: Expected credit losses	(1,422,717)
<u>Carrying amount of finance lease receivables</u>	<u>52,941,643</u>
Present value of minimum finance lease receivables	
– Within one year	28,957,576
– In the second year	16,798,678
– In the third year	7,064,671
– In the fourth year	1,017,695
– In the fifth year	186,959
– After five years	338,781
Total	54,364,360
Analyzed as:	
Current	28,155,387
Non-current	24,786,256
Total	52,941,643

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. FINANCE LEASE RECEIVABLES (continued)

	2018/12/31 <i>RMB'000</i>
Minimum finance lease receivables	
– Within one year	34,796,245
– More than one year but not exceeding five years	34,344,977
– More than five years	284,646
Gross amount of finance lease receivables	69,425,868
Less: Unearned finance lease income	(6,068,188)
Present value of minimum finance lease receivables	63,357,680
Less: Expected credit losses	(1,704,968)
<u>Carrying amount of finance lease receivables</u>	<u>61,652,712</u>
Present value of minimum finance lease receivables	
– Within one year	31,754,869
– More than one year but not exceeding five years	31,343,044
– More than five years	259,767
<u>Total</u>	<u>63,357,680</u>
Analyzed as:	
Current	30,828,048
Non-current	30,824,664
<u>Total</u>	<u>61,652,712</u>

The Group entered into finance lease arrangements for certain of its machinery equipment for infrastructure, transportation and logistics, etc.. Substantially all finance lease of the Group are denominated in RMB. The term range of finance leases entered into is from one to eight years.

As at December 31, 2019, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB8,832,561 thousand (as at December 31, 2018: RMB18,485,996 thousand).

The floating interest rates of finance lease receivables were mainly floating interest rates with reference to the benchmark interest rate of the People's Bank of China ("PBOC") ("PBOC Rate"). The floating interest rates of finance lease receivables were adjusted periodically with reference to the PBOC Rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. FINANCE LEASE RECEIVABLES (continued)

### Movements of expected credit losses for finance lease receivables

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at January 1, 2019</b>	995,408	365,353	344,207	1,704,968
Changes in the loss allowance:				
– Recovery of finance lease receivables previously written off	–	–	57,029	57,029
– Write-offs	–	–	(649,755)	(649,755)
– Transfer between stages	(40,034)	(10,780)	50,814	–
– Other derecognition	–	–	(428,611)	(428,611)
– ECL (reversed)/recognised	(146,135)	72,816	812,405	739,086
<b>As at December 31, 2019</b>	<b>809,239</b>	<b>427,389</b>	<b>186,089</b>	<b>1,422,717</b>

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at January 1, 2018</b>	791,751	352,949	351,508	1,496,208
Changes in the loss allowance:				
– Recovery of finance lease receivables previously written off	–	–	20,261	20,261
– Write-offs	–	–	(388,258)	(388,258)
– Transfer between stages	(12,512)	51,388	(38,876)	–
– Other derecognition	–	–	(145,304)	(145,304)
– ECL recognised/(reversed)	216,169	(38,984)	544,876	722,061
<b>As at December 31, 2018</b>	<b>995,408</b>	<b>365,353</b>	<b>344,207</b>	<b>1,704,968</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. FINANCE LEASE RECEIVABLES (continued)

### Analysis of present value of minimum finance lease receivables

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2019	<b>52,243,091</b>	<b>1,675,580</b>	<b>445,689</b>	<b>54,364,360</b>
As at December 31, 2018	61,345,606	1,360,613	651,461	63,357,680

In 2019, the amount of finance lease receivables of the Group in stage 1 decreased because receivables from the sale and leaseback transactions newly entered into on or after January 1, 2019 which did not satisfy the requirements of IFRS 15 as a sale are classified as receivables arising from sale and leaseback arrangements upon the application of IFRS 16 on January 1, 2019, and the amount of loss allowances in this stage decreased. Write-off and other derecognition of the principal resulted in decrease of the amount of finance lease receivables in stage 3, and the amount of loss allowances in this stage decreased.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 28. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	2019/12/31 RMB'000
– Within one year	9,922,821
– In the second year	7,783,770
– In the third year	3,995,867
– In the fourth year	1,851,864
– In the fifth year	1,203,216
Gross amount of receivables arising from sale and leaseback arrangements	24,757,538
Less: Interest adjustment	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	22,193,103
Less: Expected credit losses	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	21,943,692
Present value of receivables arising from sale and leaseback arrangements :	
– Within one year	8,894,996
– In the second year	6,977,512
– In the third year	3,581,967
– In the fourth year	1,660,044
– In the fifth year	1,078,584
Total	22,193,103
Analyzed as:	
Current	8,795,032
Non-current	13,148,660
Total	21,943,692

Upon the application of IFRS 16 on January 1, 2019, receivables from the sale and leaseback transactions newly entered into on or after January 1, 2019 which did not satisfy the requirements of IFRS 15 as a sale will be classified as receivables arising from sale and leaseback arrangements. The measurement of sale and leaseback transactions entered into before January 1, 2019 remains unchanged.

As at December 31, 2019, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB4,977,336 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 28. RECEIVABLES ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS (continued)

Movements of expected credit losses for receivables arising from sale and leaseback arrangements:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2019	–	–	–	–
Changes in the loss allowance:				
– ECL recognised	240,109	8,252	1,050	249,411
<b>As at December 31, 2019</b>	<b>240,109</b>	<b>8,252</b>	<b>1,050</b>	<b>249,411</b>

### Analysis of present value of receivables arising from sale and leaseback arrangements

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2019	<b>22,156,131</b>	<b>34,461</b>	<b>2,511</b>	<b>22,193,103</b>

## 29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities the Group served as the investment manager and has power over them during the year include private equity funds and asset management products. Except for the structured entities the Group has consolidated as detailed in Note 25, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant. The Group therefore did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB19,924,704,000 and RMB7,050,866,000 as at 31 December 2019 and 31 December 2018, respectively. Total fee income from all structured entities in which the Group acted as investment manager is RMB1,903,041,000 and RMB1,548,484,000 respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products and trust products approximate to their respective carrying amounts as disclosed in Note 33.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 30. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
China Securities Finance Corporation Limited ("CSFCL") ( <i>Note i</i> )	<b>15,382,009</b>	14,651,458
Other equity investments ( <i>Note ii</i> )	<b>401,969</b>	576,833
	<b>15,783,978</b>	15,228,291
Analysed as:		
– Listed	<b>191,989</b>	366,853
– Unlisted	<b>15,591,989</b>	14,861,438
	<b>15,783,978</b>	15,228,291

*Note:*

- (i) This is the investment into a fund managed by CSFCL. CSFCL executes unified operation and investment management, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions.
- (ii) As the equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at fair value through other comprehensive income. As a result of the change of investment strategies, the Group disposed certain equity instrument at fair value through other comprehensive income, and the corresponding gains of RMB20,234 thousand was reclassified from revaluation reserve to retained profits.

The dividend income from equity instrument at fair value through other comprehensive was disclosed in Note 8.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 31. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Unlisted bond investment	9,606,469	10,650,869
Listed bond investment	1,547,752	4,480,361
	<b>11,154,221</b>	15,131,230
Analysed for reporting purpose as:		
Current assets	3,602,965	9,362,242
Non-current assets	7,551,256	5,768,988
	<b>11,154,221</b>	15,131,230
Expected credit losses	<b>486,886</b>	20,379

Movements of expected credit losses for debt instruments at fair value through other comprehensive income.

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	16,127	621	3,631	20,379
Changes in the loss allowance:				
– ECL (reversed)/recognised	(5,824)	(177)	467,705	461,704
– Written-off	–	–	(2,665)	(2,665)
– Transfer between stages	(1,058)	–	1,058	–
Exchange difference	(192)	–	7,660	7,468
<b>As at 31 December 2019</b>	<b>9,053</b>	<b>444</b>	<b>477,389</b>	<b>486,886</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 31. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The table below details the credit risk exposures of the Group's debt instruments at fair value through other comprehensive income, which are subject to ECL assessment:

	12 months ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
Credit risk exposures:				
As at 31 December 2019	9,910,579	201,809	1,680,485	11,792,873

As at 31 December 2018, a substantial proportion of debt instruments at fair value through other comprehensive income is at stage 1 of which the loss allowance is measured at 12 month ECL.

## 32. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2019/12/31 RMB'000	2018/12/31 RMB'000
Analysed by type:		
Debt securities	2,692,075	686,808
Less: Expected credit losses	(67,982)	(3,512)
	2,624,093	683,296
Analysed for reporting purpose as:		
Current assets	–	4,082
Non-current assets	2,624,093	679,214
	2,624,093	683,296

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 32. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (continued)

Movements of expected credit losses for debt instruments measured at amortised cost.

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	3,512	–	–	3,512
Changes in the loss allowance:				
– ECL recognised	3,094	–	61,838	64,932
– Written-off	–	–	(444)	(444)
– Transfer between stages	(2,069)	–	2,069	–
Exchange difference	(1)	–	(17)	(18)
<b>As at 31 December 2019</b>	<b>4,536</b>	<b>–</b>	<b>63,446</b>	<b>67,982</b>

The table below details the credit risk exposures of the Group's debt instruments measured at amortised cost, which are subject to ECL assessment:

	12 months ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Gross carry amounts:				
As at 31 December 2019	<b>2,480,584</b>	<b>–</b>	<b>211,491</b>	<b>2,692,075</b>

As at 31 December 2018, a substantial proportion of debt instruments measured at amortised cost is at stage 1 of which the loss allowance is measured at 12 month ECL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Debt securities	122,793,884	103,204,443
Equity securities ( <i>Note i, ii</i> )	23,930,196	17,652,596
Funds	41,094,235	28,143,504
Others	31,774,755	28,204,871
	<b>219,593,070</b>	177,205,414
Analysed for reporting purpose as:		
Current assets	198,030,685	158,837,008
Non-current assets ( <i>Note iii</i> )	21,562,385	18,368,406
	<b>219,593,070</b>	177,205,414

*Notes:*

- (i) As at 31 December 2019, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB389,145,000(31 December 2018: RMB1,832,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.
- (ii) The restricted shares with a legally enforceable restriction on these securities that prevents the Group to dispose of within a specified period amounted to approximately RMB895,650,000 as at 31 December 2019 (31 December 2018: RMB3,282,000). The fair values of these securities have taken into account the relevant features including the restrictions.
- (iii) For financial assets in connection with structured products with remaining maturities over one year, they are classified as non-current assets as they are not expected to be settled within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock ( <i>Note</i> )	<b>42,674,467</b>	56,406,877
Bonds	<b>14,910,448</b>	25,643,247
Structured products	–	372,030
Finance lease receivables	<b>831,406</b>	990,990
Gross carrying amount	<b>58,416,321</b>	83,413,144
Less: Expected credit losses	<b>(931,128)</b>	(734,352)
	<b>57,485,193</b>	82,678,792
Analysed by market:		
Stock Exchange	<b>47,447,813</b>	67,936,433
Inter-bank	<b>9,922,288</b>	15,078,655
Over the counter (“OTC”)	<b>1,046,220</b>	398,056
Gross carrying amount	<b>58,416,321</b>	83,413,144
Less: Expected credit losses	<b>(931,128)</b>	(734,352)
	<b>57,485,193</b>	82,678,792
Analysed for reporting purpose as:		
Current assets	<b>40,347,256</b>	71,676,737
Non-current assets	<b>17,137,937</b>	11,002,055
	<b>57,485,193</b>	82,678,792

*Note:* The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As of 31 December 2019, for the Group, the carrying amount of these agreements within one year was RMB40,057,643,000 (31 December 2018: RMB45,332,009,000), the carrying amount of these agreements over one year was RMB2,616,824,000 (31 December 2018: RMB11,074,868,000).

As of 31 December 2019, the fair value of the collateral was RMB144,570,672,000 (31 December 2018: RMB142,590,350,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

Movements of expected credit losses for financial assets held under resale agreements.

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	46,530	108,902	578,920	734,352
Changes in the loss allowance:				
– ECL (reversed)/recognised	(59,202)	(1,284)	416,085	355,599
– Written-off	–	–	(158,837)	(158,837)
– Transfer between stages	48,743	(57,092)	8,349	–
– Exchange difference	14	–	–	14
<b>As at 31 December 2019</b>	<b>36,085</b>	<b>50,526</b>	<b>844,517</b>	<b>931,128</b>

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2018</b>	76,329	77,632	293,728	447,689
Changes in the loss allowance:				
– Transfer in	1,274	165	29,331	30,770
– ECL (reversed)/recognised	(31,162)	31,105	255,861	255,804
– Exchange difference	89	–	–	89
<b>As at 31 December 2018</b>	<b>46,530</b>	<b>108,902</b>	<b>578,920</b>	<b>734,352</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment:

Gross carrying amounts:	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit-	credit-	
	Stage 1	impaired	impaired	
	RMB'000	Stage 2	Stage 3	RMB'000
		RMB'000	RMB'000	RMB'000
As at 31 December 2019	<b>49,498,055</b>	<b>4,315,605</b>	<b>4,602,661</b>	<b>58,416,321</b>
As at 31 December 2018	63,293,833	16,627,530	3,491,781	83,413,144

In 2019, the gross carrying amount of the Group's financial assets held under resale agreements in stage 1 and 2 decreased, and the amount of ECL in these stages decreased accordingly. The increase of gross carrying amount of the Group's financial assets held under resale agreements in stage 3 lead to the increase of ECL in this stage.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

Included in financial assets held under resale agreements are stock-pledge repo, with analysis as bellow:

	12 months ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2019</b>				
Gross carrying amount	33,380,430	4,315,605	4,602,661	42,298,696
ECL	30,399	50,526	844,517	925,442
Fair value of collateral	105,229,247	15,145,465	6,522,605	126,897,317

	12 months ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2018</b>				
Gross carrying amount	36,258,798	16,528,076	3,119,750	55,906,624
ECL	39,438	108,239	578,920	726,597
Fair value of collateral	90,451,378	27,646,994	4,707,990	122,806,362

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 35. OTHER LOANS AND RECEIVABLES

	<b>2019/12/31</b> <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Factoring receivable	<b>7,675,555</b>	6,346,945
Entrusted loans and others	<b>1,191,095</b>	1,073,970
Other loans and receivables	<b>16,962,128</b>	12,925,769
Gross carrying amount	<b>25,828,778</b>	20,346,684
Less: Expected credit losses	<b>(844,695)</b>	(655,154)
	<b>24,984,083</b>	19,691,530
Analysed for reporting purpose as:		
Current assets	<b>20,222,329</b>	14,043,711
Non-current assets	<b>4,761,754</b>	5,647,819
	<b>24,984,083</b>	19,691,530

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 35. OTHER LOANS AND RECEIVABLES (continued)

Movements of expected credit losses for other loans and receivables.

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
As at 1 January 2019	228,025	334,523	92,606	655,154
Changes in the loss allowance:				
– ECL (reversed)/recognised	(7,958)	186,928	168,028	346,998
– Written-off	–	–	(160,299)	(160,299)
– Transfer between stages	(48,734)	(97,882)	146,616	–
– Exchange difference	36,198	19	(33,375)	2,842
As at 31 December 2019	<b>207,531</b>	<b>423,588</b>	<b>213,576</b>	<b>844,695</b>

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
As at 1 January 2018	322,187	213,191	245,653	781,031
Changes in the loss allowance:				
– ECL (reversed)/recognised	(95,960)	121,332	(93,537)	(68,165)
– Written-off	–	–	(68,033)	(68,033)
– Exchange difference	1,798	–	8,523	10,321
As at 31 December 2018	228,025	334,523	92,606	655,154

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 35. OTHER LOANS AND RECEIVABLES (continued)

The table below details the credit risk exposures of the Group's other loans and receivables, which are subject to ECL assessment:

### Gross carrying amount

	12 months ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December, 2019	<b>23,560,019</b>	<b>1,539,777</b>	<b>728,982</b>	<b>25,828,778</b>
As at 31 December, 2018	19,062,149	1,163,059	121,476	20,346,684

## 36. LOANS AND ADVANCES

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Customer loans and advances	<b>3,411,962</b>	4,972,255
Less: Expected credit losses	<b>(104,774)</b>	(608,768)
	<b>3,307,188</b>	4,363,487
Analysed for reporting purpose as:		
Current assets	<b>611,826</b>	618,924
Non-current assets	<b>2,695,362</b>	3,744,563
	<b>3,307,188</b>	4,363,487

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 36. LOANS AND ADVANCES (continued)

Movement of expected credit losses for loans and advances:

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
As at 1 January 2019	21,923	34,407	552,438	608,768
Changes in the loss allowance:				
– ECL (reversed)/recognised	(5,142)	17,652	3,727	16,237
– Transfer between stages	5,085	(5,085)	–	–
– Written-off	–	–	(515,504)	(515,504)
– Exchange difference	(118)	(716)	(3,893)	(4,727)
As at 31 December 2019	<b>21,748</b>	<b>46,258</b>	<b>36,768</b>	<b>104,774</b>

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
As at 1 January 2018	14,968	15,378	888,516	918,862
Changes in the loss allowance:				
– Transfer in	749	163	19,635	20,547
– ECL recognised	6,495	19,180	155,804	181,479
– Written-off	–	–	(519,785)	(519,785)
– Exchange difference	(289)	(314)	8,268	7,665
As at 31 December 2018	21,923	34,407	552,438	608,768

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 36. LOANS AND ADVANCES (continued)

The table below details the credit risk exposures of the Group's loans and advances, which are subject to ECL assessment:

### Gross carrying amount

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2019	<b>2,586,109</b>	<b>721,709</b>	<b>104,144</b>	<b>3,411,962</b>
As at 31 December 2018	2,704,049	1,060,766	1,207,440	4,972,255

## 37. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Deferred tax assets	<b>3,143,086</b>	3,241,202
Deferred tax liabilities	<b>(251,079)</b>	(206,710)
	<b>2,892,007</b>	3,034,492

