



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

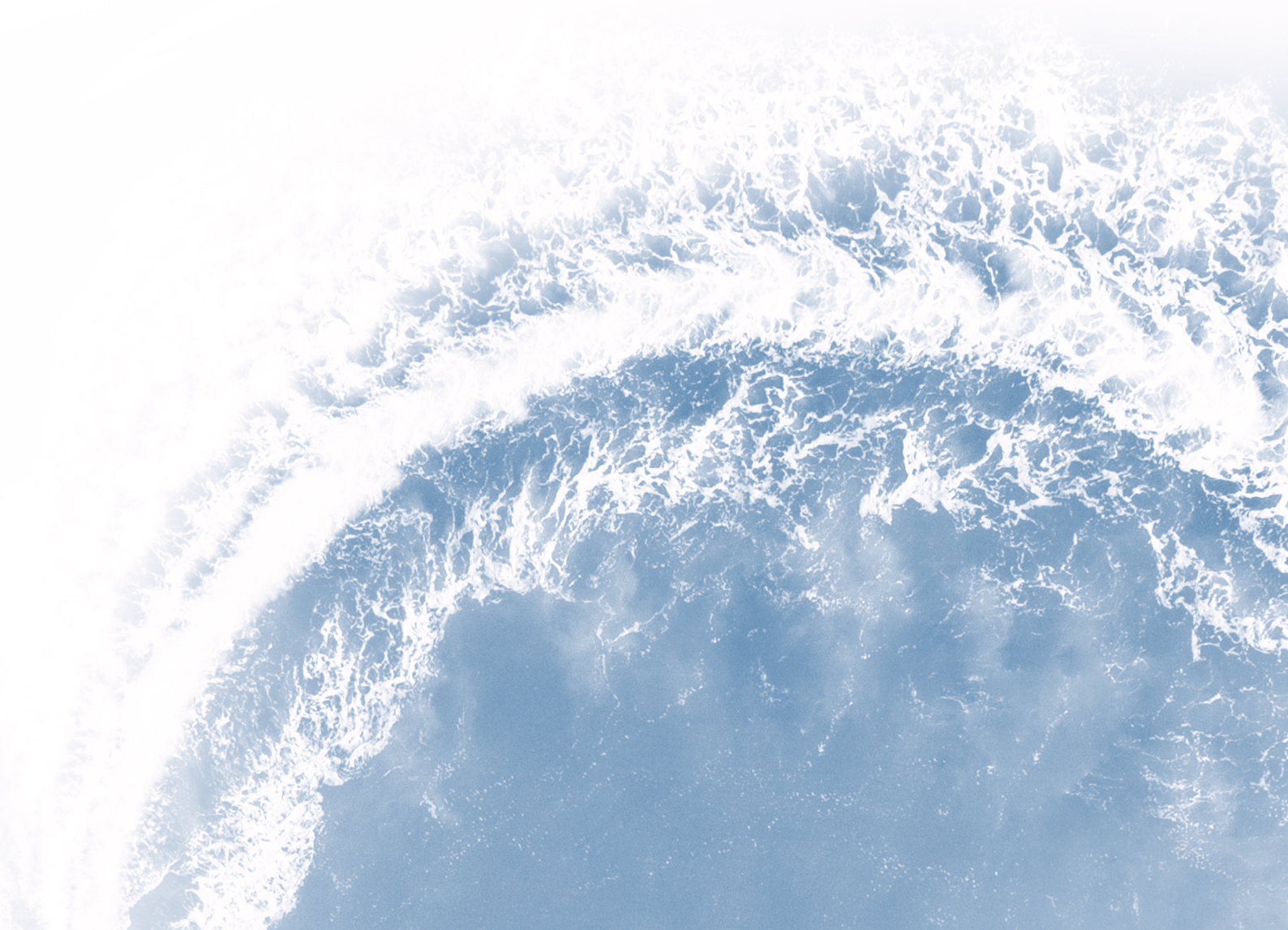


2020  
INTERIM REPORT

*\*For identification purpose only*

# CONTENTS

IMPORTANT NOTICE	02	
Section I	DEFINITIONS AND IMPORTANT RISK WARNINGS	03
Section II	COMPANY PROFILE AND KEY FINANCIAL INDICATORS	07
Section III	SUMMARY OF THE COMPANY'S BUSINESS	14
Section IV	REPORT OF THE BOARD OF DIRECTORS	21
Section V	SIGNIFICANT EVENTS	68
Section VI	CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS	100
Section VII	PREFERENCE SHARES	107
Section VIII	PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	108
Section IX	CORPORATE BONDS	112
Section X	FINANCIAL REPORT	121
Section XI	DOCUMENTS AVAILABLE FOR INSPECTION	122
Section XII	INFORMATION DISCLOSURES OF SECURITIES COMPANY	123



## IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents of this interim 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 eleventh meeting of the seventh session of the Board and the sixth meeting of the seventh session of the Supervisory Committee. All the Directors of the Company attended the Board meeting. None of the Directors or Supervisors has any objection to this Report.

PricewaterhouseCoopers has reviewed the 2020 unaudited interim financial information of the Group which was prepared in accordance with IFRSs and issued standard and unqualified auditor's review report for the Group. All the data in this Report has been presented in Renminbi unless otherwise indicated.

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

On 5 August 2020, the Company has completed the registration of new A Shares issued under the Non-public Issuance of A Shares, the total number of the shares of the Company increased from 11,501,700,000 to 13,064,200,000 and the registered capital of the Company increased from RMB11,501,700,000 to RMB13,064,200,000. Based on the total share capital of 13,064,200,000 shares, the Company proposes to distribute a cash dividend in the amount of RMB2.80 (tax inclusive) for each 10 shares with a total cash dividends of RMB3,657,976,000.00.