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 37. DEFERRED TAXATION (continued)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss RMB'000	Accelerated depreciation RMB'000	Derivative financial instruments RMB'000	Accrued but not paid expenses RMB'000	Debt instrument at fair value through other comprehensive income RMB'000	Equity instrument at fair value through other comprehensive income RMB'000	Impairment losses RMB'000	Tax losses and others RMB'000	Total RMB'000
At 1 January 2018	(259,493)	(18,109)	33,134	945,851	(17,515)	(399,798)	1,487,302	328,327	2,099,699
Credit/(charge) to profit or loss	232,473	(31,819)	25,274	(68,570)	37,453	-	69,844	268,018	532,673
(Charge)/credit to other comprehensive income	-	-	-	-	(31,274)	509,893	-	-	478,619
Effects of exchange rate	1,703	(1,027)	77	164	(877)	-	4,304	(80,843)	(76,499)
At 31 December 2018	(25,317)	(50,955)	58,485	877,445	(12,213)	110,095	1,561,450	515,502	3,034,492
(Charge)/credit to profit or loss	(539,146)	(14,422)	(30,183)	257,887	104,808	-	183,990	105,665	68,599
Credit/(charge) to other comprehensive income	-	-	394	-	39,391	(199,430)	-	-	(159,645)
Effects of exchange rate	301	1,516	(2,378)	(913)	182	-	(38,569)	(11,578)	(51,439)
At 31 December 2019	(564,162)	(63,861)	26,318	1,134,419	132,168	(89,335)	1,706,871	609,589	2,892,007

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 38. DEPOSITS WITH EXCHANGES

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	<b>987,263</b>	394,362
– Shenzhen Stock Exchange	<b>248,363</b>	83,606
– National Equities Exchange and Quotations	<b>869</b>	1,089
– Stock Exchange of Hong Kong Limited	<b>1,344</b>	1,314
– Others	–	372
<b>Subtotal</b>	<b>1,237,839</b>	480,743
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	<b>2,410,146</b>	1,928,026
– Dalian Commodity Exchange	<b>892,588</b>	612,824
– Zhengzhou Commodity Exchange	<b>414,314</b>	517,536
– China Financial Futures Exchange	<b>3,922,378</b>	1,670,105
– Shanghai Gold Exchange	<b>3,007</b>	1,874
– HKFE Clearing Corporation Limited	<b>36,655</b>	4,200
– The Chinese Gold & Silver Exchange Society	<b>615</b>	601
– Collateral deposits placed with overseas stock exchange and brokers	<b>1,115,303</b>	1,478,443
<b>Subtotal</b>	<b>8,795,006</b>	6,213,609
Trading rights and other deposits		
Guarantee fund paid to Shanghai Stock Exchange	<b>16,326</b>	19,227
Guarantee fund paid to Shenzhen Stock Exchange	<b>19,720</b>	19,461
Deposit with China Securities Finance Corporation Ltd.	<b>528,592</b>	74,742
Deposit with Shanghai Clearing House	<b>76,841</b>	48,589
Guarantee fund paid to the Stock Exchange of Hong Kong Options Clearing House Ltd.	<b>9,505</b>	6,555
Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	<b>65,020</b>	49,043
Guarantee fund paid to Securities and Futures Commission	<b>179</b>	307
Others	<b>7,073</b>	70,613
<b>Subtotal</b>	<b>723,256</b>	288,537
<b>Total</b>	<b>10,756,101</b>	6,982,889
Analysed for reporting purpose as:		
Current assets	<b>9,603,759</b>	5,601,350
Non-current assets	<b>1,152,342</b>	1,381,539
	<b>10,756,101</b>	6,982,889



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 39. BANK BALANCES AND CASH

	2019/12/31 RMB'000	2018/12/31 RMB'000
General accounts	35,852,218	35,648,527
Cash held on behalf of clients (Note i)	76,178,521	62,515,537
Less: allowance for impairment losses	(1,734)	(1,752)
	112,029,005	98,162,312
Less: non-current restricted bank deposits (Note ii)	(966,912)	(739,260)
	111,062,093	97,423,052

Bank balances and cash comprise of cash on hand and deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 51). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposit and margin deposits over one year.

## 40. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Bank balances and cash – general account	35,730,492	35,574,425
Less: Restricted bank deposits (Note)	(1,480,833)	(1,634,107)
Deposits with other banks	204,638	253,915
Deposits with central banks other than legal reserve	4,736,623	2,384,561
Clearing settlement funds – House accounts	1,855,965	1,531,888
	41,046,885	38,110,682

Note:

The restrictive deposits are margin deposits of notes receivable, margin deposits of borrowings and other pledge of bank deposits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 41. OTHER NON-CURRENT ASSETS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Foreclosed assets	59,099	7,036
Repossession of finance lease assets	105,740	141,548
Prepayment on acquisition of property and equipment and intangible assets	1,238,238	–
Prepaid lease payments	–	808,713
Others	384,677	221,907
	<b>1,787,754</b>	<b>1,179,204</b>

## 42. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2019/12/31 RMB'000	2018/12/31 RMB'000
Loans to margin clients ( <i>Note</i> )	53,905,940	49,656,249
Less: Expected credit losses	(1,108,014)	(795,240)
	<b>52,797,926</b>	<b>48,861,009</b>
Analysed for reporting purpose as:		
Current	<b>52,797,926</b>	<b>48,861,009</b>
	<b>52,797,926</b>	<b>48,861,009</b>

*Note:*

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2019 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB172,183,182,000 (31 December 2018: RMB155,961,015,000).

As at 31 December 2019, included in the Group's accounts payable to brokerage clients were approximately RMB5,921,917,000 (31 December 2018: RMB3,934,801,000) cash collateral received from clients for securities lending and margin financing arrangement.

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 42. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

Movements of expected credit losses for advances to customers on margin financing.

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	30,270	48,962	716,008	795,240
Changes in the loss allowance:				
– ECL recognised	4,349	18,368	488,249	510,966
– Transfer between stages	475	(22,097)	21,622	–
– Written off	–	–	(210,241)	(210,241)
– Exchange difference	558	619	10,872	12,049
<b>As at 31 December 2019</b>	<b>35,652</b>	<b>45,852</b>	<b>1,026,510</b>	<b>1,108,014</b>

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	60,946	32,757	240,224	333,927
Changes in the loss allowance:				
– Transfer in	443	13	1	457
– ECL (reversed)/recognised	(41,959)	16,192	482,275	456,508
– Written off	–	–	(6,492)	(6,492)
– Exchange difference	10,840	–	–	10,840
<b>As at 31 December 2018</b>	<b>30,270</b>	<b>48,962</b>	<b>716,008</b>	<b>795,240</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 42. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

The table below details the credit risk exposures of the Group's advances to customers on margin financing, which are subject to ECL assessment:

### Gross carrying amount

	12 months ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2019	<b>49,241,708</b>	<b>1,824,130</b>	<b>2,840,102</b>	<b>53,905,940</b>
As at 31 December 2018	42,384,302	5,724,598	1,547,349	49,656,249

In 2019, the gross carrying amount of the Group's margin accounts receivable in stage 1 and stage 3 increased, and the amount of ECL of these stages increased as well.

## 43. ACCOUNTS RECEIVABLE

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Accounts receivable from:		
– Cash clients	<b>831,413</b>	1,074,065
– Brokers, dealers and clearing house	<b>7,880,432</b>	6,434,981
– Advisory and financial planning	<b>18,600</b>	19,558
– Asset and fund management	<b>756,470</b>	589,570
– Others	<b>461,998</b>	262,246
	<b>9,948,913</b>	8,380,420
Less: Expected credit losses	<b>(196,536)</b>	(123,206)
	<b>9,752,377</b>	8,257,214

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 43. ACCOUNTS RECEIVABLE (continued)

Aging analysis of accounts receivable from the trade date is as follows:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Between 0 and 3 months	8,897,795	7,563,111
Between 4 and 6 months	262,738	32,677
Between 7 and 12 months	345,738	490,998
Over 1 year	246,106	170,428
	<b>9,752,377</b>	<b>8,257,214</b>

## 44. DERIVATIVE INSTRUMENTS

	2019/12/31		2018/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
<i>Derivatives designated in hedge accounting:</i>				
Interest rate swaps (Note i)	-	98,805	-	-
Currency forwards (Note i)	42,339	-	-	-
Cross currency interest rate swaps (Note i)	7,280	-	-	-
Foreign exchange risk Forward (Note i)	-	2,341	-	-
<i>Derivatives held for trading:</i>				
Stock index futures contracts (Note ii)	-	-	-	-
Treasury futures Contracts (Note iii)	-	-	-	-
Commodity futures Contracts (Note iv)	-	-	5,956	-
Interest rate swap Contracts (Note v)	1,014,960	1,014,474	1,165,165	1,350,329
Equity swap (Note vi)	109,747	115,871	153,309	176,291
Forward contracts	68,562	10,086	56,126	118,753
Options (Note vii)	253,444	624,072	386,392	507,744
Embedded equity instruments	7,285	194,676	421	29,543
Foreign exchange swap	7,345	86,142	2,671	24,943
Credit default swap	5,534	24,132	10,717	11,171
Total	<b>1,516,496</b>	<b>2,170,599</b>	<b>1,780,757</b>	<b>2,218,774</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 44. DERIVATIVE INSTRUMENTS (continued)

Notes:

- (i) At 31 December 2019, the notional amount of the interest rate swaps under hedge accounting held by the Group was approximately RMB4,162,610 thousand (31 December 2018: nil).

At 31 December 2019, the notional amount of the currency forwards under hedge accounting held by the Group was approximately RMB2,274,294 thousand (31 December 2018: nil).

At 31 December 2019, the notional amount of the cross currency interest rate swaps under hedge accounting held by the Group was approximately RMB956,573 thousand (31 December 2018: nil).

At 31 December 2019, the notional amount of the foreign exchange risk Forward under hedge accounting held by the Group was approximately RMB816,283 thousand. (31 December 2018: nil).

### (ii) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2019 and 31 December 2018. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2019, the contract value of the outstanding stock index futures contracts that the Group held for the market risk of the securities lent or to be lent to clients is RMB2,272,336 thousand (31 December 2018: RMB2,230,590 thousand), recognising net derivative liabilities of RMB13,384 thousand (31 December 2018: net derivative assets of RMB46,050 thousand) before settlement.

### (iii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2019 and 31 December 2018. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	2019/12/31	
	Contract value RMB'000	Fair value RMB'000
T2003	3,288,193	(20,505)
T2003	1,768,753	1,986
TF2003	2,817,450	(17,152)
TS2003	753,150	(590)
Total	8,627,546	(36,261)
Plus: settlements		36,261
Net position		-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 44. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (iii) Treasury futures contracts (continued)

Contract	2018/12/31	
	Contract value RMB'000	Fair value RMB'000
T1903	3,908,400	(56,747)
T1903	1,954,200	10,967
TF1903	1,590,080	(5,191)
Total	7,452,680	(50,971)
Plus: settlements		50,971
Net position		–

### (iv) Commodity futures contracts

As at 31 December 2019, the fair value gains of commodity future contract that the Group holds not under the daily mark-to-market and settlement arrangement was nil (31 December 2018: RMB5,956 thousand).

Contract	2019/12/31		2018/12/31	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Commodity	–	–	283,351	5,956
Total	–	–	283,351	5,956

### (v) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2019. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period.

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 44. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (v) Interest rate swap contracts (continued)

	2019/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	23,320,000	–	(8,260)
IRS – non-centralised settlement	21,507,632	1,014,960	(1,014,474)
<b>Total</b>	<b>44,827,632</b>	<b>1,014,960</b>	<b>(1,022,734)</b>
Plus: settlements		–	8,260
<b>Net position of IRS contracts</b>		<b>1,014,960</b>	<b>(1,014,474)</b>

	2018/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	16,280,000	20,566	–
IRS – non-centralised settlement	34,208,897	1,165,165	(1,350,329)
<b>Total</b>	<b>50,488,897</b>	<b>1,185,731</b>	<b>(1,350,329)</b>
Plus: settlements		(20,566)	–
<b>Net position of IRS contracts</b>		<b>1,165,165</b>	<b>(1,350,329)</b>

### (vi) Equity swap

At 31 December 2019, the notional amount of the equity swap held by the Group was approximately RMB3,033,575 thousand.

### (vii) Options

As at 31 December 2019, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB31,810,114 thousand (31 December 2018: RMB16,866,539 thousand). The notional principal amounts of the Group's listed options purchased or written outside Mainland China were approximately RMB11,429,520 thousand (31 December 2018: RMB20,949,114 thousand).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 45. OTHER CURRENT ASSETS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Dividend receivable	116	387
Inventories	323,017	789,039
Other receivables and prepayments ( <i>Note i</i> )	3,377,881	2,711,405
	<b>3,701,014</b>	3,500,831
Less: Impairment losses ( <i>Note ii</i> )	<b>(485,257)</b>	(469,103)
	<b>3,215,757</b>	3,031,728

*Notes:*

- (i) The other receivables and prepayments includes short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.
- (ii) Included in the impairment losses of the Group mainly represents a gross receivable of RMB440,894,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 46. CLEARING SETTLEMENT FUNDS

	<b>2019/12/31</b> <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Clearing settlement funds held with clearing houses for:		
House accounts	<b>1,855,965</b>	1,531,888
Customer	<b>6,755,136</b>	6,114,673
	<b>8,611,101</b>	7,646,561

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

## 47. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	<b>2019/12/31</b> <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Deposits with central banks other than legal reserve	<b>4,736,623</b>	2,384,561
Legal reserve	<b>46,522</b>	41,675
Total	<b>4,783,145</b>	2,426,236
Deposits with other banks	<b>204,672</b>	253,915
Less: Expected credit losses	<b>(3)</b>	(7)
Total	<b>204,669</b>	253,908
	<b>4,987,814</b>	2,680,144

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interesting bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 48. BORROWINGS

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Short-term borrowings:		
Secured borrowings ( <i>Note</i> )	4,383,774	2,515,041
Unsecured borrowings	37,408,231	34,401,597
	<b>41,792,005</b>	36,916,638
Long-term borrowing:		
Secured borrowings ( <i>Note</i> )	17,773,149	23,643,301
Unsecured borrowings	28,559,969	19,643,381
	<b>46,333,118</b>	43,286,682
<b>Total</b>	<b>88,125,123</b>	80,203,320
Current liabilities:		
Short-term borrowings	41,792,005	36,916,638
Long-term borrowings due within one year	15,248,859	15,572,524
	<b>57,040,864</b>	52,489,162
Non-current liabilities:		
Long-term borrowings	31,084,259	27,714,158
	<b>88,125,123</b>	80,203,320
	<b>2019/12/31 <i>RMB'000</i></b>	<b>2018/12/31 <i>RMB'000</i></b>
Analysis by maturity:		
Less than 1 year	57,040,864	52,489,162
1-2 years	11,908,979	13,489,297
2-5 years	16,965,033	12,692,442
Over 5 years	2,210,247	1,532,419
	<b>88,125,123</b>	80,203,320

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 48. BORROWINGS (continued)

Note:

As at 31 December 2019, borrowings of RMB45 million (31 December 2018: RMB57 million) are secured by the 33rd floor of No.689 Guangdong Road, Haitong Securities Tower, Shanghai, the PRC.

As at 31 December 2019, borrowings of RMB386 million (31 December 2018: RMB489 million) are secured by the land of 4/2, No.169, Bund Street, Shanghai, the PRC, and 100% shares of Shanghai Weitai Property Management Co., Ltd. held by the Group.

As at 31 December 2019, borrowings of RMB5,914 million (31 December 2018: RMB5,857 million) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Group.

As at 31 December 2019, current borrowings of RMB2,687 million are secured by the bond fund at fair value of RMB3,612 million.

As at 31 December 2019, borrowings of RMB659 million (31 December 2018: RMB2,155 million) is secured by listed debt securities of approximately RMB712 million at fair value (31 December 2018: RMB2,102 million).

As at 31 December 2019, borrowings of RMB12,463 million (31 December 2018: RMB14,490 million) are secured by finance lease receivables of RMB8,833 million (31 December 2018: RMB18,486 million), receivables arising from sale and leaseback arrangements of RMB4,977 million (31 December 2018: Nil), shares of subsidiaries and Group's aircrafts with the net carrying amount of RMB4,255 million (31 December 2018: RMB3,859 million).