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. Forward-looking statements, including future plans and development strategies contained in this Report do not constitute any commitment of the Company to investors. 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 and 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 IMPORTANT RISK WARNINGS

### I. DEFINITIONS

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

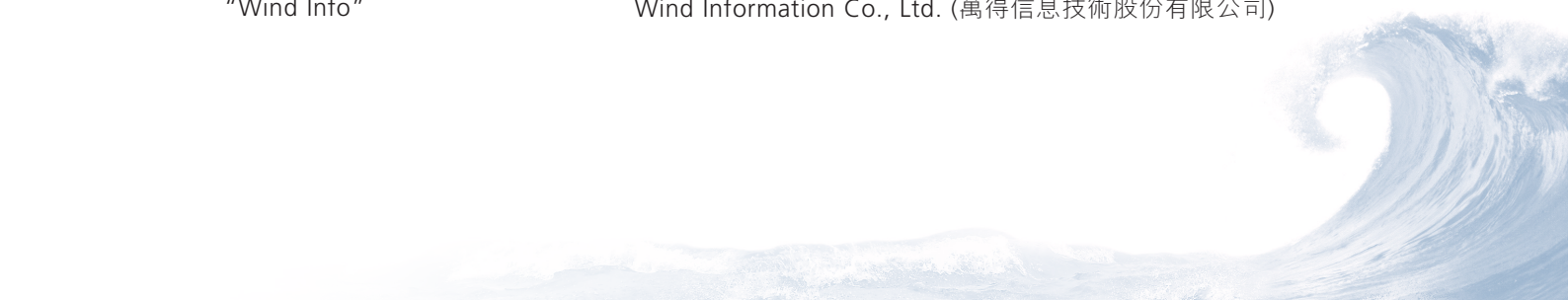
“A Share(s) ”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China, and for the purposes of this Report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“ETF”	exchange traded fund
“EUR”	the official currency of the Eurozone
“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
“H Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Haitong Bank”	Haitong Bank, S.A.

## Section I DEFINITIONS AND IMPORTANT RISK WARNINGS

“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 UT Capital”	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)
“Haitong UT”	Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司), 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
“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)
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

## Section I DEFINITIONS AND IMPORTANT RISK WARNINGS

“NAFMII”	the National Association of Financial Market Institutional Investors
“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
“Non-public Issuance of A Share(s)”	the non-public issuance of 1,562,500,000 A Shares by the Company to a total of 13 placees (including Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group) under general mandate to raise a total amount of gross proceeds of RMB20,000,000,000. The new A Shares issued under the Non-public Issuance of A Shares have been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020
“QDII”	Qualified Domestic Institutional Investor
“Reporting Period”	from 1 January 2020 to 30 June 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Weitai Properties”	Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisor Committee”	the supervisory committee of Haitong Securities
“SZSE”	the Shenzhen Stock Exchange
“US\$”, “USD” or “U.S. dollars”	the lawful currency of the United States of America
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)



## Section I DEFINITIONS AND IMPORTANT RISK WARNINGS

### II. MATERIAL RISK WARNINGS

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

The Group is exposed to various risks in its business operations, primarily including 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 has taken or will take, please refer to "Potential Risks and Prevention Measures" in section IV "Report of the Board of Directors" of this Report, and pay special attention to the above risk factors.



## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

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

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

*Unit: Yuan Currency: RMB*

	<b>As at the end of the Reporting Period</b>	<b>As at the end of last year</b>
Registered capital	11,501,700,000.00	11,501,700,000.00
Net capital	70,845,181,057.18	72,874,787,826.92

The Company has completed the registration and custody for new A Shares issued under the Non-public Issuance of A shares on 5 August 2020 in Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000, and the registered capital of the Company has increased from RMB11,501,700,000 to RMB13,064,200,000.

#### Scope of business 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 set up 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)



## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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)
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)

## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 on 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)
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 recording military confidential business consultancy services in a secured and confidential condition (October 2019)
53. Stock index and options market making business (Ji Gou Bu Han (2019) No. 3073)
54. Qualification for interest rate swap real-time undertaking business (announced by China Foreign Exchange Trading Centre in March 2020)

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.



## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### II. CONTACT PERSON AND CONTACT METHODS

	Secretary to the Board	Representative of Securities Affairs
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

### III. CHANGES OF 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
Search index for changes in registration during the Reporting Period	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Unified social credit code in the business license	9131000013220921X6

### IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of interim reports	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where interim 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>

## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

### VI. OTHER RELEVANT INFORMATION

✓ Not applicable

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

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

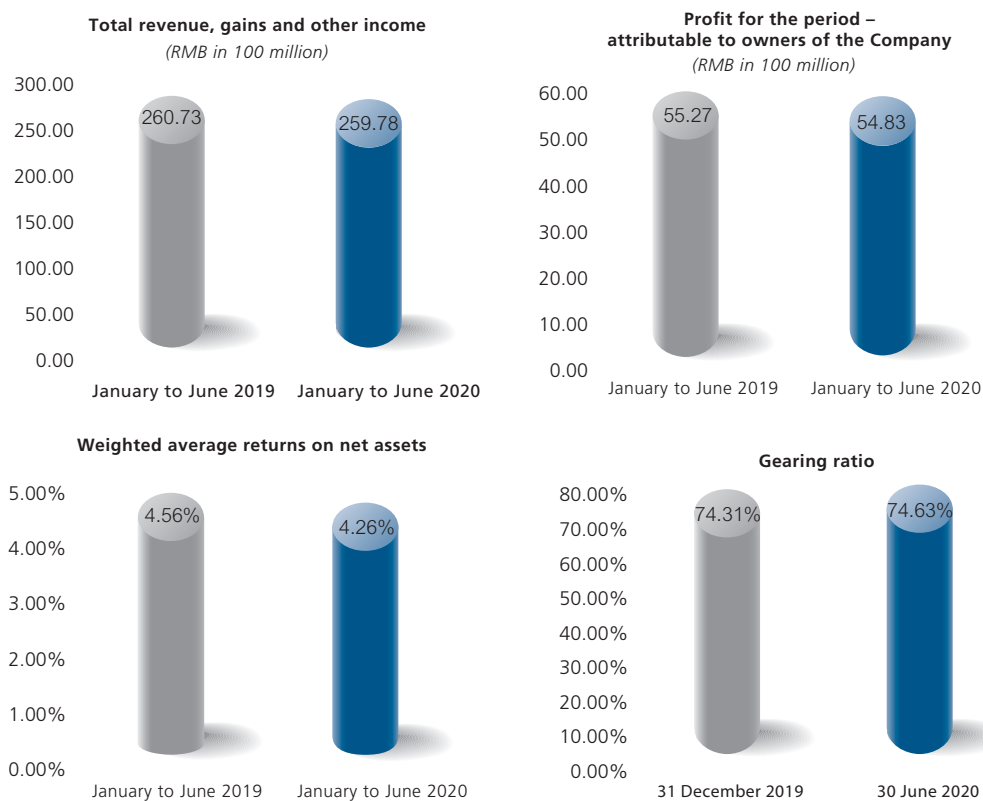
#### (I) Major accounting data and financial indicators