## 49. SHORT-TERM FINANCING BILLS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Ultra-short-term bonds	4,522,865	2,884,920
Medium-term notes	6,696,159	9,344,640
Short-term income certification	9,940,351	11,587,337
Overseas private placement bonds	–	418,112
Short-term bonds	11,047,480	2,302,959
	<b>32,206,855</b>	26,537,968

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 49. SHORT-TERM FINANCING BILLS (continued)

Issue Entity	Type	Currency ('000)	Issue date	Maturity date	Coupon Rate	Opening Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)	Ending Balance (RMB'000)
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2018/5/30	2019/2/24	5.32%	1,031,218	7,871	1,039,089	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2018/11/22	2019/8/19	3.94%	903,293	24,827	928,120	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2018/12/18	2019/9/14	4.00%	950,409	28,055	978,464	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/1/24	2019/8/22	3.48%	-	20,022	20,022	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/2/21	2019/11/18	3.25%	-	24,041	24,041	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/3/8	2019/12/3	3.10%	-	22,869	22,869	-
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/8/13	2020/5/9	3.45%	-	506,290	-	506,290
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/9/11	2020/6/7	2.90%	-	1,008,105	-	1,008,105
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/10/24	2020/7/20	2.90%	-	1,004,516	-	1,004,516
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/11/14	2020/8/10	2.90%	-	1,002,701	-	1,002,701
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/11/29	2020/2/27	2.30%	-	500,848	-	500,848
Haitong UT Capital Group Co., Ltd	Ultra-short-term bonds	RMB	2019/12/10	2020/3/9	2.30%	-	500,405	-	500,405
Haitong UT Capital Group Co., Ltd	Short-term bonds	RMB	2018/3/27	2019/3/27	5.00%	1,297,059	14,555	1,311,614	-
Haitong UT Capital Group Co., Ltd	Short-term bonds	RMB	2018/10/31	2019/10/31	4.30%	1,005,900	35,696	1,041,596	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019/7/5	2019/9/27	2.48%	-	5,028,459	5,028,459	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019/9/23	2019/12/20	2.74%	-	5,033,030	5,033,030	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019/10/21	2020/1/17	2.88%	-	5,028,405	-	5,028,405
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019/12/13	2020/3/11	3.00%	-	5,007,808	-	5,007,808
Haitong UT Capital Group Co., Ltd	Short-term bonds	RMB	2019/8/19	2020/8/19	3.37%	-	1,011,267	-	1,011,267
Haitong Securities Co., Ltd	Short-term income certificates	RMB	2019/1/2	2020/12/30	2.45%-6%	11,587,337	47,440,670	49,087,656	9,940,351
Haitong UT Capital Group Co., Ltd	Overseas private placement bonds	RMB	2018/8/13	2019/8/11	4.30%	418,112	10,943	429,055	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/1/17	2019/1/16	Hibor+1.25%	688,208	-	688,208	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/2/6	2019/2/4	2.80%	485,952	-	485,952	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/2/12	2019/2/11	2.65%	179,316	-	179,316	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/2/13	2019/2/12	Hibor+1.20%	241,980	-	241,980	-
Haitong International Securities Group Ltd	Medium-term notes	RMB	2018/2/13	2019/2/12	5.20%	521,448	-	521,448	-
Haitong International Securities Group Ltd	Medium-term notes	RMB	2018/3/13	2019/3/12	5.30%	155,936	-	155,936	-
Haitong International Securities Group Ltd	Medium-term notes	RMB	2018/4/10	2019/4/9	5.20%	317,072	-	317,072	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/4/10	2019/4/9	2.70%	401,704	-	401,704	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/4/10	2019/4/9	2.00%	313,869	-	313,869	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 49. SHORT-TERM FINANCING BILLS (continued)

Issue Entity	Type	Currency ('000)	Issue date	Maturity date	Coupon Rate	Opening Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)	Ending Balance (RMB'000)
Haitong International Securities Group Ltd	Medium-term notes	USD	2018/4/11	2019/4/10	3.50%	210,959	-	210,959	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/5/2	2019/4/30	2.10%	296,638	-	296,638	-
Haitong International Securities Group Ltd	Medium-term notes	RMB	2018/5/23	2019/5/22	5.20%	1,091,537	-	1,091,537	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/5/23	2019/5/21	0.00%	1,296,315	-	1,296,315	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/7/10	2019/7/9	Hibor+1.35%	203,126	-	203,126	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2018/7/19	2019/4/18	3.50%	348,238	-	348,238	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/7/27	2019/7/26	Hibor+1.32%	180,746	-	180,746	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2018/8/2	2019/5/2	3.50%	695,440	-	695,440	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/8/10	2019/8/9	3.00%	706,583	-	706,583	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2018/8/14	2019/8/13	3.00%	176,576	-	176,576	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2018/8/20	2019/5/21	3.50%	832,997	-	832,997	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/1/16	2019/12/20	3.96%	-	723,181	723,181	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/1/18	2020/1/17	2.80%	-	229,819	-	229,819
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/1/29	2020/1/24	Hibor + 1.05%	-	356,268	-	356,268
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/1/30	2019/12/20	3.96%	-	722,107	722,107	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/2/20	2020/2/19	3.00%	-	183,683	-	183,683
Haitong International Securities Group Ltd	Medium-term notes	RMB	2019/3/13	2020/3/11	3.95%	-	154,804	-	154,804
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/4/10	2020/4/8	2.80%	-	540,676	-	540,676
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/4/11	2020/4/9	2.65%	-	638,508	-	638,508
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/4/18	2020/4/16	2.75%	-	456,304	-	456,304
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/14	2020/5/12	3.40%	-	177,988	-	177,988
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/15	2020/5/13	3.50%	-	448,751	-	448,751
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/16	2020/5/14	3.30%	-	355,410	-	355,410
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/5/21	2020/5/19	2.60%	-	481,536	-	481,536
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/23	2020/5/21	3.30%	-	692,572	-	692,572
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/29	2020/5/27	3.50%	-	272,446	-	272,446
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/5/30	2020/5/28	3.50%	-	355,625	-	355,625
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019/7/26	2020/7/24	2.70%	-	226,340	-	226,340
Haitong International Securities Group Ltd	Medium-term notes	USD	2019/9/10	2020/9/8	2.88%	-	1,125,429	-	1,125,429
<b>Total</b>						<b>26,537,968</b>	<b>81,402,830</b>	<b>75,733,942</b>	<b>32,206,855</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Asset-based notes	<b>2,482,399</b>	2,823,986
Asset-based securities	<b>9,514,344</b>	9,997,545
Asset-based special plan	<b>10,506,076</b>	8,890,937
Convertible bonds	<b>110,422</b>	3,451,821
Corporate bonds	<b>57,392,019</b>	66,670,695
Financial bonds	<b>8,621,796</b>	1,276,066
Guaranteed bonds	<b>17,366,290</b>	13,643,219
Long-term income certificates	<b>3,713,203</b>	11,127,957
Medium-term notes	<b>2,886,918</b>	5,019,596
Overseas private placement bond	<b>1,057,179</b>	442,134
Private publication notes	<b>6,086,662</b>	3,351,734
Subordinated notes	<b>13,005,063</b>	13,451,167
	<b>132,742,371</b>	140,146,857
Analysed for reporting purpose as:		
Current liabilities	<b>43,699,917</b>	41,923,410
Non-current liabilities	<b>89,042,454</b>	98,223,447
	<b>132,742,371</b>	140,146,857

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

Type	Currency	Principal amount in original currency ('000)	Issue date	Maturity date	Coupon Rate	Opening			Closing Balance (RMB'000)	Note
						Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)		
Corporate bonds	RMB	2,390,000	25/11/2013	25/11/2023	6.18%	2,395,897	149,552	147,702	2,397,747	
Corporate bonds	RMB	4,550,000	14/7/2014	14/7/2019	5.45%	4,666,175	131,800	4,797,975	-	
Corporate bonds	RMB	800,000	14/7/2014	14/7/2024	5.85%	821,925	46,800	46,800	821,925	
Subordinated notes	RMB	4,000,000	17/11/2016	17/11/2019	3.30%	4,016,274	109,940	4,126,214	-	
Subordinated notes	RMB	2,000,000	17/11/2016	17/11/2021	3.40%	2,008,384	68,000	68,000	2,008,384	
Corporate bonds	RMB	15,000,000	18/5/2016	17/5/2019	3.60%	15,337,315	202,685	15,540,000	-	
Corporate bonds	RMB	5,000,000	18/5/2016	17/5/2021	3.80%	5,118,685	190,000	190,000	5,118,685	
Long-term income certificates	RMB	3,631,885	8/1/2018	9/1/2021	0-5.25%	11,127,957	3,100,423	10,515,177	3,713,203	
Asset-based securities	RMB	1,900,000	17/11/2017	17/5/2019	5.20%	1,904,061	36,812	1,940,873	-	
Subordinated notes	RMB	4,500,000	16/3/2017	16/3/2020	4.80%	4,672,208	216,000	216,000	4,672,208	
Corporate bonds	RMB	5,000,000	11/8/2017	11/8/2020	4.63%	5,085,471	234,700	231,500	5,088,671	
Corporate bonds	RMB	1,000,000	11/8/2017	11/8/2022	4.80%	1,017,398	48,366	48,000	1,017,764	
Corporate bonds	RMB	5,500,000	22/9/2017	22/9/2027	4.99%	5,566,618	275,323	274,449	5,567,492	
Corporate bonds	RMB	500,000	25/10/2017	25/10/2020	4.77%	503,856	24,167	23,850	504,173	
Asset-based securities	RMB	4,750,000	16/11/2018	16/7/2019	5.65%	4,761,034	144,106	4,905,140	-	
Asset-based securities	RMB	2,850,000	19/11/2018	19/7/2019	5.60%	2,856,561	87,010	2,943,571	-	
Corporate bonds	RMB	3,000,000	8/3/2018	8/3/2021	5.15%	3,126,563	154,500	154,500	3,126,563	
Corporate bonds	RMB	3,000,000	22/3/2018	22/3/2021	5.14%	3,120,403	154,200	154,200	3,120,403	
Corporate bonds	RMB	3,000,000	10/5/2018	10/5/2021	4.70%	3,091,167	141,000	141,000	3,091,167	
Corporate bonds	RMB	3,000,000	6/8/2018	6/8/2021	3.98%	3,048,414	119,400	119,400	3,048,414	
Corporate bonds	RMB	3,000,000	22/11/2018	22/11/2021	3.88%	3,012,756	116,400	116,400	3,012,756	
Asset-based securities	RMB	475,000	11/9/2018	11/9/2020	4.55%	475,889	21,611	21,553	475,947	
Corporate bonds	USD	300,000	13/12/2018	13/12/2023	4.50%	2,053,245	242,536	206,783	2,088,998	
Corporate bonds	EUR	230,000	13/12/2018	13/12/2023	1.34%	1,806,154	174,206	181,601	1,798,759	
Subordinated notes	RMB	3,300,000	28/2/2019	28/2/2022	4.09%	-	3,413,523	-	3,413,523	Note 1



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

Type	Currency	Principal amount in original currency ('000)	Issue date	Maturity date	Coupon Rate	Opening Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)	Closing Balance (RMB'000)	Note
Asset-based securities	RMB	4,750,000	23/4/2019	23/4/2020	3.40%	-	4,861,944	104,861	4,757,083	Note 2
Asset-based securities	RMB	4,275,000	15/5/2019	15/5/2020	3.37%	-	4,366,177	84,863	4,281,314	Note 3
Corporate bonds	RMB	5,000,000	11/4/2019	11/4/2022	3.75%	-	5,136,130	-	5,136,130	Note 4
Corporate bonds	RMB	4,500,000	15/11/2019	15/11/2022	3.52%	-	4,520,397	-	4,520,397	Note 5
Financial bonds	RMB	7,000,000	29/8/2019	29/8/2022	3.39%	-	7,081,267	-	7,081,267	Note 6
Convertible bonds	HKD	1,164,000	4/11/2014	4/11/2019	1.25%	129,227	1,278	130,505	-	
Guaranteed bonds	USD	600,000	11/9/2014	11/9/2019	3.99%	4,156,962	116,720	4,273,682	-	
Guaranteed bonds	USD	700,000	29/11/2015	29/11/2020	4.20%	4,861,859	204,993	109,670	4,957,182	
Guaranteed bonds	USD	670,000	21/4/2015	20/4/2020	3.50%	4,624,398	141,630	61,429	4,704,599	
Asset-based special plan	RMB	1,200,000	22/4/2016	14/3/2019	4.50%	1,149,510	38,150	1,187,660	-	
Financial bonds	BRL	2,573,639	2017/1/9-	2020/1/13-	0%-7.89%	1,276,067	366,335	101,873	1,540,529	
			2019/12/27	2023/5/22						
Medium-term notes	EUR	226,171	2011/1/2/20-	2019/2/26-	0%-9.7%	1,112,641	533,725	1,112,641	533,725	
			2018/7/23	2026/1/23						
Medium-term notes	RMB	394,000	2016/5/1-	2019/5/16-	5.10%-5.28%	404,750	-	404,750	-	
			2016/6/13	2019/6/13						
Convertible bonds	HKD	3,880,000	25/10/2016	25/10/2021	0.00%	3,322,594	-	3,212,172	110,422	
Corporate bonds	EUR	220,000	2016/5/18 &	2021/5/17 &	1.60%	1,739,547	118,411	123,817	1,734,141	
			2016/5/26	2021/5/26						
Medium-term notes	RMB	600,000	7/6/2016	7/6/2021	4.07%	612,678	14,795	438,548	188,925	
Medium-term notes	RMB	400,000	21/1/2016	21/1/2019	3.60%	413,578	750	414,328	-	
Overseas private placement bond	USD	64,000	28/9/2016	24/9/2019	2.9%-3%	442,134	7,053	449,187	-	
Medium-term notes	RMB	600,000	15/7/2016	15/7/2021	3.70%	609,117	16,858	331,555	294,420	
Asset-based special plan	RMB	1,425,000	15/11/2016	21/10/2019	3.72%	1,437,389	10,269	1,447,658	-	
Corporate bonds	RMB	1,000,000	21/7/2017	21/7/2020	4.70%	1,018,188	48,824	47,000	1,020,012	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

Type	Currency	Principal amount in original currency ('000)	Issue date	Maturity date	Coupon Rate	Opening Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)	Closing Balance (RMB'000)	Note
Corporate bonds	RMB	1,500,000	21/6/2017	21/6/2020	4.95%	1,534,443	77,554	74,250	1,537,747	
Asset-based special plan	RMB	1,567,500	4/8/2017	12/6/2020	5.40%	1,564,977	84,645	81,600	1,568,022	
Asset-based notes	RMB	1,360,000	27/11/2017	19/9/2020	5.80%	1,355,914	78,880	77,445	1,357,349	
Private publication notes	RMB	800,000	14/11/2017	14/11/2020	5.80%	803,678	47,690	46,400	804,968	
Medium-term notes	RMB	1,000,000	23/3/2018	23/3/2021	5.77%	1,041,248	59,389	57,700	1,042,937	
Medium-term notes	RMB	800,000	27/4/2018	27/4/2021	5.23%	825,584	43,167	41,840	826,911	
Private publication notes	RMB	600,000	12/2/2018	12/2/2021	6.35%	631,697	39,067	38,100	632,664	
Private publication notes	RMB	500,000	19/6/2018	19/6/2021	6.50%	515,509	33,318	32,500	516,327	
Private publication notes	RMB	800,000	30/11/2018	30/11/2021	5.20%	800,101	42,717	41,600	801,218	
Private publication notes	RMB	600,000	12/12/2018	12/12/2020	5.13%	600,749	30,762	30,780	600,731	
Corporate bonds	RMB	800,000	21/9/2018	21/9/2021	5.05%	806,243	42,291	40,400	808,134	
Corporate bonds	RMB	400,000	26/10/2018	26/10/2021	4.85%	401,590	20,134	19,400	402,324	
Asset-based notes	RMB	950,000	31/7/2018	19/10/2020	4.9%-6.2%	540,960	11,221	506,511	45,670	
Asset-based notes	RMB	950,000	26/12/2018	19/8/2021	4.5%-5.9%	927,112	34,011	513,412	447,711	
Asset-based special plan	RMB	1,070,000	17/11/2018	20/8/2019	5.9%-6.2%	20,867	330	21,197	-	
Asset-based special plan	RMB	960,000	27/4/2018	18/12/2020	5.1%-6.1%	427,592	15,350	382,876	60,066	
Asset-based special plan	RMB	1,425,000	15/6/2018	21/12/2020	5.49%-5.84%	728,040	30,809	654,268	104,581	
Asset-based special plan	RMB	980,000	21/8/2018	19/2/2021	4.5%-5.83%	739,939	28,163	511,210	256,892	
Asset-based special plan	RMB	1,370,000	23/11/2018	19/5/2021	4.66%-5.80%	1,337,062	41,817	922,409	456,470	
Asset-based special plan	RMB	950,000	20/9/2018	20/11/2019	5.00%	538,555	9,803	548,358	-	
Asset-based special plan	RMB	950,000	27/12/2018	20/5/2020	5%-5.5%	947,006	29,621	761,019	215,608	
Corporate bonds	RMB	500,000	28/2/2019	28/2/2022	5.20%	-	519,554	-	519,554	Note 7
Private publication notes	RMB	300,000	23/4/2019	23/4/2022	4.65%	-	308,540	-	308,540	Note 8
Private publication notes	RMB	1,000,000	31/5/2019	31/5/2022	4.70%	-	1,023,999	-	1,023,999	Note 9
Asset-based special plan	RMB	1,440,000	27/2/2019	18/11/2021	3.83%-5.0%	-	840,835	37,055	803,780	Note 10

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

Type	Currency	Principal amount in original currency ('000)	Issue date	Maturity date	Coupon Rate	Opening Balance (RMB'000)	Increase (RMB'000)	Decrease (RMB'000)	Closing Balance (RMB'000)	Note
Asset-based special plan	RMB	950,000	19/3/2019	20/10/2020	4%-4.7%	-	457,940	18,133	439,807	Note 11
Asset-based special plan	RMB	1,490,000	16/4/2019	21/9/2021	3.69%-4.4%	-	828,423	31,589	796,834	Note 12
Asset-based special plan	RMB	950,000	31/5/2019	19/1/2021	4.00%-4.34%	-	636,545	13,934	622,611	Note 13
Asset-based special plan	RMB	1,167,000	14/6/2019	24/2/2020	4.0%-4.5%	-	868,365	20,789	847,576	Note 14
Guaranteed bonds	USD	700,000	19/7/2019	19/7/2024	3.38%	-	4,929,513	-	4,929,513	Note 15
Guaranteed bonds	USD	400,000	18/11/2019	18/5/2025	3.13%	-	2,774,996	-	2,774,996	Note 16
Corporate bonds	RMB	500,000	24/7/2019	24/7/2022	4.83%	-	508,287	-	508,287	Note 17
Overseas private placement bond	USD	150,000	31/7/2019	31/7/2022	3.80%	-	1,057,345	166	1,057,179	Note 18
Asset-based special plan	RMB	950,000	8/8/2019	20/4/2021	3.95%-4.80%	-	960,055	229,218	730,837	Note 19
Asset-based special plan	RMB	1,390,000	27/8/2019	26/3/2020	4.28%-4.45%	-	1,399,842	391,715	1,008,127	Note 20
Asset-based special plan	RMB	950,000	31/10/2019	26/5/2022	4.05%-4.60%	-	948,398	150,622	797,776	Note 21
Asset-based notes	RMB	950,000	11/11/2019	19/3/2022	3.95%-4.57%	-	946,181	314,512	631,669	Note 22
Private publication notes	RMB	1,400,000	4/12/2019	4/12/2022	4.50%	-	1,398,215	-	1,398,215	Note 23
Asset-based special plan	RMB	861,000	24/12/2019	26/8/2022	4.2%-4.6%	-	853,905	-	853,905	Note 24
Asset-based special plan	RMB	950,000	26/12/2019	26/7/2021	4.1%-4.60%	-	943,184	-	943,184	Note 25
Corporate bonds	RMB	1,400,000	3/12/2015	3/12/2020	4.25%	1,398,642	62,637	59,503	1,401,776	
Subordinated notes	RMB	1,000,000	9/11/2015	9/11/2020	5.50%	856,908	54,883	54,999	856,792	
Subordinated notes	RMB	1,000,000	4/4/2018	4/4/2023	6.05%	888,322	217,263	60,500	1,045,085	
Subordinated notes	RMB	1,000,000	31/10/2018	31/10/2023	5.34%	1,009,071	53,400	53,400	1,009,071	
Total						140,146,858	60,581,810	67,986,297	132,742,371	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

- Note 1:* On 28 February 2019, the Company issued subordinated bonds with a principal amount of RMB3,300 million carries a fixed annual rate at 4.09% with a maturity period of 3 years.
- Note 2:* On 23 April 2019, the Company issued asset-based securities with a principal amount of RMB5,000 million carries a fixed annual rate at 3.40% with a maturity period of 12 months. The asset-based securities of RMB250 million was held by the Company. The total amount received was RMB4,750 million.
- Note 3:* On 15 May 2019, the Company issued asset-based securities with a principal amount of RMB4,500 million carries a fixed annual rate at 3.37% with a maturity period of 12 months. The asset-based securities of RMB225 million was held by the Company. The total amount received was RMB4,275 million.
- Note 4:* On 11 April 2019, the Company issued corporate bonds with a principal amount of RMB5,000 million carries a fixed annual rate at 3.75% with a maturity period of 3 years.
- Note 5:* On 15 November 2019, the Company issued corporate bonds with a principal amount of RMB4,500 million carries a fixed annual rate at 3.52% with a maturity period of 3 years.
- Note 6:* On 29 August 2019, the Company issued financial bonds with a principal amount of RMB7,000 million carries a fixed annual rate at 3.39% with a maturity period of 3 years.
- Note 7:* On 26 February 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued corporate bonds with a principle amount of RMB500 million carries a fix annual rate at 5.20% with a maturity period of 3 years.
- Note 8:* On 18 April 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued private publication notes with a principle amount of RMB300 million carries a fix annual rate at 4.65% with a maturity period of 3 years.
- Note 9:* On 31 May 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued private publication notes with a principle amount of RMB1,000 million carries a fix annual rate at 4.70% with a maturity period of 3 years.
- Note 10:* On 27 February 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued asset-based securities with a total amount of RMB1,520 million carries a fix annual rate from 3.83% to 5.00% with a maturity period of 34 months. The asset-based securities of RMB80 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB1,440 million.
- Note 11:* On 19 March 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued asset-based special plan with a total amount of RMB1,000 million carries a fix annual rate from 4.00% to 4.70% with a maturity period of 20 months. The asset-based securities of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.
- Note 12:* On 16 April 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued asset-based special plan in principle amount of RMB1,570 million carries a fix annual rate from 3.69% to 4.40% with a maturity period of 30 months. The asset-based special plan of RMB80 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB1,490 million.
- Note 13:* On 31 May 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued asset-based special plan with a principle amount of RMB1,000 million carries a fix annual rate from 4.00% to 4.34% with a maturity period of 20 months. The asset-based special plan of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.
- Note 14:* On 14 June 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd. issued asset-based special plan with a principle amount of RMB1,520 million carries a fix annual rate from 4.00% to 4.50% with a maturity period of 33 months. The asset-based special Plan of RMB353 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB1,167 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 50. BONDS PAYABLE (continued)

- Note 15:* On 19 July 2019, the Group's wholly owned subsidiary Haitong International securities Group Ltd. Issued a guaranteed bond with a principle amount of USD700 million carries a fix annual rate at 3.38% with a maturity period of 5 years.
- Note 16:* On 18 November 2019, the Group's wholly owned subsidiary Haitong International securities Group Ltd. issued a guaranteed bond with a principle amount of USD400 million carries a fix annual rate at 3.13% with a maturity period of 6 years.
- Note 17:* On 22 July 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued a corporate bond with a principle amount of RMB500 million carries a fix annual rate at 4.83% with a maturity period of 3 years.
- Note 18:* On 31 July 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued an overseas private placement bond with a principle amount of USD150 million carries a fix annual rate at 3.8% with a maturity period of 3 years.
- Note 19:* On 8 August 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued asset-based special plans with a principle amount of RMB1,000 million carries a fix annual rate from 3.95% to 4.80% with a maturity period of 21 months. The asset asset-based special plans of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.
- Note 20:* On 27 August 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued asset-based special plan with a principle amount of RMB1,464 million carries a fix annual rate from 4.28% to 4.45% with a maturity period of 32 months. The asset-based special plan of RMB74 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB1,390 million.
- Note 21:* On 31 October 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued an asset-based special plan with a principle amount of RMB1,000 million carries a fix annual rate from 4.05% to 4.60% with a maturity period of 32 months. The asset-based special plan of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.
- Note 22:* On 6 November 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued asset-based notes in principle amount of RMB1,000 million carries a fix annual rate from 3.95% to 4.57% with a maturity period of 29 months. The asset-based notes of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.
- Note 23:* On 2 December 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued private publication notes in principle amount of RMB1,400 million carries a fix annual rate of 4.50% with a maturity period of 3 years.
- Note 24:* On 24 December 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued an asset-based special plan with a principle amount of RMB911 million carries a fix annual rate from 4.20% to 4.60% with a maturity period of 33 months. The asset-based special plan of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB861 million.
- Note 25:* On 26 December 2019, the Group's wholly owned subsidiary Haitong Unitrust International leasing Co., Ltd issued asset-based special plan with a principle amount of RMB1,000 million carries a fix annual rate from 4.10% to 4.60% with a maturity period of 20 months. The asset-based special plan of RMB50 million was held by Haitong Unitrust International leasing Co., Ltd. The total amount received was RMB950 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 51. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 31 December 2019, included in the Group's accounts payable to brokerage clients were approximately RMB5,921,917,000 (31 December 2018: RMB3,934,801,000) cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

## 52. CUSTOMER ACCOUNTS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Demand deposits – corporate	379,485	87,618
Time deposits – corporate	2,464,127	1,292,921
Demand deposits – individual	501	1,503
Time deposits – individual	29,524	778,284
	<b>2,873,637</b>	2,160,326
Analysed for reporting purpose as:		
Current liabilities	<b>2,873,637</b>	2,160,326
	<b>2,873,637</b>	2,160,326

## 53. CONTRACT LIABILITIES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Asset and fund management services	1,998	3,770
Sales of commodity	181,000	280,235
	<b>182,998</b>	284,005

As at 1 January 2018, contract liabilities amounted to RMB209,625 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 54. OTHER PAYABLES AND ACCRUALS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Payable to employees ( <i>Note i</i> )	5,699,702	4,588,200
Other tax payable	598,558	537,677
Dividends payable	52,431	47,052
Risk reserve	436,387	390,878
Client settlement payables	2,473,668	2,247,856
Pending payable to clearing house	365,151	326,484
Commission and fee payables	23,609	32,832
Finance lease guarantee deposits	2,630,716	2,043,319
Amounts due to brokers	1,329,198	1,010,567
Notes payable	930,867	755,726
Others ( <i>Note ii</i> )	4,204,515	2,671,509
	<b>18,744,802</b>	14,652,100
Analysed for reporting purpose as:		
Current liabilities	17,748,106	13,455,014
Non-current liabilities ( <i>Note i</i> )	996,696	1,197,086
	<b>18,744,802</b>	14,652,100

*Notes:*

- (i) The Group set up a detailed plan for the payment of employees' bonuses accrued. According to the plan, a balance of RMB462,582,000 is expected to be settled after one year (31 December 2018: RMB320,319,000) and therefore classified as non-current liabilities.
- (ii) Others mainly represent payables received in advance of the Group which are non-interest bearing and are settled within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 55. PROVISIONS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Contingencies ( <i>Note</i> )	66,017	130,763
ECL impairment for loan commitments and financial guarantee	9,063	14,344
	<b>75,080</b>	145,107

*Note:*

These provisions are intended to cover certain contingencies related to the Group's activities, including contingencies related to ongoing tax processes, ongoing litigation related to legal dispute with staff.

## 56. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Financial liabilities held for trading	3,326,891	4,804,747
Liabilities arising from consolidation of structured entities Designated as financial liabilities at fair value through profit or loss (FVTPL) ( <i>Note i</i> )	<b>3,762,236</b>	3,585,089
– Structured products ( <i>Note ii</i> )	17,064,332	12,350,482
– Gold option ( <i>Note iii</i> )	5,660,657	5,460,636
– Income certificates ( <i>Note iv</i> )	271,850	–
	<b>30,085,966</b>	26,200,954
Analysed for reporting purpose as:		
Current liabilities	26,211,555	23,862,827
Non-current liabilities	3,874,411	2,338,127
	<b>30,085,966</b>	26,200,954



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 56. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) As at 31 December 2019 and 2018, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payables at maturity is not significant. The amounts of changes in the fair value that are attributable to changes in the Group's own credit risk are not significant during the years ended 31 December 2019 and 2018.
- (ii) As at 31 December 2019 and 2018, included in the Group's financial liabilities designated at fair value through profit or loss are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates of which payouts are linked to the values/returns of certain underlying investments related to listed equity investments in active markets, listed/unlisted debt instruments, listed/unlisted investment funds, unlisted financial products and unlisted equity or partnership investments.
- The risk of economic exposure on these structured products is primarily mitigated using financial assets at fair value through profit or loss as detailed in Note 33(iii). These structured products are designated as fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.
- (iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combinations intend to enable the Group to pay a fixed flow despite the volatilities of fair value of gold bullions. These contracts were designated at fair value through profit or loss.
- (iv) The Group issued some income certificates which were hybrid contracts containing embedded derivatives such as securities index. The entire hybrid contracts were designated as at FVTPL upon initial recognition.

## 57. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock	1,421,462	1,866,306
Bonds	61,117,485	52,075,760
Loans and advances to customers on margin financing	–	500,636
Other	6,338,731	1,930,201
	<b>68,877,678</b>	<b>56,372,903</b>
Analysed by market:		
Stock exchanges	12,147,846	7,289,147
Inter-bank market	48,969,639	44,786,613
OTC	7,760,193	4,297,143
	<b>68,877,678</b>	<b>56,372,903</b>
Analysed for reporting purpose as:		
Current liabilities	<b>68,877,678</b>	<b>56,372,903</b>
	<b>68,877,678</b>	<b>56,372,903</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 57. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

The following tables provide a summary of carrying amounts or fair values related to transferred financial assets of the Group and the associated liabilities:

### As at 31 December 2019

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Debt instruments at fair value through other comprehensive income <i>RMB'000</i>	Advances to customers on margin financing <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	68,526,053	473,014	–	161,179	18,196,030	87,356,276
Carrying amount of associated liabilities	51,856,963	419,788	–	137,901	16,463,026	68,877,678
Net position	16,669,090	53,226	–	23,278	1,733,004	18,478,598

### As at 31 December 2018

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Debt instruments at fair value through other comprehensive income <i>RMB'000</i>	Advances to customers on margin financing <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	49,794,272	2,837,179	536,109	768,726	10,792,131	64,728,417
Carrying amount of associated liabilities	42,647,263	2,717,641	500,636	669,589	9,837,774	56,372,903
Net position	7,147,009	119,538	35,473	99,137	954,357	8,355,514

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 58. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Placements from banks	13,603,465	13,723,467
Placements from China Securities Finance Corporation Ltd.	7,019,049	1,000,629
	<b>20,622,514</b>	14,724,096
Analysed for reporting purpose as:		
Current liabilities	14,421,611	8,482,577
Non-current liabilities	6,200,903	6,241,519
	<b>20,622,514</b>	14,724,096

## 59. DEPOSITS FROM OTHER BANKS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Deposits from other banks	3,099	19,950

## 60. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share: At 31 December 2018, 1 January 2019, and 31 December 2019	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 61. REVALUATION RESERVE

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
As at 1 January 2019	<b>(400,148)</b>	1,359,762
Debt instrument measured at fair value through other comprehensive income		
– Net fair value changes during the year	<b>(562,817)</b>	35,780
– Reclassification adjustment to profit or loss on disposal	<b>(34,593)</b>	(38,370)
– Reclassification adjustment to profit or loss for ECL	<b>461,704</b>	34,636
– Income tax impact	<b>32,454</b>	(10,125)
Equity instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period	<b>795,267</b>	(2,039,573)
– Transfer to retained earnings	<b>(20,324)</b>	–
– Income tax impact	<b>(199,464)</b>	509,893
Share of revaluation loss of associates and joint ventures	<b>68,727</b>	(231,985)
Actuarial gains on defined benefit obligations	<b>(28,705)</b>	(20,166)
Others	<b>1,906</b>	–
As at 31 December 2019	<b>114,007</b>	(400,148)

## 62. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserve

The balance of capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value attributable to owners of the Company and other capital reserve arising from equity transactions.

### (b) Revaluation reserve

It represents the fair value changes of debt instruments measured at fair value through other comprehensive income and equity instruments measured at fair value through other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 62. RESERVES AND RETAINED PROFITS (continued)

### (c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits.

Pursuant to the Securities Law of The PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

For the year ended 31 December 2019, the Company transferred approximately RMB2,023,482,000 to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2018: RMB1,670,379,000).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB6,935,712,000 as at 31 December 2019 (31 December 2018: RMB6,261,218,000).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves appropriated from the subsidiaries as at 31 December 2019 is RMB1,285,311,000 (31 December 2018: RMB1,035,689,000).

### (d) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 63. PERPETUAL NOTES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Perpetual notes issued by UniTrust ( <i>Note</i> )	1,237,212	1,237,008
Perpetual notes issued by Haitong Bank	29,160	29,278
	<b>1,266,372</b>	1,266,286

*Note:* On 11 March, 2016, UniTrust issued a perpetual medium-term note with principal amount of RMB1,200,000 thousand.

The above financial instrument has no fixed maturity date and is redeemable at the option of UniTrust on or after the fifth interest payment date, based on principal amount with any accrued, unpaid or deferred interest payments.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date with no limitation on the number of deferrals, and such deferrals does not constitute the issuers breach of the contract.

UniTrust could not defer current interests and all deferred interests within 12 months before the interest payment date when the compulsory interest payment events below occur:

- to declare and pay dividend to ordinary shareholders; or
- to decrease registered capital

Based on the terms and conditions mentioned above, the directors of the Company are of the view that the Group has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above perpetual note is measured as other equity instrument under IAS 32 *Financial Instruments: Presentation*.

During the year ended December 31, 2019, profit attributable to the holders of the perpetual notes of the Group amounted to RMB50,148 thousand (year ended December 31, 2018: RMB49,897 thousand), which are determined with reference to the distribution rates specified in the terms and conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 64. LONG-TERM PAYABLES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Finance lease guarantee deposits	7,547,489	5,667,627
Deferred revenue	367,607	497,799
Others	194,240	499,509
	<b>8,109,336</b>	6,664,935

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business.

## 65. CREDIT COMMITMENT

As at 31 December 2019 and 2018, off-balance credit commitment can be analysed as follows:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Guarantees and standby letters of credit	1,017,789	1,172,904
Irrevocable credit commitments	94,427	129,183

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these financial guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 66. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>2019/12/31</b> <b>RMB'000</b>
Within one year	<b>470,356</b>
In the second year	<b>497,927</b>
In the third year	<b>476,574</b>
In the fourth year	<b>464,488</b>
In the fifth year	<b>392,985</b>
Over five years	<b>789,639</b>
	<b>3,091,969</b>
	2018/12/31
	<i>RMB'000</i>
Within one year	430,199
In the second to fifth year, inclusive	1,626,758
Over five years	1,073,703
	3,130,660



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 67. CAPITAL COMMITMENT

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	<b>9,627,922</b>	2,045,388
	<b>9,627,922</b>	2,045,388

## 68. DIVIDENDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Dividends recognised as distribution	<b>1,725,255</b>	2,645,391

Pursuant to the resolution of annual general meeting 2019 and 2018, the Company declared 2018 and 2017 final dividend of RMB0.15 (taxes inclusive) and RMB0.23 (taxes inclusive) per share respectively, satisfied by cash. No dividend has been proposed since the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2019 and 2018 are set out below:

### For the year ended 31 December 2019

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses <sup>(a)</sup> RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>(b)</sup> RMB'000
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	456	754	–	1,210
Qu Qiuping <sup>2</sup>	–	920	570	–	1,490
Ren Peng <sup>29</sup>	–	828	513	–	1,341
<i>Independent Non-executive Directors:</i>					
Liu Zhimin <sup>3</sup>	260	–	–	–	260
Xiao Suining <sup>4</sup>	330	–	–	–	330
Feng Lun <sup>5</sup>	200	–	–	–	200
Zhang Ming <sup>6</sup>	310	–	–	–	310
Lin Jiali <sup>10</sup>	240	–	–	–	240
Zhu Hongchao <sup>25</sup>	27	–	–	–	27
Zhou Yu <sup>26</sup>	27	–	–	–	27
<i>Non-executive Directors and Supervisors:</i>					
Wu Hongwei <sup>11</sup>	–	411	624	–	1,035
Wang Meijuan <sup>8</sup>	–	559	1,009	–	1,568
Hu Hairong <sup>9</sup>	–	549	1,009	–	1,558
Song Shihao <sup>7</sup>	–	495	974	–	1,469
Rui Zhengxian <sup>12</sup>	–	342	652	–	994
Shi Xu <sup>27</sup>	–	221	421	–	642
Wu Xiangyang <sup>28</sup>	–	183	314	–	497
Yu Liping <sup>13</sup>	–	–	–	–	–
Chen Bin <sup>15</sup>	–	–	–	–	–
Xu Jianguo <sup>17</sup>	–	–	–	–	–
Wu Yuezhou <sup>24</sup>	–	–	–	–	–
Shen Tiedong <sup>14</sup>	–	–	–	–	–
Zhang Xinmei <sup>16</sup>	–	–	–	–	–
Tu Xuanxuan <sup>30</sup>	–	–	–	–	–
Xu Renzhong <sup>31</sup>	–	–	–	–	–
Cao Yijian <sup>32</sup>	–	–	–	–	–
Dai Li <sup>33</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>19</sup>	–	–	–	–	–
Feng Huang <sup>22</sup>	–	–	–	–	–
Li Lin <sup>18</sup>	–	–	–	–	–
Cheng Feng <sup>20</sup>	–	–	–	–	–
Chen Huifeng <sup>21</sup>	–	–	–	–	–
Song Chunfeng <sup>23</sup>	–	–	–	–	–
	<b>1,394</b>	<b>4,964</b>	<b>6,840</b>	<b>–</b>	<b>13,198</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2018