Items	January to June 2020	January to June 2019	As compared to the corresponding period of last year
<b>Results of operations (RMB'000)</b>			<i>Change</i>
Total revenue, gains and other income	<b>25,978,138</b>	26,073,460	-0.37%
Profit before income tax	<b>7,819,488</b>	8,003,757	-2.30%
Profit for the period			
– attributable to owners of the Company	<b>5,483,192</b>	5,526,505	-0.78%
Net cash flow used in operating activities	<b>(14,023,270)</b>	(1,477,161)	N/A
Other comprehensive income	<b>(308,105)</b>	916,827	-133.61%
<b>Earnings per share (RMB/share)</b>			<i>Change</i>
Basic earnings per share	<b>0.48</b>	0.48	0.00%
Diluted earnings per share	<b>0.48</b>	0.48	0.00%
<b>Index of profitability</b>			<i>Change</i>
Weighted average returns on net assets (%)	<b>4.26</b>	4.56	-0.30 percentage point

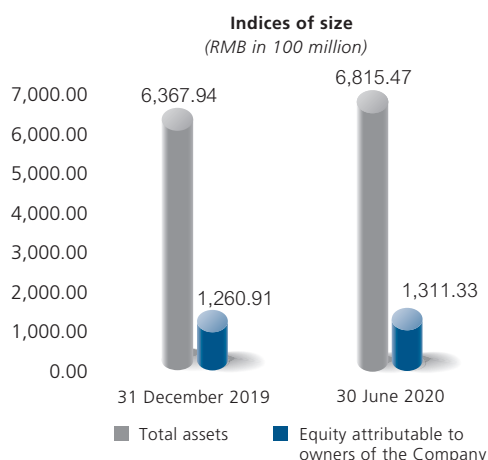
## Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Items	As at 30 June 2020	As at 31 December 2019	As compared to the end of last year
<b>Indices of size (RMB'000)</b>			
Total assets	<b>681,547,216</b>	636,793,631	Change 7.03%
Total liabilities	<b>535,317,403</b>	495,674,888	8.00%
Accounts payable to brokerage clients	<b>105,121,009</b>	87,464,142	20.19%
Equity attributable to owners of the Company	<b>131,133,234</b>	126,090,993	4.00%
<b>Total share capital ('000 shares)</b>	<b>11,501,700</b>	11,501,700	–
<b>Net assets per share attributable to owners of the Company (RMB/share)</b>			
	<b>11.40</b>	10.96	Change 4.00%
<b>Gearing ratio (%)<sup>(1)</sup></b>	<b>74.63</b>	74.31	+0.32 percentage point

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



### (II) Differences of accounting data between IFRS and PRC GAAP

The net profit of the Group for the periods from January to June 2020 and from January to June 2019 and the net assets of the Group as at 30 June 2020 and 31 December 2019 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRS.

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

Unit: Yuan Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	<b>70,845,181,057.18</b>	72,874,787,826.92
Net assets	<b>117,638,964,814.37</b>	113,687,270,831.72
Risk coverage ratio (%)	<b>324.89</b>	265.49
Capital leverage ratio (%)	<b>23.12</b>	24.52
Liquidity coverage ratio (%)	<b>445.89</b>	311.25
Net stable funding rate (%)	<b>144.63</b>	146.28
Net capital/net assets (%)	<b>60.22</b>	64.10
Net capital/liabilities (%)	<b>37.68</b>	42.42
Net assets/liabilities (%)	<b>62.57</b>	66.17
Proprietary equity securities and securities derivatives/net capital (%)	<b>32.09</b>	34.40
Proprietary non-equity securities and derivatives held/net capital (%)	<b>181.43</b>	150.50

Note: 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 Group during the Reporting Period

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

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 business mainly refers to the provision of sponsorship and underwriting services for corporate and government customers with regard to financing activities in both equity capital markets and debt capital markets, the provision of financial advisory services to corporate customers for mergers and acquisitions as well as asset restructurings, and the provision of NEEQ 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 Group strives to provide customers with "one stop" domestic and overseas investment banking services.

Asset management business 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 Group also operates a number of professional investment management platforms for private equity (PE) investment business, which provides services including industrial investment funds management, investment consultation, promotion and establishment of investment funds, etc.



## Section III SUMMARY OF THE COMPANY'S BUSINESS

Trading and institutional client services business 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 return and further expands client relationships and promotes overall growth of its business.

Financial leasing business 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 Group'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 industrial position during the Reporting Period

#### (1) Market environment

In the first half of 2020, China's economy has withstood the impact of COVID-19 and showed its considerable resilience. Thanking to the significant progress in the pandemic control and prevention and the resumption of work and production, China's economic indicators have seen marginal improvement. China's economy is recovering steadily in a rough ride, thus forming a new growth pattern of focusing on great domestic circulation and promoting mutual domestic and international dual circulation. In the first half of 2020, facing the complex international political and economic environment, the domestic stock market showed strong resilience. CSI 300 Index increased by 1.64% and the ChiNext index increased by 35.6%. Aggregate trade turnover of stocks and funds in the Shanghai and Shenzhen stock markets increased by 28.3% as compared with the same period of last year.