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses <sup>(a)</sup> RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>(b)</sup> RMB'000
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	456	825	–	1,281
Qu Qiuping <sup>2</sup>	–	920	791	–	1,711
<i>Independent Non-executive Directors:</i>					
Liu Zhimin <sup>3</sup>	300	–	–	–	300
Xiao Suining <sup>4</sup>	310	–	–	–	310
Feng Lun <sup>5</sup>	200	–	–	–	200
Zhang Ming <sup>6</sup>	300	–	–	–	300
Lin Jiali <sup>10</sup>	220	–	–	–	220
<i>Non-executive Directors and Supervisors:</i>					
Wu Hongwei <sup>11</sup>	–	411	374	–	785
Wang Meijuan <sup>8</sup>	–	986	1,656	–	2,642
Hu Hairong <sup>9</sup>	–	973	1,656	–	2,629
Song Shihao <sup>7</sup>	–	861	1,205	–	2,066
Rui Zhengxian <sup>12</sup>	–	576	1,104	–	1,680
Yu Liping <sup>13</sup>	–	–	–	–	–
Chen Bin <sup>15</sup>	–	–	–	–	–
Xu Jianguo <sup>17</sup>	–	–	–	–	–
Shen Tiedong <sup>14</sup>	–	–	–	–	–
Zhang Xinmei <sup>16</sup>	–	–	–	–	–
Li Lin <sup>18</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>19</sup>	–	–	–	–	–
Cheng Feng <sup>20</sup>	–	–	–	–	–
Chen Huifeng <sup>21</sup>	–	–	–	–	–
Feng Huang <sup>22</sup>	–	–	–	–	–
Song Chunfeng <sup>23</sup>	–	–	–	–	–
Wu Yuezhou <sup>24</sup>	–	–	–	–	–
	1,330	5,183	7,611	–	14,124

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
  - (b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 71.
- 1 Mr. Zhou Jie was appointed as Chairman, and Executive Director in October 2016. Mr. Zhou Jie whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 2 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 3 Mr. Liu Zhimin was appointed as the Independent Non-executive Director of the Company in November, 2011, Mr Liu Zhimin resigned from the position of the Independent Non-executive Director of the Company in June, 2019.
  - 4 Mr. Xiao Suining was appointed as the Independent Non-executive Director of the Company in May, 2013, Mr Xiao Suining resigned from the position of the Independent Non-executive Director of the Company in June, 2019.
  - 5 Mr. Feng Lun was appointed as the Independent Non-executive Director of the Company in December, 2014, Mr Feng Lun resigned from the position of the Independent Non-executive Director of the Company in June, 2019.
  - 6 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June, 2016.
  - 7 Mr. Song Shihao was appointed as the Supervisor of the Company in July, 2015, Mr. Song Shihao resigned from the position of the Supervisor of the Company in June, 2019.
  - 8 Mrs. Wang Meijuan was appointed as the Supervisor of the Company in December, 2014, Mrs. Wang Meijuan resigned from the position of the Supervisor of the Company in June, 2019.
  - 9 Mrs. Hu Hairong was appointed as the Supervisor of the Company in December, 2014, Mrs. Hu Hairong resigned from the position of the Supervisor of the Company in June, 2019.
  - 10 Mr. Lin Jiali was appointed as the Independent Non-executive Director of the Company in April, 2017.
  - 11 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2017.
  - 12 Mr. Rui Zhengxian was appointed as the Supervisor of the Company in December, 2017, Mr. Rui Zhengxian resigned from the position of the Supervisor of the Company in June, 2019.
  - 13 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June, 2015.
  - 14 Mr. Shen Tiedong was appointed as the Non-executive Director of the Company in June, 2015, Mr. Shen Tiedong resigned from the position of the Non-executive Director of the Company in June, 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- 15 Mr. Chen Bin was appointed as the Non-executive Director of the Company in December, 2014.
- 16 Mrs. Zhang Xinmei was appointed as the Non-executive Director of the Company in June, 2015, Mrs. Zhang Xinmei resigned from the position of the Non-executive Director of the Company in June, 2019.
- 17 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October, 2016.
- 18 Mr. Li Lin was appointed as the Supervisor of the Company in May, 2013, Mr. Li Lin resigned from the position of the Supervisor of the Company in June, 2019.
- 19 Mrs. Zheng Xiaoyun was appointed as the Supervisor of the Company in September, 2015.
- 20 Mr. Cheng Feng was appointed as the Supervisor of the Company in December, 2014, Mr. Cheng Feng resigned from the position of the Supervisor of the Company in June, 2019.
- 21 Mr. Chen Huifeng was appointed as the Supervisor of the Company in December, 2014, Mr. Chen Huifeng resigned from the position of the Supervisor of the Company in June, 2019.
- 22 Mr. Feng Huang was appointed as the Supervisor of the Company in December, 2014.
- 23 Mr. Song Chunfeng was appointed as the Supervisor of the Company in July, 2016, Mr. Song Chunfeng resigned from the position of the Supervisor of the Company in June, 2019.
- 24 Mr. Wu Yuezhou was appointed as the Non-executive Director of the Company in August, 2017, Mr. Wu Yuezhou resigned from the position of the Non-executive Director of the Company in June, 2019.
- 25 Mr. Zhu Hongchao was appointed as the Independent Non-executive Director of the Company in June, 2019.
- 26 Mr. Zhou Yu was appointed as the Independent Non-executive Director of the Company in June, 2019.
- 27 Mr. Shi Xu was appointed as the Supervisor of the Company in June, 2019.
- 28 Mr. Wu Xiangyang was appointed as the Supervisor of the Company in June, 2019.
- 29 Mr. Ren Peng was appointed as the Non-executive Director in June 2019 and was appointed as the Vice General Manager of the Company in November 1997. Mr. Ren Peng whose emoluments disclosed above include those for service rendered by them as the Executive Director.
- 30 Mr. Tu Xuanxuan was appointed as the Non-executive Director of the Company in June 2019.
- 31 Mr. Xu Renzhong was appointed as the Supervisor of the Company in September, 2015.
- 32 Mr. Cao Yijian was appointed as the Supervisor of the Company in September, 2015.
- 33 Mrs. Dai Li was appointed as the Supervisor of the Company in September, 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the years ended 31 December 2019 and 2018, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services and their employments as supervisors of the Company.

For the years ended 31 December 2019 and 2018, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for redundancy.

## 70. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2019 and 2018 are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salary and commission	10,841	12,999
Bonuses	65,754	55,147
Employer's contribution to pension schemes/annuity plans	450	456
	<b>77,045</b>	68,602

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2019 and 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 70. HIGHEST PAID INDIVIDUALS (continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	<b>2019</b>	2018
	<b>Number of</b>	Number of
	<b>employees</b>	employees
Emolument bands		
– RMB11,500,001 to RMB12,000,000	–	1
– RMB12,000,001 to RMB12,500,000	–	1
– RMB12,500,001 to RMB13,000,000	1	1
– RMB13,500,001 to RMB14,000,000	1	–
– RMB14,500,001 to RMB15,000,000	1	–
– RMB15,000,001 to RMB15,500,000	–	1
– RMB15,500,001 to RMB16,000,000	1	–
– RMB16,000,001 to RMB16,500,000	–	1
– RMB19,500,001 to RMB20,000,000	1	–
	<b>5</b>	<b>5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES

### 2002 Share option scheme of HISGL

On 23 August 2002, the shareholders of HISGL approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long term performance targets set by HISGL and its subsidiaries and at the same time allowing the participants to enjoy the results of HISGL attained through their efforts and contributions. Under the 2002 Share Option Scheme, options were granted to any full time employees, executive and non-executive directors of HISGL or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but HISGL may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of HISGL under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 10% of the issued share capital of HISGL as at the date of approval by the shareholders of HISGL at the general meeting where such limit is refreshed.

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their respective associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HKD 5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HKD 1 by the grantee. The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of grant of the options and expire not later than 10 years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a 6-month vesting period.

The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

The following table discloses movements of share options granted to the directors and employees of the Group.

	2019		2018	
	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>
At beginning of the year	2.76	2,583	2.76	5,812
Adjusted during the year <sup>1</sup>	–	–	2.76	17
Exercised during the year	2.76	(2,583)	2.76	(3,246)
Forfeited during the year	–	–	–	–
At end of the year	–	–	2.76	2,583

No new share options were granted for the years ended 31 December 2019 and 31 December 2018 under 2002 Share Option Scheme.

For the year ended 31 December 2019, 2,582,759 (31 December 2018: 3,246,326) share options were exercised resulting in issuance of 2,582,759 (31 December 2018: 3,246,326) ordinary shares of HISGL with increasing in share capital of HKD 258,000, equivalent to RMB231,000 (2018: HKD 325,000, equivalent to RMB285,000) and share premium of HKD 6,847,000, equivalent to RMB6,133,000 (2018: HKD 8,636,000, equivalent to RMB7,567,000) (before issuing expenses).

All the outstanding share options under 2002 Share Option Scheme were exercised before the exercise period ended on 2 March 2019. Thus, there were no outstanding share options as at 31 December 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the “2015 Share Option Scheme”) on 8 June 2015 (the “Adoption Date”). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to HISGL or the Group.

The maximum number of shares of HISGL (the “Shares”) which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a “Scheme Year”), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the “Annual Limit”). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HKD 5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HKD 1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors of HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

On 1 November 2018, HISGL granted 19,160,000 share options at the exercise price of HKD 2.904 per share to its directors and employees under the 2015 Share Option Scheme with a total of 19,160,000 share options being accepted. The option period of the share options is from 1 November 2018 to 31 October 2023. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HKD 2.64 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 1 November 2018 is approximately RMB10,392,642, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2018
Closing price	HKD 2.64
Initial exercise price	HKD 2.904
Expected volatility	48.504%
Expected option life	5 years
Risk-free rate	2.304%
Expected dividend yield	7.63%
Early exercise multiples – directors of HISGL	1.74
– employees	1.98

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

On 31 May 2019, HISGL granted 10,645,000 share options at the exercise price of HKD 2.56 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The option period of the share options is from 27 December 2019 to 30 May 2024. All the share options granted have a vesting period of 6 months from the date of acceptance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 31 May 2019 is approximately RMB4,803,904, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2019
Weighted average share price at the date of grant	HKD 2.33
Initial exercise price	HKD 2.56
Expected volatility	49.574%
Expected option life	5 years
Risk-free rate	1.463%
Expected dividend yield	7.82%
Early exercise multiples – directors of HISGL	1.69
– employees	1.94

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

For the year ended 31 December 2019, the Group has recognised an equity-settled share-based payment of HKD 15,449,000, equivalent to RMB13,839,000 (2018: HKD 16,492,000, equivalent to RMB14,450,000) for the share options for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2019		2018	
	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>
At beginning of the year	4.031	46,717	4.674	29,228
Granted and accepted during the year	2.559	10,645	2.904	19,160
Adjusted during the year ( <i>note</i> )	3.737	28	4.820	133
Exercised during the year	–	–	4.667	(501)
Forfeited during the year	4.238	(3,284)	4.862	(1,303)
At end of the year	3.728	54,106	4.031	46,717

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

<b>31 December 2019</b>	<b>Exercise price</b>	<b>Exercise period</b>
<b>Number of options</b>	<b>HKD per share</b>	
'000	(note)	
<b>13,545</b>	4.643	8 December 2016 – 11 May 2021
<b>11,712</b>	5.011	7 June 2018 – 9 November 2022
<b>18,249</b>	2.903	28 May 2019 – 31 October 2023
<b>10,600</b>	2.559	27 December 2019 – 30 May 2024
<b>54,106</b>		

31 December 2018	Exercise price	Exercise period
Number of options	HKD per share	
'000	(note)	
14,847	4.645	8 December 2016 – 11 May 2021
12,710	5.014	7 June 2018 – 9 November 2022
19,160	2.904	28 May 2019 – 31 October 2023
46,717		

*Note:* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

As at 31 December 2019, HISGL had 54,106,262 (2018: 46,717,444) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.91% (2018: 0.81%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 54,106,262 (2018: 46,717,444) additional ordinary shares of HISGL and additional share capital of HKD 5,411,000, equivalent to RMB4,847,000 (2018: HKD 4,672,000, equivalent to RMB4,094,000) and share premium of HKD 196,270,000, equivalent to RMB175,815,000 (2018: HKD 183,663,000, equivalent to RMB160,926,000) (before issue expenses).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HKD 0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by the Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the consolidated statement of changes in equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2019 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed (note (g))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date HKD
11 March 2016	7,865,506	6,843,197	1,022,309	–	note (a)	31,383,000
28 April 2017	4,246,234	2,577,778	513,105	1,155,351	note (b)	19,320,000
28 May 2018	7,010,493	2,199,883	757,135	4,053,475	note (c)	32,108,000
11 January 2019	<b>134,000</b>	<b>134,000</b>	–	–	note (d)	<b>351,080</b>
4 April 2019	<b>6,848,366</b>	–	<b>477,151</b>	<b>6,371,215</b>	note (e)	<b>21,024,484</b>
29 October 2019	<b>8,175,000</b>	–	<b>330,000</b>	<b>7,845,000</b>	note (f)	<b>18,557,250</b>

For the shares granted, the fair value of the shares were measured at the market price of HISGL's shares. For the year ended 31 December 2019, the Group has recognised an equity-settled share-based payment of RMB30,048,044 (31 December 2018: RMB17,566,934) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2019, HISGL did not have any awarded shares granted on 11 March 2016 which were outstanding under the Scheme (31 December 2018: 2,163,163 awarded shares). During the current year, 29,820 (2018: 149,898) and 2,133,343 (2018: 2,252,593) awarded shares granted on 11 March 2016 were lapsed and were vested respectively.

As at 31 December 2019, HISGL had 1,155,351 (2018: 2,549,465) awarded shares granted on 28 April 2017 which were outstanding under the Scheme. During the current year, 134,573 (2018: 108,611) and 1,259,541 (2018: 1,318,237) awarded shares granted on 28 April 2017 lapsed and were vested respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

As at 31 December 2019, HISGL had 4,053,475 (2018: 6,838,880) awarded shares granted on 28 May 2018 which were outstanding under the Scheme. During the current year, 585,522 (2018: 171,613) and 2,199,883 awarded shares granted on 28 May 2018 were lapsed and vested.

As at 31 December 2019, HISGL had no awarded shares granted on 11 January 2019 which were outstanding under the Scheme. During the current year, all 134,000 awarded shares granted on 11 January 2019 were vested.

As at 31 December 2019, HISGL had 6,371,215 awarded shares granted on 4 April 2019 which were outstanding under the Scheme. During the current year, 477,151 awarded shares granted on 4 April 2019 were lapsed.

As at 31 December 2019, HISGL had 7,845,000 awarded shares granted on 29 October 2019 which were outstanding under the Scheme. During the current year, 330,000 awarded shares granted on 29 October 2019 were lapsed.

#### Notes:

- (a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 11 March 2016 is on 15 March 2017 while the vesting date of another one-third of award shares granted on 11 March 2016 would be on 15 March 2018 and the vesting date for the remaining would be on 15 March 2019.
- (b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 28 April 2017 is on 19 March 2018 while the vesting date of another one-third of award shares granted on 28 April 2017 would be on 19 March 2019 and the vesting date for the remaining would be on 19 March 2020.
- (c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 28 May 2018 is on 13 May 2019 while the vesting date of another one-third of award shares granted on 28 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.
- (d) Pursuant to the agreed terms, the vesting date of all the award shares granted on 11 January 2019 is on 18 January 2019.
- (e) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 4 April 2019 is on 23 March 2020 while the vesting date of another one-third of award shares granted on 4 April 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.
- (f) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 is on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.
- (g) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 71. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

Movements of shares held under the Scheme during the year are as follows:

	2019		2018	
	RMB'000	Number of shares	RMB'000	Number of shares
At 1 January	136,137	33,370,909	99,483	19,266,739
Purchased during the year	70,729	34,629,000	55,952	17,675,000
Vested and transferred out during the year	(24,294)	(5,726,767)	(18,479)	(3,570,830)
Exchange Difference	3,042		2,223	
At 31 December	185,614	62,273,142	139,179	33,370,909

## 72. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 24 above, the name and the relationship of other related parties are set out as below:

Name of the related party	Relationship of the related party
BNP Paribas Investment Partners BE Holding SA	Note A
BNP Paribas (China) Limited	Note A
BNP Paribas Investment Partners Japan Ltd	Note A
BNP Paribas Investment Partners Singapore Ltd	Note A
BNP Paribas Wealth Management Bank	Note A
BNP Paribas Investment Partners Switzerland Ltd	Note A
BNP Paribas SA	Note A
BNP Paribas Investment Partners Hong Kong Ltd	Note A
Shinhan BNP Paribas Asset Management (Hong Kong) Co., Ltd	Note A
BNP Paribas Investment Ltd (Asia)	Note A
BNP Paribas Asset Management Asia Ltd.	Note A
Shanghai Shengyuan Real-Estate (Group) Co., Ltd	Note B
Liaoning energy investment(Group) Co. Ltd	Note C

*Note A:* BNP Paribas Investment Partners BE Holding SA("BNP Paribas") holds more than 10% of the shares of the Group's subsidiaries. Other entities listed under Note A are subsidiaries of BNP Paribas. All these entities are referred to as Entities related to BNP Paribas.