## Section III SUMMARY OF THE COMPANY'S BUSINESS

Facing the complex situation where domestic and overseas risks and challenges have significantly increased, the domestic capital market still adhered to the implementation of two main lines, namely comprehensive deepening reform and accelerating opening-up of the financial market. Since 2020, major reform measures were implemented and introduced in the capital market, laying a solid foundation for the long-term healthy development of the capital market. The formal implementation of the new Securities Law took marketization and legalization of the domestic capital market to the next level. On the basis of the successful experience of the Sci-Tech innovation board (the "STAR Market"), the introduction of the registration-based IPO system in ChiNext market has taken the first step in reforming the registration system. Against the backdrop of the deepened registration system, the regulators have repeatedly emphasized on tightening regulatory enforcement recently with "zero tolerance" on illegal and criminal acts in the capital market, committed to build a healthy and solid market ecology. Meanwhile, opening-up of the capital market has been further accelerated, the share percentage restriction of foreign investors in the securities fund and futures company has been fully liberalized, and QFII and RQFII quota limit has been cancelled. These measures reflect that China's capital market is experiencing in-depth changes of industry rules, which will provide more development opportunities for securities industry and further improve the level of marketization in domestic capital market, hence domestic securities firms will promote and further enhance their service and management capabilities.

### (2) *Industry landscape*

The continuous reform and innovation and the further opening up in the securities industry will profoundly change the competitive landscape of the 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. Meanwhile, 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 in addition to the support of policies will find themselves in a more dominant position in the competition. With the continuous deepening of opening up of the industry, market leaders with stronger competitiveness will withstand the challenges of leading international investment banks, which will further improve the professional standards and service efficiency of the industry.



## Section III SUMMARY OF THE COMPANY'S BUSINESS

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

During the Reporting Period, the Group realised revenue of RMB25,978 million, and the net profit attributable to the parent company of RMB5,483 million. As at the end of the Reporting Period, the total assets of the Group amounted to RMB681,547 million, and the net asset attributable to the parent company amounted to RMB131,133 million, indicating that the Group has maintained its leading position in the industry in terms of key financial indicators. The Company maintained the highest rating of Grade AA under Category A in the 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 accounted for over 5% of the total assets as at the end of the Reporting Period and range of such change during the Reporting Period exceeding 30%, see "II. (II). Analysis on principal components of consolidated statement of financial position" in Section IV of this Report for details.

Of which: the overseas assets was RMB285,354,170,490.01, accounting for 41.87% 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 2020, 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 the first half of 2020, the Company actively seized market opportunities and continued to enhance its capital strength by fully promoting strategic equity financings and completing several rounds of debt financings. In August 2020, the Company completed the non-public issuance of A shares and raised RMB20.0 billion. Meanwhile, the Company completed a series of domestic financing activities, raising an aggregate amount of RMB53.7 billion through the issuance of corporate bonds, short-term corporate bonds, beneficiary certificates and short-term financing bills. A variety of debt financing instruments have enhanced the liquidity management capacity and risk prevention and control capability of the Company, while reducing overall financing costs. Besides, the Company was also actively expanding overseas financing channels to ensure the healthy and orderly development of overseas business. Adequate capital has laid a solid foundation for the Company's business transformation and upgrade, satisfying domestic and overseas customers' diversified needs for financial services as well as continuously improving its service capability for the real economy.



## Section III SUMMARY OF THE COMPANY'S BUSINESS

### 2. Outstanding comprehensive financial service platform

Based on the parent company's fundamental securities business, the Group 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 solid customer base

The Group's branch network covers six international financial centres in New York, London, Tokyo, Shanghai, Singapore and Hong Kong. As at the end of the Reporting Period, the Group had 344 securities and futures branches (including 304 securities branches and 40 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC. The Company also established branches and subsidiaries in 14 countries and regions in five continents (Asia, Europe, North America, South America and Oceania). With a nationwide branch network and a strategic international presence, the Group has built a large and stable customer base. As at the end of the Reporting Period, the Group had approximately 17 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 Group 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

Since 2019, Haitong International has accelerated the transformation of “Plan 3.0”, focusing on enhancing the fee-based businesses income and growing bigger and stronger on transaction business, wealth management business and asset management business. In the first half of 2020, Haitong International continued to maintain its leading position among investment banks in Hong Kong under severe pandemic. During the Reporting Period, it completed 18 IPO projects in the Hong Kong capital market and ranked first among all investment banks in Hong Kong in terms of the number of IPOs underwritten, among which, Haitong International completed the landmark projects included Hong Kong IPO of Hygeia Healthcare (6078.HK) where Haitong International acted as joint sponsor, and the secondary listing project in Hong Kong of JD.com (9618.HK) where Haitong International acted as joint bookrunner, which was the largest project in the Hong Kong IPO market in the first half of 2020 in terms of financing scale. For global debt financing business, Haitong International completed 98 bond issuance projects in total. In the ranking of Asian G3 High-yield Corporate Bond Issuance Markets (excluding Japan), Haitong International ranked first and third among global financial institutions in terms of the number and amount of bonds underwritten, respectively. Haitong International also achieved breakthroughs in the U.S. capital market. It successfully participated US listing of China's UCG audio platform Lizhi Inc. (LIZI.US) in the role of joint bookrunner during the Reporting Period.

Haitong Bank is a crucial part of the Group for deepening the Group's globalisation strategy and an important platform for the Group to implement the national “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.

The Company's FTZ branch, as one of the first securities institutions participating in the FTU (Free Trade Accounting Unit) system of the free trade zone, has become the first PRC securities firm completed in the cross-border financing project under FT (Free Trade Account). In May 2016, it became a Class A international member of Shanghai Gold Exchange and obtained the foreign currency lending membership of China Foreign Exchange Trade System in November 2018. In the first half of 2020, the Company's FTZ branch paid close attention to the policy trend of financial reforms in the FTZ and Lingang New Area, docked the global capital market layout of the Group and leveraged the cross-border capital advantage of FT accounts to implement and explore various cross-border business models.

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

## Section III SUMMARY OF THE COMPANY'S BUSINESS

### 5. Prudential operational philosophy, effective compliance and 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 and developments over the past 30 years of operations. Among the PRC 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.

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

The Company has always adhered to the development strategy of informatisation, remained at the forefront in the industry regarding investments in technology, 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. Regarding the transformation of infrastructure, the Company was the first in the industry to launch hybrid financial cloud platform and SD-WAN application and has been widely recognized by the relevant government departments of Shanghai Municipal Government and the industry at large. Its hybrid financial cloud platform has become a provincial and municipal demonstration project. Regarding the inclusiveness and empowerment of customers, the self-developed, one-stop online financial platform “e-Haitong Cai” (e海通財) remained a leader in the industry in terms of development of intelligence, personalization and community-based service. The number of APP users exceeded 35 million and monthly active users reached approximately 4.0 million. In terms of the 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 personalized needs of high-net-worth, professional and public and private institutional customers. In terms of artificial intelligence, the Company remained an industry leader in terms of the level of intelligentisation in areas such as business operations, financial management, risk management, and technology uses and maintenance, and received a number of awards from the relevant departments of the Shanghai municipality, the SSE and the SZSE. In terms of the construction of a middle-tier data platform, the Company has built and launched enterprise-level data storage, big data platforms, statement and analysis platforms and unified information centres, which have been put into use. With the total capacity exceeding 1.5 PB and connected with over 90 sets of various application systems, they conducted over 15,000 data operation tasks per days. Its new enterprise-level data storage system created the first self-initiated and controllable enterprise-level application in the industry. During the first half of 2020, the technology platform and data service of the Company strongly supported the prevention and control of COVID-19 with efficient coordination to ensure stable operations of the Company's various businesses.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, facing the challenges brought by the complex macro environment and international situation, the Company maintained its strategic focus and overcame the adverse impact brought by COVID-19 pandemic. The Company seized the development opportunities of in-depth reforms in the capital market and opening up, proactively deployed new businesses and developed new customers in accordance with the requirements for remedying shortcomings, breaking bottlenecks and striving to achieve high-quality development. The Company improved its structure, stimulated the vitality, steadily advanced the construction of infrastructure, mitigated and resolved risks. Therefore, the Company achieved good operating performance and ranked at the forefront in the industry in terms of key financial indicators.

#### (I) Analysis of principal operations

##### ➤ *Wealth management business*

###### **Market conditions:**

In 2020, due to the continuous liquidity easing, trading volume of A share remained at a high level. According to Wind Info, in the first half of 2020, the total turnover of stocks and funds in the SSE and the SZSE amounted to RMB94.7 trillion, representing an increase of 28.3% as compared with the same period of the previous year, and the balance of margin financing and securities lending business continued to remain over one trillion. The rapid growth in total amount of individuals' assets available for investment and high net worth individuals in the PRC further stimulated demand for transformation in wealth management.

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

The Company accelerated the regional layout of its wealth management business, continuously improved the wealth management system pillarized on trading, products sales, product customization, financing and financing related services, and the service awareness and capabilities of wealth management business were greatly improved. As at the end of the Reporting Period, the number of wealth management customers of the Company (excluding dormant accounts) amounted to 12.46 million, representing an increase of 8.5% as compared to the beginning of the Reporting Period, and the assets balance of the customers amounted to RMB2.05 trillion (tradable), representing an increase of 11.6% as compared to the end of the previous year. During the Reporting Period, the Company's stock and fund trading volume amounted to RMB7.32 trillion, representing an increase of 26.4% as compared to the same period of the previous year.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### *Changes in Trading Volume of the Company in the first half of 2020*

	<b>The Reporting Period</b>	<b>The corresponding period of previous year</b>
Trading volume of stocks (RMB100 million)	<b>69,009</b>	55,843
Trading volume of funds (RMB100 million) <sup>1</sup>	<b>4,190</b>	2,064
Total (RMB100 million)	<b>73,199</b>	57,907

#### *(1) Retail brokerage business*

The Company continued to optimize the layout of its outlets, strengthened online services and business supervision, and solidly advanced the wealth management business. The Company aimed to enhance the competitiveness of its outlets, focused on the improvement of comprehensive financial services as an entry point, optimized software and hardware and further reduced the size of outlets, optimized scenario construction and gradually built up an outlet management system focusing on “standardization, informatization and lightweight”. With a continuous improvement in the layout of its outlets in key areas, the Company further enhanced its market influence in core development areas such as Guangdong-Hong Kong-Macao Greater Bay Area, the Economic Zone on the West Coast of the Straits, the Beijing-Tianjin-Hebei Economic Circle and the Chengdu-Chongqing Economic Circle.

<sup>1</sup> Excluding trading volume of on-market monetary funds.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### (2) *Internet finance*

During the Reporting Period, the number of new accounts of the Company was approximately one million, with a year-on-year growth of 40%; the number of new effective accounts was 140,000, with a year-on-year growth of 50%; and the average number of monthly active users of e-Haitong Cai (e海通財) APP achieved a year-on-year growth of 30%. e-Haitong Cai APP add new features such as subscription of new shares on NEEQ (新三板打新), full circulation of H shares (H股全流通), ETF functions (ETF專區功能), optimized intelligent stock recommendations (優化智慧選股), intelligent market monitoring (智慧盯盤) as well as share information (個股信息), in order to provide customers with personalized and intelligent services to meet their diverse requirements. The Company actively promoted the construction and application of digital operation platform and further improved its online operation capability through continuous improvement of the quantity and quality of online live-streaming services, e-Haitong Cai service accounts, and contents of community/membership platforms, among which, the online live broadcast offered comprehensive services to clients by integrating the research institute, investment experts, senior executives and fund managers of listed companies and other investment experts, and the number of audience of the single live broadcast of “Hall of Fame” (《名人堂》) hosted by the Company’s senior executives exceeded 500,000. ShareEBook (e海方舟), the integrated institutional trading service platform, provides “individually tailored” trading and strategic services for ultra-high net worth clients and achieved accurate identification, service matching and rapid response to differentiated needs of professional traders. During the Reporting Period, the number of institutional clients trading in the ShareEBook increased rapidly, with a year-on-year growth of 10 times and the total shares and mutual funds trading volume increased by over 200% as compared with the same period of last year.