*Note B:* The company holds more than 10% of shares of the Group's subsidiary.

*Note C:* The company holds more than 10% of shares of the Group's subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 72. RELATED PARTY TRANSACTIONS (continued)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Commission and fee income:		
– Fullgoal Fund Management Co. Ltd.	<b>40,891</b>	33,890
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	<b>5,030</b>	5,354
– Xi'an Aerospace and New Energy Industry Fund	<b>18,887</b>	18,910
– Shanghai Equity Investment Fund Limited Partnership	<b>55,701</b>	65,301
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	<b>20,879</b>	19,987
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	<b>26,455</b>	18,876
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	<b>18,345</b>	19,919
– Haitong (Jilin) Cultural Industries Investment Fund (Limited Partnership)	<b>2,264</b>	2,264
– Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership)	<b>13,918</b>	24,993
– Xi'an Civil-military integration Electronic satellite Limited	<b>4,028</b>	4,028
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	<b>13,626</b>	12,733
– Entities related to BNP Paribas	<b>2,305</b>	3,559
– Others	<b>29</b>	123

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 72. RELATED PARTY TRANSACTIONS (continued)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Administration expense:		
– Entities related to BNP Paribas	<b>(103)</b>	(203)
– Shanghai Shengyuan Real Estate (Group) Co., Ltd.	–	(88)
Interest Expense		
– Entities related to BNP Paribas	<b>(17,112)</b>	(620)
Interest Income		
– Gui'an UniTrust Finance Leasing Co., Ltd	<b>74,451</b>	28,863
– Others	<b>281</b>	685
Bonds transaction:		
– BNP Paribas (China) Ltd.	–	200,000
Reverse Repo transaction:		
– BNP Paribas (China) Ltd.	–	300,000
Interest rate swap (nominal amount):		
– BNP Paribas (China) Limited	<b>820,000</b>	520,000
Financial assets held under resale agreement		
– Gui'an UniTrust Finance Leasing Co., Ltd	<b>832,284</b>	980,836

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 72. RELATED PARTY TRANSACTIONS (continued)

	2019/12/31 RMB'000	2018/12/31 RMB'000
Accounts receivables from:		
– Entities related to BNP Paribas	486	529
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	2,249	–
– Fullgoal Fund Management Co. Ltd.	–	5
Other receivables from		
– Shanghai Equity Investment Fund Limited Partnership	1,003	–
Accounts payables to:		
– Entities related to BNP Paribas	(14)	(32)
Dividends Payable to		
– Entities related to BNP Paribas	(44,895)	(39,276)
Contract Liability to		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(690)	–
Accounts payable to brokerage clients:		
– Shanghai Equity Investment Fund Limited Partnership	(59)	(38,244)
– Haitong (Jilin) Cultural Industries Investment Fund Limited Partnership	(244)	(123)
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	(23)	(489)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(3,217)	(10,000)
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	(171)	(20)
– Liaoning energy Investment (Group) Co. Ltd	(6)	(4,971)
– Shanghai Tongguan Investment Management (Limited Partnership)	(3,622)	(1,447)
– Xi'an Aerospace and New Energy Industry Fund	(1,721)	(5)
– Entities related to BNP Paribas	(173,514)	–
– Others	(13)	(71)
Long-term borrowings and interests		
– Entities related to BNP Paribas	(501,564)	(443,958)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 72. RELATED PARTY TRANSACTIONS (continued)

Except for the emoluments of directors and supervisors disclosed in Note 69, the remuneration of other key management personnel of the Group was as follows:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Short-term benefits:		
– Fees, salaries, commission and bonuses	<b>69,945</b>	81,075
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	<b>1,010</b>	1,106
<b>Total</b>	<b>70,955</b>	82,181

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	Note	2019/12/31 RMB'000	2018/12/31 RMB'000
Non-current assets			
Property and equipment		1,618,263	1,518,147
Right-of-use assets		359,991	–
Investment properties		14,474	15,669
Other intangible assets		260,558	229,666
Investments in subsidiaries	24	28,629,222	26,622,222
Investments accounted for using equity method		1,096,102	942,400
Equity instruments at fair value through other comprehensive income		15,633,109	15,213,291
Debt instruments at fair value through other comprehensive income		7,496,173	5,768,988
Debt instruments measured at amortised cost		151,095	150,961
Financial assets at fair value through profit or loss		5,223,160	5,007,590
Financial assets held under resale agreements		17,137,937	10,783,555
Deferred tax assets		916,554	1,132,292
Other non-current assets		947,752	13,495
<b>Total non-current assets</b>		<b>79,484,390</b>	<b>67,398,276</b>
Current assets			
Advances to customers on margin financing		41,347,920	34,754,975
Accounts receivable		1,042,901	664,308
Debt instruments at fair value through other comprehensive income		1,579,858	5,429,379
Financial assets at fair value through profit or loss		103,339,670	71,215,253
Derivative financial assets		2,529	–
Financial assets held under resale agreements		30,537,667	56,395,724
Other receivables and prepayments		644,313	834,145
Amount due from subsidiaries		4,156,001	2,385,576
Deposits with exchanges		1,718,061	520,447
Clearing settlement funds		8,779,148	7,349,729
Bank balances and cash		69,306,390	59,162,103
<b>Total current assets</b>		<b>262,454,458</b>	<b>238,711,639</b>
<b>Total assets</b>		<b>341,938,848</b>	<b>306,109,915</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Current liabilities		
Borrowings	386,611	292
Short-term financing bills payables	19,976,563	11,587,336
Bonds Payable	19,781,693	28,635,483
Accounts payable to brokerage clients	56,335,795	42,917,483
Other payables and accruals	5,859,302	3,965,403
Amount due to subsidiaries	108,107	74,495
Lease liabilities	157,049	–
Tax liabilities	643,691	619,294
Financial liabilities at fair value through profit or loss	6,282,013	5,464,016
Derivative financial liabilities	419,090	210,263
Financial assets sold under repurchase agreements	42,998,819	32,089,239
Placements from other financial institutions	14,421,611	8,486,044
<b>Total current liabilities</b>	<b>167,370,344</b>	134,049,348
<b>Net current assets</b>	<b>95,084,114</b>	104,662,291
<b>Total assets less current liabilities</b>	<b>174,568,504</b>	172,060,567
Equity		
Share capital	11,501,700	11,501,700
Capital reserve	56,486,199	56,486,199
Revaluation reserve	183,999	(295,705)
General reserves	20,807,136	18,783,654
Retained profits	24,708,237	21,718,982
<b>Total equity</b>	<b>113,687,271</b>	108,194,830
Non-current liabilities		
Deferred tax liabilities	–	40,262
Long-term borrowings	45,150	546,231
Bonds payables	60,081,280	62,958,925
Other payables and accruals	376,905	320,319
Financial liabilities at fair value through profit or loss	197,179	–
Lease liabilities	180,719	–
<b>Total non-current liabilities</b>	<b>60,881,233</b>	63,865,737
<b>Total equity and non-current liabilities</b>	<b>174,568,504</b>	172,060,567

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

Note: The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB393,148 thousand and right-of-use assets amounted to RMB1,204,840 thousand were recognised on initial application of IFRS 16 respectively.

### FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital RMB'000	Capital Reserve RMB'000	Revaluation reserve RMB'000	General Reserves RMB'000	Retained Profits RMB'000	Total RMB'000
	(Note)					
At 31 December 2018	11,501,700	56,486,199	(295,705)	18,783,654	21,718,982	108,194,830
Adjustment	-	-	-	-	(27,272)	(27,272)
At 1 January 2019	11,501,700	56,486,199	(295,705)	18,783,654	21,691,710	108,167,558
Profit for the year	-	-	-	-	6,744,940	6,744,940
Other comprehensive income for the year	-	-	500,028	-	-	500,028
Total comprehensive income for the year	-	-	500,028	-	6,744,940	7,244,968
Appropriation to general reserves	-	-	-	2,023,482	(2,023,482)	-
Cash dividends recognised as distribution (Note 68)	-	-	-	-	(1,725,255)	(1,725,255)
Disposal of equity instruments at fair value through other comprehensive income	-	-	(20,324)	-	20,324	-
At 31 December 2019	11,501,700	56,486,199	183,999	20,807,136	24,708,237	113,687,271
At 1 January 2018	11,501,700	56,486,199	1,208,931	17,113,275	20,466,822	106,776,927
Profit for the year	-	-	-	-	5,567,930	5,567,930
Other comprehensive income for the year	-	-	(1,504,636)	-	-	(1,504,636)
Total comprehensive income for the year	-	-	(1,504,636)	-	5,567,930	4,063,294
Appropriation to general reserves	-	-	-	1,670,379	(1,670,379)	-
Cash dividends recognised as distribution (Note 68)	-	-	-	-	(2,645,391)	(2,645,391)
At 31 December 2018	11,501,700	56,486,199	(295,705)	18,783,654	21,718,982	108,194,830

Note: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT

### **Risk Management Policy and Organizational Structure**

#### ***Risk Management Policy***

The Company attaches great importance to risk prevention and control with the principles of “pragmatic, pioneering, steady and excellent” operation and “steady, even moderate” risk management, giving priorities for compliance and risk management in terms of company operation. The Company has established a sound and effective risk management framework in strict accordance with relevant regulations, laws and regulatory requirements. Engraved with the bottom line of compliance, the Company prevents the compliance risk, money laundering risk and terrorist financing risk through all kinds of compliance management instruments and compliance monitoring approaches, and the Company also allocates asset steadily, standardizes business processes and comprehensively strengthens prevention, monitoring and post-control for various risks by measuring risks through approaches such as credit investigation and extension, duration analysis, foreign exchange exposure analysis, value at risk analysis, the minimum survival period calculation of the cash flow, gap analysis, sensitivity analysis and stress test, also by establishing a monitoring system for risk control indicators such as net capital. Meanwhile, the Company has integrated the risk management of subsidiaries at home and abroad into a unified system to implement vertical risk management, introduce consolidated management of risk control indicators, improve the frequency and quality of risk data reporting of the subsidiaries, as well as promote the full coverage of conglomerate risk management.

The Company has formulated policies and procedures to identify and evaluate major risks such as credit risk, market risk and liquidity risk occurred in using financial instruments. The Company has strictly carried out risk limits management and internal control process, scientifically used quantitative model for measurement, as well as carefully considered relevant limitations to perfect various professional information systems and data management to support risk management.

#### ***Organizational Structure of Risk Management***

The Company makes standardized operations according to the Company Law, the Securities Law, the Guidelines for Internal Control of Investment Banking Business of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies and the Articles of Association. Considering the needs of business development and risk management, the Company has built multi-level organizational structure of risk management and determined specific responsibilities in risk management for the board of directors, the board of supervisors, the management, the Chief Risk Officer (“CRO”), the risk management department, the business and administration department, branches and subsidiaries.

The board of directors makes and approves the strategic objectives of risk management. Its responsibilities include the review and approval for the Company’s overall risk management objectives, fundamental policies and major system, overall risk appetite and risk tolerance, as well as solutions of significant risks; regular risk evaluation and reporting, supervision for the implementation of risk management policies; appointment and assessment of the CRO; establishing the mechanism for direct communication with the CRO, and other responsibilities stipulated in the Articles of Association. The board of directors has set up the Compliance and Risk Management Committee to perform risk management functions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Risk Management Policy and Organizational Structure (continued)

#### *Organizational Structure of Risk Management (continued)*

The board of supervisors supervises the Company's risk management and internal control system. Its responsibilities include supervisions on the risk management and internal control established and implemented by the board of directors and managers, as well as other responsibilities stipulated in the Articles of Association.

Based on the approval of the board of directors, the management is required to set up an organizational structure with clear responsibilities and process, make risk management policies, rules and system, carry out overall risk appetite and risk tolerance policies, identify and evaluate all kinds of risks, effectively leverage the sound risk management system and mechanism, timely respond to defects and issues, deliberate significant risk accidents, establish an overall performance evaluation system covering risk management effectiveness, build a perfect IT system and data quality control mechanism, as well as perform other risk management functions given by the board of directors.

The CRO recommended and appointed by the chairman of directors is the senior management who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and system determined by the board of directors, arrange supervisions, reviews and evaluations for risk management system established and perfected by the Company, arrange supervisions and inspections for the implementation of risk management policies and procedures, make suggestions and supervisions for improvements on current problems, significant risks and potential risks and timely report them to relevant offices, departments or subsidiaries of the Company, introduce instruments and approaches that evaluate and improve risk management, regularly organize evaluations for operations and the level of major risks, file the evaluation report to the management, the board of directors and regulatory department, as well as organize the recommendation and assessment for the person in charge of risk management in subsidiaries.

The risk management department led by the CRO performs risk management functions, which is required to draft risk management policies, rules and system, supervise and guide other departments to make the business risk management system and procedures, identify and evaluate major risks of the Company's businesses, organize supervisions and inspections for the implementation of the risk management system of different businesses, regularly evaluate and report overall risk level and risk management, as well as timely report significant potential risks or risk issues and give suggestions accordingly. In addition, the compliance and legal department is responsible for the management of compliance risk, money laundering risk and terrorist financing risk, the funds management head office is responsible for the liquidity risk, the general manager office is responsible for the reputational risk, and the IT management department is responsible for the IT risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Risk Management Policy and Organizational Structure (continued)

#### *Organizational Structure of Risk Management (continued)*

The Company's departments, branches and subsidiaries is responsible for the risk management within the scope of their operation and management, establishing the sound risk management system and procedures accordingly, implementing risk management policies and completing related risk management duties. The heads of the above departments, branches and subsidiaries assumes direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries appoint personnel to perform risk management functions in respective unit, including the supervision, inspection and reporting for the implementation of risk management policies and system, as well front-line management responsibilities.

The Company's audit department carries out regular inspections for risk management and regular evaluations for the effectiveness of the risk management system, and make suggestions for improvement based on the evaluation result.

In addition, in the risk management of subsidiaries, the Company requires all subsidiaries to operate in a standardized way and in accordance with the law, and integrate the risk management of subsidiaries into the Company's overall risk management system through various mechanisms. At the same time, the Company continues to strengthen the vertical risk management of subsidiaries by the consolidated management of risk control indicators and group RDM. During the Reporting Period, the Company has revised the Measures for Comprehensive Risk Management of Subsidiaries of Haitong Securities Co., Ltd. and further refined subsidiaries' risk management requirements. Meanwhile, the Company has further implemented the vertical risk management for subsidiaries in terms of nomination of subsidiaries' risk management principal, limit and report, consolidated management of risk control indicators, approval of subsidiaries' major issues, data docking, daily contact, risk research and inspection, risk management assessment, etc..

#### **Credit risk management**

Credit risk refers to the risk that may cause losses for the Company's operation due to the inability of the debtor, counterparty or debt issuer to fulfill its agreed financial obligations or the deterioration of its credit quality.

The Company's credit risks are mainly composed of its own currency funds deposited in other financial institutions, transaction settlement of securities trading by economic matter, the provision of stock pledged repo transactions for clients, securities margin, agreement repurchase type negotiable securities transaction and other securities financing business, as well as debt product investment, treasury business and derivatives trading business. If the above-mentioned business fails to fulfill the performance by the debtor, counterparty or debt issuer, the Company may lose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

The Company's money funds are primarily deposited in state-owned commercial banks or joint-stock commercial banks with good reputation. The deposit reservation for balance is deposited in CSDC. The credit risk of cash and cash equivalents is relatively low. The economic matter adopts full margin settlement to avoid relevant credit risks. In terms of stock pledged repo transactions, securities margin and agreement repurchase type negotiable securities transaction, the Company mainly controls the credit risk through formulating and implementing various strict systems and measures, including due diligence, internal rating, project review and approval, credit line management, daily mark-to-market, post-loan management, supplemental credit enhancement, forced liquidation protocol, judicial recourse, provision and accrual. In credit bond trading and investment business, the Company focuses on controlling concentration risk through diversified investment, and the selection of investment targets mainly focuses on high credit rating assets. In credit risk management, the Company closely tracks the operation of debt issuers and changes in credit ratings, adjusts internal ratings and credit risk limits of given debt issuers timely based on information such as changes in financial indicators, material risk events and negative public sentiment. The overall credit risk of bond position is under control. In money market financing transactions, such as bond pledge repurchase agreement, the Company emphasizes on counterparty admittance by prudently selecting counterparties with good credit and collateral with higher credit ratings in efforts to control the intrinsic credit risk. As for the OTC derivatives business, the Company establishes a sound policy and practical procedures in counterparty admittance and credit line management, underlying assets management, risk response and disposal, etc., conducts daily mark-to-market of transactions, and manages counterparty credit risk through strict risk mitigation measures such as netting and credit support.

The Company has established internal credit rating and asset risk classification systems, and implemented credit risk management measures such as client admittance and credit line management, credit limit management and risk provision based on quantitative risk measurement and analysis. In order to further improve the effectiveness and efficiency of credit risk management, the Company has continued to strengthen data governance and information management system, and constantly improved the system integration of internal credit rating, credit line management, risk measurement, risk monitoring, risk pre-warning, risk reporting and other risk management procedures. In credit risk management, the Company has also paid attention to the correlation and transmission mechanism between credit risk and market risk. When market fluctuates, the scale of credit risk exposure of certain financial products due to holding or trading would change accordingly. In response, the Company has taken necessary risk monitoring and countermeasures to market volatility to achieve a comprehensively effective credit risk management.