### (3) *The sales of financial products*

During the Reporting Period, the Company actively seized market opportunities and accelerated the sales of financial products. Both the daily average asset under management (AUM) and the sales income of each product increased significantly. The daily average AUM of the wealth management products was RMB57,714 million, up 23.85% over the same period of last year. As at the end of the Reporting Period, among the cash management products of the Company, the daily average AUM of Tongcai Wallet (通財錢包) exceeded RMB9.0 billion, representing an increase of 30% over the beginning of this year. As for the quantitative hedging products, the daily average AUM of Tongjuhuicui (通聚薈萃) series products reached a new high of RMB3.4 billion, up RMB200 million over the last year. The average annualized rate of return of such products exceeded 12% in the first half of the year, with a maximum drawdown of less than 1%. The daily average AUM of external private equity products was nearly RMB6.4 billion. To expand the product portfolio, the Company launched a series of structured products under the brands such as Fenghuang (鳳凰), Xueqiu (雪球) and Anxintianli (安心添利). Based on the strict control of investment risks, the Company leveraged upon the advantages of derivatives investment to create investment return for its customers. The daily average AUM of these products amounted to RMB2.8 billion.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### (4) Financing business

The overall scale of the Company's financing business remained stable and its structure was further optimized and its role as the "bedrock" was further consolidated. As at the end of the Reporting Period, the size of the financing business (other than asset management) was RMB84,992 million, among which, the balance of margin financing and securities lending increased by RMB6,183 million to RMB47,946 million, and the balance of stock pledged financing decreased by RMB4,810 million to RMB36,977 million.

Since 2020, the Company seized the market opportunities to steadily develop its margin financing and securities lending business, the Company also emphasized on the tasks of pre-lending review and post-lending tracking, strengthened the examination of stock pledged financing projects. The asset quality of its financing business remained stable.

### *Changes in the scale of financing business of the Company in the first half of 2020*

*Unit: RMB100 million*

	<b>As at the end of the Reporting Period</b>	As at the end of the corresponding period previous year
Balance of margin financing and securities lending business	<b>479.46</b>	417.63
Balance of stock pledge business <sup>2</sup>	<b>369.77</b>	417.87
Balance of stock repo transaction	<b>0.69</b>	0.93
<b>Total</b>	<b>849.92</b>	836.43

<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 RMB18,231 million.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### (5) *Futures business*

During the Reporting Period, Haitong Futures overcame the impact of COVID-19, focused on its main brokerage business, strengthened services for corporate customers and improved IT service efficiency. Steady progress was made in the innovative business with positive trend of development. During the Reporting Period, the market share of the brokerage business of Haitong Futures ranked second in the industry. The total value of the clients' equity reached RMB24,122 million, with institutional customers' equity accounting for over 70%.

### ➤ ***Investment banking business***

#### **Market conditions:**

During the Reporting Period, listings on the STAR Market remained positive, and the pilot registration system reform achieved initial success. The amended Securities Law was promulgated and the ChiNext reform was introduced orderly. The arrangements for the listing of innovative pilot Red-Chip companies in the PRC, and the guiding opinions on NEEQ Select Tier was issued. All these measures showed China's determination in the reform of the capital market. A well-established multi-level capital market with focused market segments are emerging.

During the Reporting Period, 119 IPOs were completed and the total amount of fund raised was RMB139.3 billion, representing an increase of 80% and 131%, respectively, as compared to the same period in 2019. As at the end of the Reporting Period, 116 companies have been listed on the STAR Market and the aggregate market value of these companies exceeded RMB2 trillion. The secondary listing also increased significantly than the same period of 2019, and the fund raised reached RMB356.9 billion, representing a year-on-year increase of 19%.

During the Reporting Period, despite of the bond yield decline and fluctuation, the fund raised through bond issuance in the domestic primary market amounted to RMB25.90 trillion in the first half of 2020, representing an increase of 19% as compared to the same period of the previous year. The total fund raised for unsecured credit bonds issuance reached RMB9.17 trillion, up 38% over the same period of last year. The issuance volume of short-term commercial papers, corporate bonds and financial bonds also increased significantly.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### Operating measures and performance:

#### (1) Equity financing

In terms of domestic equity financing business, the Company seized the opportunity of the pilot registration system reform of the STAR Market and the ChiNext Board, promoted project expansion, strengthened control over the project quality, and accelerated project implementation. During the Reporting Period, the Company made remarkable achievements in its domestic equity financing business, 11 equity financing projects have been completed, 16 projects have been approved by CSRC, and 48 IPO projects as well as 12 refinancing projects are under CSRC review in the first half of the year. The Company ranked third in the industry in terms of the total number of projects under CSRC review. The Company also performed well in the projects of STAR Market. In the first half of the year, the Company has made application for 20 STAR Market IPOs projects and ranked second in the industry. As at the end of the Reporting Period, the Company had 20 STAR Market IPOs projects under CSRC review and ranked second in the industry. In terms of the key industries, in particular, in the sector of integrated circuit, the Company has provided services for the industrial leaders including AMEC (中微公司), National Silicon Industry (滬矽產業), SMIC (中芯國際) and VeriSilicon (芯原微電子), and established its outstanding brand advantages and a full coverage of industry chain from upstream and downstream; in the pharmaceutical industry, the Company has completed the A share listing of two H share companies, namely Fudan-Zhangjiang (復旦張江) and Junshi Biosciences (君實生物), and consolidated the market position of the investment banking business of the Company in the sector of biomedical and pharmaceuticals.

#### Domestic IPO projects and projects reserve

		As at the end of the Reporting Period	As at the end of the corresponding period of previous year
<b>IPO</b>	Underwritten amount (RMB100 million)	<b>52.12</b>	10.79
	Numbers of transactions	<b>5</b>	2
<b>IPO projects under review by CSRC</b>	Numbers of transactions	<b>48</b>	28
	of which on: STAR Market	<b>20</b>	6

Source: Wind Info, CSRC, SSE

## Section IV REPORT OF THE BOARD OF DIRECTORS

Regarding overseas equity capital market business, Haitong International continued to maintain its leading position in the Hong Kong market. During the Reporting Period, Haitong International has completed 18 IPO projects and ranked first among investments banks in Hong Kong in terms of the numbers of projects underwritten. During the period, by seizing the opportunities arising from the return of China Concept Stocks and the market recovery in the second quarter of 2020, Haitong International actively increased projects reserve and participated in a number of high profile IPOs. In the overseas market, Haitong International established an international multi-functional team to expand its presence in the major global financial centres, and completed an US IPO and an equity capital market project in Singapore.

### (2) Bond financing

Regarding domestic bond financing business, during the Reporting Period, the Company's bond underwriting business achieved active but prudent progress. The Company underwrote 439 tranches of credit bonds as the lead underwriter, representing a period-on-period increase of 44%, and a total underwritten amount was RMB225.9 billion, representing a period-on period increase of 26%. The Company's debt capital market business ranked top in the industry in all aspects. In particular, it ranked fourth in the industry in terms of the underwritten amount, which is the best result in history. 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 of the Company with competitive edge, the Company ranked third in terms of both the number of bond issuances and the underwritten amount, and ranked first in terms of the underwritten amount of enterprise bonds.

#### *Changes in the underwritten scale of domestic bond (lead underwritten) projects*

		The Reporting Period	The corresponding period of previous year
<b>Enterprise bonds</b>	Underwritten Amount (RMB100 million)	235.99	155.7
	Number of transactions	24	20
<b>Corporate bonds</b>	Underwritten Amount (RMB100 million)	741.12	411.22
	Number of transactions	161	84
<b>Others</b>	Underwritten Amount (RMB100 million)	1,281.48	1,221.30
	Number of transactions	254	201

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

Source: Wind Info

## Section IV REPORT OF THE BOARD OF DIRECTORS

Regarding overseas bond financing business, during the Reporting Period, Haitong International completed 100 bond issuance projects in aggregate, ranking second among China venture global financial institutions. In the Asian G3 High-yield Corporate Bond Issuance Market (excluding Japan), Haitong International ranked first in terms of the number of underwritten and ranked third in terms of the underwritten amount of bond deals among global financial institutions. Continuously adhering to the dual-driver strategy of the cross-border businesses including “Local Business (本地業務)” and “China Element (中國元素)”, Haitong Bank has overcome the impact of the overseas COVID-19 situation and completed a number of bond underwritten projects.

### ➤ *Asset management business*

#### **Market conditions:**

As the fundamental policy regime of the asset management industry has been basically established, financial institutions are actively conducting business adjustment and transformation, and continually increasing the scale of the AUM of active management business. Against the background of adjustment and rectification of the cash pooling business of the asset management business of the securities companies, the AUM of asset management business of the securities companies shrank generally. As the “mutual fund conversion of the massive collective investment schemes of securities companies” (「大集合」公募化改造) was implemented steadily, the active management business of securities companies restored its original nature of asset management. As at the end of the Reporting Period, securities companies’ asset management scale amounted to approximately RMB11.80 trillion, AUM of the asset management products managed by mutual funds was approximately RMB16.64 trillion.

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

The Group’s asset management business seized the opportunities of market development, maintained rapid growth and achieved good performance. As at the end of the Reporting Period, the total AUM of the asset management business of the Group was nearly RMB1.4 trillion, representing an increase of 16% as compared to the beginning of this year.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### (1) HT Asset Management

HT Asset Management, has vigorously reduced the scale of channel business in the past two years, returning to the origin of active management. As at the end of the Reporting Period, the total AUM of HT Asset Management amounted to RMB271.7 billion, of which, the AUM of the actively managed business was RMB186.6 billion and the percentage of the AUM of the active management business in the total AUM increased to 68%. During the Reporting Period, HT Asset Management actively explored and expanded its net income products portfolio with “fixed income” (固收) and “fixed income +” (固收+) investment strategy, and designed innovative products based on customers’ needs, including “options-linked” (「期權掛鈎」), “customized wealth management” (「財富定制」), “fund of funds (「基金中基金」) and “convertible bonds strategy” (「可轉債策略」), and issued the first publicly-offered massive collective investment scheme product “Haitong Core Strengths (海通核心優勢)”. During the Reporting Period, HT Asset Management recorded a net income of RMB870 million from the asset management business, up 44% over the same period of last year, and recorded a net profit of RMB520 million, up 15% over the same period of last year.

#### Changes in scale and net income of HT Asset Management

	The Reporting Period		The corresponding period of previous year	
	AUM (RMB100 million)	Net income (RMB10 thousand)	AUM (RMB100 million)	Net income (RMB10 thousand)
Collective asset management	775	78,166	773	52,943
Targeted asset management	1,631	7,888	2,036	6,533
Specialized asset management	311	777	270	876
Total	2,717	86,831	3,079	60,352

### (2) Fund management company

As at the end of the Reporting Period, the total AUM of HFT Investment exceeded RMB300 billion, up 13% over the year beginning, among which, the AUM of public funds was RMB133.9 billion, up 20% over the year beginning, and the AUM of non-monetary public funds was RMB77.9 billion, up 51% over the year beginning. In terms of equity funds, HFT Investment launched HFT Alpha, the star product with an AUM of over RMB10 billion, which was awarded the “Golden Bull Prize for Five-year Mixed Open-end Fund (五年期開放式混合型持續優勝金牛基金)”. The operating income and net profit of HFT Investment in the Reporting Period reached RMB498 million and RMB138 million, representing an increase of 50% and 44% as compared to the corresponding period of the previous year respectively.