In addition to the above-mentioned risk factors, the Group's subsidiaries also face credit risk in the process of conducting securities financing, loans and quasi, debt asset investment, financial leasing, and money market financing. According to the Group credit risk management, the Company has comprehensively sorted out and integrated the Group credit risk policy, formulated Group credit risk indicators, established and improved Group credit risk measurement and concentration risk management framework, gradually improved the Group's internal credit rating and integrated credit line management structure, and continuously strengthen the monitoring, reporting and response to the credit risk of subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Measurement of expected-credit-loss ("ECL") model*

The Company divides the impairment into stages based on individual financial instrument or financial instrument portfolio so as to effectively monitor the credit risks of the assets and makes adjustments on regular basis. For different types of businesses, the Company establishes distinct criteria for each stage, including but not limited to factors such as the obligor's financial and operating situations, changes in credit rating, collaterals and guarantees, significant negative public sentiment, judicial litigation and overdue information etc., so as to comprehensively reveal business risk degree and dynamically reflect reliability of the obligor's performance, providing basis for division of impairment stages. The Company categorizes the impairment of financial instruments into three stages:

(1) Stage I

The first stage includes financial instruments with low credit risk on the reporting date or without significant increase in credit risk since initial recognition. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the next 12 months (if the expected lifetime is less than 12 months, it shall be within the lifetime).

(2) Stage II

The second stage includes financial instruments with significant increase in credit risk since initial recognition but without credit impairment, i.e. there is no objective evidence indicating that the financial instrument has become credit-impaired. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration.

(3) Stage III

The third stage includes financial instruments that are credit impaired, the Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration. Evidences that the financial instruments have become credit-impaired include but not limited to the following observable events:

1. Significant financial difficulty of the obligor;
2. A breach of contract by the obligor, such as a default or overdue in interest or principal payments over 90 (inclusive) calendar Day;
3. It becoming probable that the obligor will enter bankruptcy or other financial reorganizations;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Measurement of expected-credit-loss ("ECL") model (continued)*

(3) Stage III (continued)

4. The disappearance of an active market for given financial assets because of financial difficulties of the obligor;
5. The obligor is obviously lack of or has lost solvency, being assigned with a manager by the court or has started relevant legal proceedings;
6. The creditor, for economic or contractual reasons relating to the obligor's financial difficulty, granting a concession to the obligor that would not otherwise grant, including but not limited to debt reduction and exemption, paying-a-debt-in-kind and debt-to-equity swap;
7. The obligor has ceased operating activities, with business license cancelled or revoked by the competent authority;
8. The obligor legally declared bankruptcy, shutdown, dismissal and termination of legal person qualification.

Credit impairment of the financial instruments may arise from combined effect of several events, and may not necessary be arising from an individually identifiable event.

#### *Criteria for judging a significant increase in credit risk*

At the end of each reporting period, the Company assesses the financial instruments other than accounts receivable regarding whether their credit risks have increased significantly since initial recognition. The Company comprehensively assesses and considers credit risks based on nature of the financial instruments and risk factors of the debtor. When assessing whether there has been a significant increase in credit risk, the Company thinks it is necessary to consider the factors that include but are not limited to:

1. The practical or anticipated significant downgrading of the internal credit risk rating of the obligor since initial recognition, or significant decrease in the internal behavior score used for assessing credit risk;
2. Upon initial recognition, downgrading of the obligor's entity or debt rating above AA level (inclusive) granted by the rating institution in mainland China, and the downgraded level is below AA (exclusive); downgrading the obligor's entity or debt rating above BBB-/Baa3 level (inclusive) granted by the major three international rating institutions, and the downgraded level is below BBB-/Baa3 (exclusive);



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Criteria for judging a significant increase in credit risk (continued)*

3. Upon initial recognition, downgrading of the obligor's entity or debt rating below AA level granted by the rating institution in mainland China; downgrading the obligor's entity or debt rating below BBB-/Baa3 level granted by the major three international rating institutions;
4. Obligor fails to make repayments as scheduled, including both failure to repay the principal and the failure to repay the interest and debts under other items specified in the agreement in full amount, and such situation has lasted for more than 30 (inclusive) calendar days, unless the Company has reasonable and supportable information that may be obtained at reasonable cost demonstrating the credit risk has not increased significantly even the repayment has past due for more than 30 calendar days;
5. Significant changes in the value of collateral or the guarantee provided by a third party, which may weaken the debtor's economic motive to repay within the prescribed period, or influence the probability of default; for example, the decrease in value of pledged securities weakens the obligor's performance guarantee, to the extent that the obligor is unable to supplement collateral within a reasonable period as agreed in the contract or the obligor has a stronger motivation to default;
6. Anticipated significant changes with an adverse effect on the operation, finance or macroeconomic condition that will cause significant changes to the obligor's economic motive or ability to fulfill obligations as stipulated in the contract;
7. Significant changes in the external market indicators for credit risk of specific financial instruments or similar financial instruments with the same expected maturity; for example, the obligor's credit spread, credit default swap or other relevant market information;
8. The practical or anticipated significant changes in the quality of credit support provided by the guarantor, which may weaken the obligor's economic motive to repay within the prescribed period; for example, if the guarantor stops providing financial support to obligor, the latter will face bankruptcy or bankruptcy management, or make limited payment necessary for operation (such as salary and payment to key suppliers) while giving a low priority to paying financial liabilities, leading to increase in probability of default;
9. As for securitization, the practical or anticipated significant changes in their credit enhancement or support quality may lead to decline in ability to absorb expected credit loss by the relevant subordinated interest;
10. Other relative changes that can indicate the default risk of financial instruments before expected maturity, instead of absolute changes in relation to default risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Criteria for judging a significant increase in credit risk (continued)*

The Company finally concludes division of impairment stages of securities margin and stock pledged repo business in accordance with collateral maintenance ratio of financing entity or contract and complexity of disposing guarantee securities, and comprehensively considering factors such as operating situations, repayment ability, litigation and overdue information of the financing entity at the end of reporting period. For collateral maintenance ratio, the Company sets up different preliminary margin call thresholds and forced liquidation thresholds for different financing entities or contracts in line with credit status of the financing entities at transactions, module to which the guarantee securities belong, liquidity and trade restriction. The preliminary margin call threshold ranges from 150% to 170% and the forced liquidation threshold ranges from 130% to 150%. At the stage of impairment assessment, for purpose of prudently assessing risks of disposing collateralized securities, the Company determines over loss alert threshold for different financing entities or contracts according to the complexity of disposing guarantee securities. The over loss alert threshold ranges from 110% to the forced liquidation threshold.

1. That the collateral maintenance ratio is above or equal to the preliminary margin call threshold is classified into "Stage I";
2. That the collateral maintenance ratio is between the preliminary margin call threshold and the over loss alert threshold, or satisfying conditions of "significant increase in credit risk" is classified into "Stage II";
3. That the collateral maintenance ratio is below the over loss alert threshold, or that evidence of "credit-impaired" is existed is classified into "Stage III".

#### *Parameters and valuation technique of ECL measurement*

The key inputs used by the Company to measure expected credit loss are listed as follows:

1. Probability of Default (PD);
2. Loss Given Default (LGD);
3. Exposure at Default (EAD).

As mentioned above, key parameters usually come from the Company's internally developed risk measurement model and other historical data, and adjustments are made to reflect the forward-looking information of probability weights.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Parameters and valuation technique of ECL measurement (continued)*

PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point. LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Company's expected amount received, with the consideration of collateral's expected future cash flows receivable. EAD refers to estimated value of risk exposure at the date of default in the future, with the consideration of anticipated changes in risk exposure after the reporting date, such as repayment of principal and interest, and anticipated loans withdrawn from financing agreements.

The Company uses the ECL model based on three key risk indicators (PD, LGD and EAD) to measure impairment provision for financial instruments at Stage I and Stage II. The product of these three indicators is the ECL of the financial instrument. PD is measured by internal or external credit ratings or at the migration rate or rolling rate calculated based on historical internal data after adjusting forward-looking information. When assessing LGD, the Company calculates the recoverable cash flows of guarantee securities after taking into account of the expected disposal cycle of collateralized securities and impact of value fluctuation within the expected disposal cycle (including factors such as disposable amount of collateralized securities, daily average trading volume, restrictions against circulation, rules for shareholding reduction and historical volatility) as well as relevant taxes. EAD reflects unpaid amount when presuming a default of various financial instruments during corresponding measurement period.

For the financial instruments at Stage III, the Company assesses the ECL using individually impairment assessment method. Specifically, the Company reasonably assesses cash realizable value of disposing collateralized securities based on specific risks of individual item and adequate considerations about financial status and operating as a going concern of the obligor and the underlying listed company of collateralized securities, judicial litigation, restrictions against shareholding reduction, significant negative public sentiment and delisting risk. Meanwhile, the Company comprehensively judges the obligor's expected recoverable cash flow in line with valuation of other supplemental credit enhancement assets provided by the obligor, the portion that cannot cover its risk exposure after discounting would be included in impairment provision.

#### *Forward-looking Information*

When calculating the ECL, the Company uses forward-looking information, which is accessible without unreasonable cost, or is not cumbersome when assessing significant increase in credit risk and measuring expected credit loss. The Company uses three kinds of different scenarios to reflect impact of different macroeconomic environment on ECL calculation and judges and determines the weight of each scenario in combination with the experts' experience. In analysing the above scenarios, the Company takes into account the external information and internal expert opinions that forms future prediction of relevant economic variables. The external information includes but is not limited to macroeconomic factors such as GDP growth rate, money and quasi-money M2 growth rate, stock index performance, business prosperity index, growth rate of aggregate financing to the real economy and etc. The Company uses forward-looking information to adjust the risk measurement parameters such as Probability of Default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Management of Impairment of Financial Instruments*

To ensure the validity of preparing for impairment of financial instruments, the Company has established a range of policies and processes that are in line with credit risk management objectives for financial instruments. The Company has established a counterbalanced and collaborative working mechanism among business departments, risk management departments and finance departments, and has clarified department responsibilities, so as to measure credit risk of financial instruments and prepare for credit impairment in a prompt, accurate and reasonable manner. The Company's management and authorized agency manage its impairment of financial instruments through the following measures:

1. Establish a credit risk management framework with clarified rights and liabilities and a complete system based on corporate strategy and risk appetite, and make adjustments promptly;
2. Organize and improve assessment on impairment of financial instruments at the balance sheet date, and ensure that the validation, development and maintenance of the impairment model is effectively guaranteed;
3. Assess impairment of the Company's financial instruments and potential financial impact, and report to the Board of Directors promptly;
4. Review the Company's decisions on major impairment events;
5. Establish integrated information system and data quality control mechanism for impairment of financial instruments;
6. Other credit risk management responsibilities promised by the Board of Directors.

Since 2019, based on the accumulated management experience, the Company has revised the Policy for the Management of Impairment of Financial Instruments of Haitong Securities Co., Ltd., and the current expected credit loss model used for the measurement of credit impairment reserves operates stably and responds sensitively to the change of credit risk. The measurement of the expected credit loss can dynamically describe the change of the obligor's credit qualification, the fluctuation of market conditions, the impact of macro-economic changes and other factors. The implementation of relevant policies and processes for the management of impairment of financial instruments, which provides a guarantee for the reasonableness and timeliness of the Company's provision for credit impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

Without considering the available collateral or other credit enhancement, the amount of maximum risk exposure on behalf of the Group at the balance sheet date is as follows:

	2019/12/31 <i>RMB'000</i>	2018/12/31 <i>RMB'000</i>
Advances to customers on margin financing	<b>52,797,926</b>	48,861,009
Accounts receivable	<b>9,752,377</b>	8,257,214
Other receivables	<b>3,840,492</b>	3,031,728
Other loan and receivables	<b>24,984,083</b>	19,691,530
Debt instruments measured at amortised cost	<b>2,624,093</b>	683,296
Finance lease receivables	<b>52,941,643</b>	61,652,712
Receivables arising from sale and leaseback arrangements	<b>21,943,692</b>	–
Debt instruments at fair value through other comprehensive income	<b>11,154,221</b>	15,131,230
Financial assets held under resale agreements	<b>57,485,193</b>	82,678,792
Placements to banks and other financial institutions	<b>90,085</b>	31,144
Financial assets at fair value through profit or loss	<b>122,793,884</b>	103,204,443
Deposits with exchanges	<b>10,756,101</b>	6,982,889
Clearing settlement funds	<b>8,611,101</b>	7,646,561
Bank balances and cash	<b>111,062,093</b>	97,423,052
Restricted bank deposits	<b>966,912</b>	739,260
Deposits with central banks	<b>4,783,145</b>	2,426,236
Deposits with other banks	<b>204,669</b>	253,908
Loans and advances	<b>3,307,188</b>	4,363,487
Derivative financial assets	<b>1,516,496</b>	1,780,757
<b>Maximum credit exposure</b>	<b>501,615,394</b>	464,839,248
Off balance sheet items credit exposure		
Guarantee granted	<b>1,017,789</b>	1,172,904
Irrevocable commitments	<b>94,427</b>	129,183
<b>Maximum off balance sheet items credit exposure</b>	<b>1,112,216</b>	1,302,087

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk is the risk to a company's inability to timely receive sufficient funds from reasonable costs thus it can't pay matured debts, fulfil other payable obligations, or meet regular business operation needs. Macro policies, market changes, operation condition, customer credit, as well as unmatched asset and liability structure may cause liquidity risk.

In respect of daily liquidity risk management, sticking to the risk control idea of maintaining stable even conservative, the Company confines the liquidity risk exposure within reasonable range in accordance with the requirements of risk preferences and risk indicator limits by proper monitor system and control approaches. Complying with internal regulations, the Company has prepared sufficient liquidity assets to ascertain the smooth business operation and payment to matured debts. Additionally, the Company has built linkage system between funds and indicators, integrating with asset end and liability end and promoting the management and control system of liquidity and risk indicator. The Company has also completed the analysis frame of liquidity risk including daily position following-up, prospective analysis on monthly indicators, and disassembly of department's indicators, and enriched the management tools of liquidity risk within different periods to further fostered efficiency of liquidity risk management, control, and prediction in a scientific manner.

In respect of medium and long term management and control, the Company has continued to optimize the structure of asset allocation and to reinforce the analysis of asset and liability development trends, for the purpose of strengthening the risk management and control. Firstly, the Company has established committee of asset and liability allocation, which is responsible for relative management, to confine the mismatch of debt maturity within a reasonable range; secondly, the Company has enhanced fine-grained management system that enables the more reasonable allocation from the structure of liability end to due date and ensures the balance of asset end among security, liquidity, profitability. During the Reporting Period, the Company has attached great importance to the business relationship with commercial banks, regulated operation, goodwill, and accessible financing channel.

In respect of the management on the group level, the Company has promoted relative requirements on group and subsidiaries. Firstly, the Company has continued to use sort management on subsidiaries from two perspectives of risks, and assets and liabilities management, and make requirements based on three dimensions, organization system assurance, risk management and control frame, and risk responses to assist subsidiaries to complete their management system. Secondly, the Company has formulated quota requirements for subsidiaries, in line with the differences of industries, regions, and risk features among subsidiaries, based on the liquidity risk consolidated financial statement, in order to monitor their real situation of liquidity risk efficiently. It is also attributable to transmit liquidity risk preferences downwards. Lastly, the Company has formulated Support and Manage Method of Group's liquidity, for the purpose of reinforcing our capability of disposing liquidity risks and highlighting group's advantages in managing, adjusting, and controlling information. It is regarded as the overall management policy, which initially established the support system of group's liquidity, clarifying the management goals, management principles, labour divisions and responsibilities, and support channels. All in all, the Company has strived to avoid any liquidity risks from happening within the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

The table below presents the cash flows payable by the Group under financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

As at 31 December 2019

	On Demand <i>RMB'000</i>	Less than 3 months <i>RMB'000</i>	3 months to 1 year <i>RMB'000</i>	1 year to 5 years <i>RMB'000</i>	5 years and above <i>RMB'000</i>	Total <i>RMB'000</i>
Borrowings	–	38,288,514	18,818,463	28,975,154	2,214,818	88,296,949
Deposits from central bank	171,941	–	–	–	–	171,941
Deposits from other banks	3,099	–	–	–	–	3,099
Customer accounts	384,079	964,632	1,529,018	–	–	2,877,729
Accounts payable to brokerage clients	87,464,142	–	–	–	–	87,464,142
Placements from other financial institutions	–	7,403,154	7,115,014	5,976,789	734,744	21,229,701
Financial assets sold under repurchase agreements	3,560,366	62,054,834	5,588,414	476,196	–	71,679,810
Other payables and accruals	7,193,571	1,400,763	3,300,485	479,379	72,342	12,446,540
Short-term financing bills payables	–	16,338,645	16,222,095	–	–	32,560,740
Bonds payable	–	10,166,402	51,472,942	85,026,946	6,330,494	152,996,784
Financial liabilities at fair value through profit or loss	19,929,542	1,510,074	4,772,823	3,874,411	–	30,086,850
Derivative financial liabilities	664,118	49,550	415,578	261,250	780,102	2,170,598
Long-term payables	–	–	–	7,851,413	257,923	8,109,336
Lease liabilities	–	108,521	263,874	594,703	23,776	990,874
	119,370,858	138,285,089	109,498,706	133,516,241	10,414,199	511,085,093

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

As at 31 December 2018

	On Demand <i>RMB'000</i>	Less than 3 months <i>RMB'000</i>	3 months to 1 year <i>RMB'000</i>	1 year to 5 years <i>RMB'000</i>	5 years and above <i>RMB'000</i>	Total <i>RMB'000</i>
Borrowings	–	12,897,229	44,710,443	29,391,971	1,541,690	88,541,333
Deposits from central bank	–	–	–	470,838	–	470,838
Deposits from other banks	19,950	–	–	–	–	19,950
Customer accounts	89,121	950,686	956,318	164,201	–	2,160,326
Accounts payable to brokerage clients	71,893,535	–	–	–	–	71,893,535
Placements from other financial institutions	–	7,487,110	1,029,494	6,011,686	397,158	14,925,448
Financial assets sold under repurchase agreements	1,778,686	50,682,341	3,982,063	–	–	56,443,090
Other payables and accruals	5,371,076	1,020,381	2,803,964	228,442	74,748	9,498,611
Short-term financing bills payables	–	11,638,742	15,370,681	–	–	27,009,423
Bonds payable	–	4,840,126	38,546,116	97,265,469	7,445,352	148,097,063
Financial liabilities at fair value through profit or loss	18,402,191	1,754,351	3,706,285	2,338,127	–	26,200,954
Derivative financial liabilities	457,922	229,382	217,502	495,561	818,407	2,218,774
Long-term payables	–	–	–	6,477,570	187,365	6,664,935
	98,012,481	91,500,348	111,322,866	142,843,865	10,464,720	454,144,280

### Market risk management

Market risk mainly refers to the risk of loss of the company's own capital investment related business due to adverse changes in market price (stock price, interest rate, exchange rate, etc.) in the company's business activities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

The Group uses the value at risk (VaR) method to assess and analyse the market risk of various investment financial instruments and positions. The measurement standard includes the parent company, Haitong bank, Haitong international and other major subsidiaries. The VAR model used by the Group has a 95% confidence level and the target period is the next trading day. The details are as follows:

Item	VaR 95% in 2019			
	Value at risk of the Company (RMB'000)	Value at risk of the Group (RMB'000)	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	129,344	233,417	0.12%	0.17%
Minimum month-end value in the Reporting Period	76,145	155,591	0.07%	0.12%
Average month-end value in the Reporting Period	115,950	197,126	0.10%	0.14%
Year-end value in 2019	121,569	223,623	0.11%	0.16%

Item	VaR 95% in 2018			
	Value at risk of the Company (RMB'000)	Value at risk of the Group (RMB'000)	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	109,888	172,505	0.10%	0.13%
Minimum month-end value in the Reporting Period	44,283	99,768	0.04%	0.08%
Average month-end value in the Reporting Period	83,237	152,900	0.08%	0.12%
Year-end value in 2018	44,283	99,768	0.04%	0.08%

During the Reporting Period, the ratio of the Company's risk value to the Company's net assets at the end of each month and the ratio of the parent company and the Group's main subsidiaries' risk value to the Group's net assets were always within 0.2%, and the market risk was controllable and bearable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as FVTPL and designated as FVTOCI. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

The Group has utilised the effect of stock price variation on net profit or loss and investment revaluation reserve within the period to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and revaluation reserve are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year		
Increase by 10%	<b>1,582,367</b>	867,555
Decrease by 10%	<b>(1,582,367)</b>	(867,555)
Revaluation reserve		
Increase by 10%	<b>11,345</b>	23,270
Decrease by 10%	<b>(11,345)</b>	(23,270)

In the management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to bank balances and cash, clearing settlement funds, advances to customers on margin financing, derivative financial assets/liabilities, financial assets held under resale agreements, accounts receivable, deposits with exchanges, other current assets, other non-current assets, borrowings, short-term financing bills payables, placements from banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, other current liabilities, bonds payable, other non-current liabilities, financial assets/liabilities at fair value through profit or loss, and debt instruments at fair value through other comprehensive income that are interest-bearing.

The Group uses the sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year-end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

Assuming that other relevant variables remain unchanged, the impact of a 25 basis point increase or decrease in market interest rates on the Group's profit after income tax and other comprehensive income is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit after income tax for the year		
Increase by 25bps	<b>(167,732)</b>	(87,210)
Decrease by 25bps	<b>172,893</b>	92,575
Other comprehensive income after income tax		
Increase by 25bps	<b>(32,623)</b>	(37,037)
Decrease by 25bps	<b>32,986</b>	37,418

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

#### *Exchange-rate risks*

Exchange rate risk refers to the possibility of loss of the Group's assets or liabilities due to exchange rate changes.

With the implementation of international strategic objectives and the further opening of national financial policies, the Group's overseas business, leasing business and other projects involving foreign currency assets or liabilities gradually increase, so the possibility of facing exchange rate risk has increased. When the Group requires all subsidiaries and business departments to carry out business related to foreign exchange, they shall pay attention to foreign exchange risk, so as to identify risk, manage risk and avoid risk. In view of the exposure to exchange rate risk, the Group actively mitigates the impact of exchange rate changes on the Group through foreign exchange forward hedging, foreign debt renewal, asset liability matching, etc., and controls it within a reasonable range.

At the end of the year, the exchange rate risk faced by the Group is mainly the risk of loss of assets and liabilities held by Haitong International Holding, a wholly owned overseas subsidiary, due to exchange rate fluctuations. Assuming that other variables remain unchanged, if the exchange rate of RMB against other foreign exchange currencies increase or decrease by 5%, the Group's profit for the year ended 31 December 2019 would increase or decrease by RMB480,868,000 (for the year ended 31 December 2018: RMB494,425,000) respectively.

#### **Capital risk management**

Complying with the requirements of Administrative Measures for Risk Control Indicators of Securities Companies, the Company has compiled regulatory statements and monitored risk indicators such as net capital on a daily basis. The Company timely monitors and controls businesses and factors that would influence net capital and risk control indicators to meet compliance requirements. The quality of group's overall asset is fine, capital adequacy ratio is high, and risk endurance is strong. Each risk control indicator complies with relative regulations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management (continued)

In accordance with (the relevant regulations issued by Shanghai Securities Regulatory Bureau's 18 March 2014), the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
5. The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
6. The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
7. The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");
8. The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
9. The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management (continued)

#### Major Risk Control Indicators

<b>Risk control indicator</b>	<b>31 December 2019</b>	31 December 2018
Net capital (RMB'000)	<b>72,874,788</b>	71,377,007
Ratio 1	<b>265.49%</b>	253.27%
Ratio 2	<b>64.10%</b>	65.97%
Ratio 3	<b>42.42%</b>	46.07%
Ratio 4	<b>66.17%</b>	69.84%
Ratio 5	<b>34.40%</b>	28.94%
Ratio 6	<b>150.50%</b>	117.20%
Ratio 7	<b>24.52%</b>	26.03%
Ratio 8	<b>311.25%</b>	477.91%
Ratio 9	<b>146.28%</b>	137.11%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the China Securities Regulatory Commission.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

The Company attaches vital importance to the influences caused by the significant events such as dividend distribution, significant investment, and innovation business on risk control indicators. The Company makes sensitivity analysis or pressure test on risk control indicators such as net capital prior to implementing above events, and only when complying with regulations of risk control indicator will the Company implement such events.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Monitor risk control indicators (continued)

Additionally, the Company conducts outlook on future operation plan every half year, in which the Company considers the conditions of maximum operation scale and negative reverse of market condition, to ascertain every future indicator comply with relative regulations.

During the reporting period, the Company did not have any risk control indicator such as net capital that exceeded regulatory standards.

### Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

### Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	<b>2,624,093</b>	<b>2,635,203</b>	683,296	682,726
<b>Financial liabilities</b>				
Non-convertible bonds payable	<b>132,631,949</b>	<b>132,575,034</b>	134,024,662	137,495,291



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### *Fair value hierarchy of financial instruments not measured at fair value*

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	–	2,635,203	–	2,635,203
<b>Financial liabilities</b>				
Non-convertible bands payable	–	132,575,034	–	132,575,034

As at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	–	682,726	–	682,726
<b>Financial liabilities</b>				
Non-convertible bands payable	–	137,495,291	–	137,495,291

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### *Financial instruments measured at fair value on a recurring basis*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy
Derivative instruments	Listed options	212	13,606	Level 1
		(Assets)	(Assets)	
		175,794	52,994	Level 2
		(Liabilities)	(Liabilities)	
		47,255	148,522	
		(Assets)	(Assets)	
176,643	182,389	(Liabilities)		
(Liabilities)	(Liabilities)			
Derivative instruments	Unlisted options	205,977	206,960	Level 2
		(Assets)	(Assets)	
		271,635	256,652	Level 3
		(Liabilities)	(Liabilities)	
		–	17,304	
		(Assets)	(Assets)	
–	15,709	(Liabilities)		
(Liabilities)	(Liabilities)			
Derivative instruments	Foreign exchange Forward contracts	110,901	55,757	Level 2
		(Assets)	(Assets)	
		10,086	118,393	Level 3
		(Liabilities)	(Liabilities)	
		–	369	
		(Assets)	(Assets)	
–	360	(Liabilities)		
(Liabilities)	(Liabilities)			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy
Derivative instruments	Interest rate, foreign exchange and credit default swap contracts	1,011,012 (Assets)	1,092,435 (Assets)	Level 2
		1,184,208 (Liabilities)	1,280,185 (Liabilities)	
		24,107 (Assets)	86,118 (Assets)	Level 3
		41,686 (Liabilities)	106,258 (Liabilities)	
Derivative instruments	Embedded equity instruments	7,285 (Assets)	421 (Assets)	Level 2
		194,676 (Liabilities)	29,543 (Liabilities)	
Derivative instruments	Equity swap contracts	108,248 (Assets)	–	Level 2
		104,620 (Liabilities)	877 (Liabilities)	
		1,499 (Assets)	153,309 (Assets)	Level 3
		11,251 (Liabilities)	175,414 (Liabilities)	
Derivative instruments	Commodity future	– (Assets)	5,956 (Assets)	Level 2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy
Financial assets at fair value through profit or loss	Listed equity investments (non-restricted shares), fund investments and debt investments	<b>21,636,345</b>	24,089,383	Level 1
		<b>57,498,488</b>	51,465,472	Level 2
		<b>752,371</b>	228,120	Level 3
	Unlisted equity investments (non-restricted shares)	<b>1,007,227</b>	2,491,334	Level 2
		<b>5,405,684</b>	6,109,148	Level 3
	Unlisted debt investments	<b>63,989,942</b>	39,277,054	Level 2
		<b>523,720</b>	474,192	Level 3
	Unlisted fund investments	<b>36,476,677</b>	24,565,065	Level 2
		<b>330,562</b>	83,670	Level 3
	Investments in wealth investment products, trust and other products (investing in equity or debt other than unlisted private equity)	<b>18,752,843</b>	19,402,155	Level 2
		<b>70,263</b>	241,110	Level 3
	Restricted shares and funds	–	213,823	Level 2
		<b>895,650</b>	3,282	Level 3
Investments in structure products	<b>11,072,784</b>	8,516,228	Level 2	
	<b>1,180,514</b>	45,378	Level 3	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy
Financial liabilities at FVTPL	Listed equity investments (non-restricted shares), fund investments and debt investments	<b>235,055</b>	757,061	Level 1
		<b>1,532,537</b>	3,239,462	Level 2
	Unlisted debt investments	<b>1,041,210</b>	1,044,240	Level 2
		–	1,499	Level 3
	Financial liabilities arising from consolidation of structured entities	<b>3,762,236</b>	3,585,088	Level 2
	Structured notes issued	<b>16,681,116</b>	11,813,581	Level 2
		<b>354,620</b>	299,387	Level 3
	Gold options	<b>5,660,657</b>	5,460,636	Level 2
	Others	<b>818,535</b>	–	Level 2
	FVTOCI	Listed equity investments (non-restricted shares), and debt investments	<b>1,683,621</b>	7,221,765
Unlisted equity investments (non- restricted shares)		<b>15,382,010</b>	14,651,459	Level 2
		<b>266,099</b>	266,571	Level 3
Unlisted debt investments		<b>8,413,468</b>	7,439,937	Level 2
	<b>1,193,001</b>	779,789	Level 3	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### *Financial instruments measured at fair value on a recurring basis (continued)*

##### *Valuation methods for financial instruments*

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow model. All significant inputs are observable, directly or indirectly from the market.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc.. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc..

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

31 December 2019

	Financial assets at fair value through profit or loss RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative instruments RMB'000
As at 31 December 2018 and 1 January 2019	7,184,900	266,571	779,789	300,886	(40,641)
Transfer in	939,280	–	892,184	24,204	15,451
Purchase/(disposal)	1,156,881	–	(262,570)	(1,499)	–
Transfer out	(339,430)	–	(209,581)	–	(438)
Derecognition due to deconsolidation of an investment fund	(173,650)	–	–	–	–
Total losses and gains – other losses and gains	390,783	(472)	(6,821)	31,029	(1,703)
As at 31 December 2019	9,158,764	266,099	1,193,001	354,620	(27,331)

31 December 2018

	Financial assets at fair value through profit or loss RMB'000	Financial Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative instruments RMB'000
As at 1 January 2018	7,510,589	268,457	558,205	274,655	–
Transfer in	793,733	–	–	75,482	(40,641)
Purchase/(disposal)	513,324	–	198,182	(58,647)	–
Transfer out	(1,949,253)	–	–	(42,518)	–
Total losses and gains – other losses and gains	316,507	(1,886)	23,402	51,914	–
As at 31 December 2018	7,184,900	266,571	779,789	300,886	(40,641)

In 2019 and 2018, the amounts of financial instruments measured at fair value transferred between level 1 and level 2 were not significant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 75. TRANSFER OF FINANCIAL ASSETS

### Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers advances to customers on margin financing, finance lease receivables, and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. As the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2019, the carrying amount of advances to customers on margin financing amounted to RMB10,238 million has been transferred but not derecognised.

As at December 31, 2019, the carrying amount of finance lease receivables amounted to RMB10,736 million has been transferred but not derecognised.

As at December 31, 2019, the carrying amount of the receivables arising from sale and leaseback arrangements amounted to RMB301 million has been transferred but not derecognised.

### Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2019, the carrying amount of finance lease receivables amounted to RMB2,611 million has been transferred but not derecognised.

As at December 31, 2019, the carrying amount of the receivables arising from sale and leaseback arrangements amounted to RMB62 million has been transferred but not derecognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 76. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2019	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position	(d)		Net amount
	Gross amounts of recognised financial assets	of financial position	of financial position	(d)(i) Financial instruments	(d)(ii) Collateral received	
Derivative instruments (note 44)	1,654,901	138,405	1,516,496	-	-	1,516,496
Accounts receivable from brokers, dealers and clearing house (note 43)	13,134,050	5,253,618	7,880,432	1,174,915	132,353	6,573,164
Advances to customers on margin financing (note 42)	52,797,926	-	52,797,926	41,934,415	10,863,511	-

As at 31 December 2018	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position	(d)		Net amount
	Gross amounts of recognised financial assets	of financial position	of financial position	(d)(i) Financial instruments	(d)(ii) Collateral received	
Derivative instruments (note 44)	1,847,340	66,583	1,780,757	-	-	1,780,757
Accounts receivable from brokers, dealers and clearing house (note 43)	10,355,525	3,920,544	6,434,981	1,000,259	129,112	5,305,610
Advances to customers on margin financing (note 42)	48,861,009	-	48,861,009	44,926,208	3,934,801	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 76. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2019	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Derivative instruments (note 44)	2,229,549	58,950	2,170,599	-	-	2,170,599
Pending payable to clearing house (note 54)	7,727,286	5,253,618	2,473,668	1,540,734	-	932,934
Financial liabilities held for trading (note 56)	3,326,891	-	3,326,891	-	1,742,634	1,584,257

As at 31 December 2018	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Derivative instruments (note 44)	2,269,745	50,971	2,218,774	-	-	2,218,774
Pending payable to clearing house (note 54)	6,168,400	3,920,544	2,247,856	1,358,081	-	889,775
Financial liabilities held for trading (note 56)	4,787,319	-	4,787,319	-	3,860,420	926,899

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 76. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collaterals of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, borrowing with collateral, advances to customers and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As of 31 December 2019 and 31 December 2018, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments; net exposure and net amount is insignificant after setting off the collaterals.

## 77. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group' liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were or future cash flow will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Bonds payables and short-term financing payables RMB'000	Lease liabilities RMB'000	Dividend payables RMB'000	Total RMB'000
As at 31 December 2018	80,203,320	166,684,825	–	47,052	246,935,197
Adjustment					
– upon application of IFRS 16	–	–	851,986	–	851,986
As at 1 January 2019	80,203,320	166,684,825	851,986	47,052	247,787,183
Financing cash flows	3,684,560	(9,762,922)	(489,961)	(2,156,371)	(8,724,694)
Non-cash changes:					
– Interest expenses	3,834,559	7,318,553	37,857	–	11,190,969
– Exchange difference	402,684	708,770	–	–	1,111,454
– Dividend distribution	–	–	–	2,161,750	2,161,750
– New lease	–	–	590,992	–	590,992
As at 31 December 2019	88,125,123	164,949,226	990,874	52,431	254,117,654

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 77. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Borrowings <i>RMB'000</i>	Bonds payables and short-term financing payables <i>RMB'000</i>	Interest payables <i>RMB'000</i>	Dividend payables <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	61,321,990	159,585,031	3,184,872	19,198	224,111,091
Transfers in	380,122	2,804,750	(3,184,872)	–	–
Financing cash flows	15,099,353	(4,209,382)	–	(3,179,705)	7,710,266
Non-cash changes:					
– Interest expenses	2,992,938	7,550,041	–	–	10,542,979
– Exchange difference	408,917	956,347	–	–	1,365,264
– Dividend distribution	–	–	–	3,207,559	3,207,559
Conversion into ordinary shares of a subsidiary	–	(1,962)	–	–	(1,962)
<b>As at 31 December 2018</b>	<b>80,203,320</b>	<b>166,684,825</b>	<b>–</b>	<b>47,052</b>	<b>246,935,197</b>

*Note:* Interest payable only includes those arising from borrowings, short-term financing payables and bonds payables.

## 78. AUDITORS' REMUNERATION

	<b>2019/12/31</b> <b><i>RMB'000</i></b>	2018/12/31 <i>RMB'000</i>
Annual audit fee for the Company	<b>5,711</b>	7,140
Other subsidiaries' audit fees	<b>21,461</b>	19,126
	<b>27,172</b>	26,266

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 79. SUBSEQUENT EVENTS

### Impact of the Novel Coronavirus

Since the outbreak of the 2019 Novel Coronavirus (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the globe. The Group implements the requirements of the Notice on Further Strengthening the Financial Support for Prevention and Control of the COVID-19, which was jointly issued by the People’s Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthens financial support for the prevention and control of the COVID-19 epidemic.

At present, the securities market and the Group’s operation is generally stable, while the COVID-19 epidemic may affect the operation of businesses in certain locations and certain industries. The Company will continue to pay close attention to the development of the COVID-19 epidemic situation as well as the various control policies, react actively to its impacts on the financial position and operating results of the Group.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of approval of these consolidated financial statements.

## 80. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year’s presentation.