## Section IV REPORT OF THE BOARD OF DIRECTORS

As at the end of the Reporting Period, the total AUM of the Fullgoal Fund was over RMB770.0 billion, representing an increase of 21% as compared to the beginning of the year. The AUM of public funds was over RMB430.0 billion, representing an increase of 26.8% as compared to the beginning of the year. The AUM of equity funds exceeded RMB100 billion. The operating income and net profit of Fullgoal Fund during the Reporting Period reached RMB1,988 million and RMB628 million respectively, representing an increase of 55.9% and 64% as compared to the corresponding period of the previous year respectively.

### (3) Private equity investment funds

The total AUM of private equity investment funds of the Company was RMB24.6 billion. During the Reporting Period, the PE funds managed by the Company invested in 11 projects, with an investment amount of RMB466 million. The PE funds managed by the Company exited from 31 projects (including partial deinvestment). The Company established two new funds and raised a total of RMB1.6 billion. The Company overcame the impact of the COVID-19 pandemic, strengthened the post-investment management. For the invested companies with good development status, the Company gave full play to the resources and advantages of the PE investment platform of a securities company and provided the invested companies with adequate guidance on corporate capitalization. The Company also timely exited from the companies that fail to meet the development expectation or show uncertain in growth to avoid potential investment risks.

#### *Changes in the scale of private equity business*

	<b>As at the end of the Reporting Period</b>	As at the end of the last year
Number of funds managed	<b>42</b>	41
AUM balance (RMB100 million)	<b>246</b>	237
Accumulated number of investment projects	<b>407</b>	392
Accumulated amount of investment projects (RMB100 million)	<b>232</b>	229
Number of deinvestment projects (including partial withdrawals).	<b>31</b>	22

## Section IV REPORT OF THE BOARD OF DIRECTORS

### (4) *Overseas asset management*

Haitong International realized an AUM of HKD66.5 billion, representing an increase of 24% as compared to the beginning of the year. During the Reporting Period, Haitong International fully implemented the sustainable finance strategy (可持續金融戰略) such as ESG and impact investment, and actively prepared for the launch of ESG-related ETFs. With its outstanding brand and promising performance, Haitong International was recognized with a concatenation of accolades granted by reputed institutions including Asian Investor during the Reporting Period.

### ➤ *Trading and institutional client services*

#### **Market Conditions:**

In the first half of 2020, volatility in the A-share market increased, CSI 300 Index increased by 1.64%, the ChiNext index increased by 35.6%, while the Hang Seng Index fell by 13.35%. During the Reporting Period, the scale of derivatives increased continuously, the increased variety of tradable instruments provided the market with more flexible trading methods. During the Reporting Period, the liquidity of the international monetary environment generally remained loose. In China, while maintaining moderate prudent monetary policy, PBOC rolled out certain monetary easing policies based on the economic development. The environment for fixed income investment was improved marginally. In the first half of 2020, CSI Aggregate Bond Total Return Index rose by 2.66%, and interest rate bonds outperformed the credit bonds.

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

### (1) *Trading business*

During the Reporting Period, the Company's fixed income investment department grasped the trend of macro policies and the fluctuation in the bond market, actively adjusted positions and strategies and achieved good returns. The Company actively engaged in FICC innovative businesses including quantitative trading, treasury futures and interest rate swaps. In terms of quantitative trading, the Company has formed a well established structure covering business operations, risk control system and information system, and developed a series of statistical arbitrage strategies of all varieties so as to broaden the source of income. Arbitrage policies for treasury futures of the Company also made steady progress. As at the end of the Reporting Period, the Company's position in treasury futures amounted to approximately RMB5.98 billion, the position of treasury notes in arbitrage portfolio amounted to approximately RMB9.1 billion, ranking top in terms of trade volume and position in treasury futures in the treasury futures market of China Financial Futures Exchange. As at the end of the Reporting Period, the Company's notional principal for interest rate swaps transaction reached RMB27.6 billion, and the Company had signed the NAFMII



## Section IV REPORT OF THE BOARD OF DIRECTORS

agreements with 78 institutions, ranking top two among dealer peers, being one of the relatively active participants in the market of interest rate swaps. The Company actively participated in trading in the gold market on the Gold Exchange. As at the end of the Reporting Period, the Company's gold lending premium amounted to RMB11,023 million, trading of gold options amounted to RMB9,963 million, and the option premium balance amounted to RMB1.41 billion. Shanghai Gold Exchange awarded the Company "2019 Outstanding Special Member of the Shanghai Gold Exchange (2019年度上海黃金交易所優秀特別會員)" and "2019 Best Price Asking and Transaction Institution – Silver Medal Institution (2019年度最佳詢價交易機構 – 銀牌機構)".

Regarding equity trend investments, the Company had overcome the impact brought by acute fluctuations in the market, seized the market opportunities, and achieved good returns. Regarding equity derivative product business, the Company obtained a certain amount of profits through provision of comprehensive services for wealth management clients and institutional clients, as well as collaboration between them. During the Reporting Period, the notional principal of trading in OTC derivative products of the Company reached RMB41,705 million, representing an increase of 147.48% as compared with the same period of the last year. Currently, the Company was qualified for lead market maker of ETF at the SSE and qualified for ETF liquidity service provider at the SZSE.

Haitong Innovation Securities actively promoted investment in the IPOs co-investment on the STAR Market. As at the end of the Reporting Period, Haitong Innovation Securities completed co-investment in IPOs of five issuers of the STAR Market, with the total investment amount of RMB265 million, and the market value of these investment amounted to RMB1,392 million as at the end of the Reporting Period.

During the Reporting Period, Haitong International further improved its trading capabilities by integrating the trading platforms to consolidated the prime brokerage, stock research, sale and trade, fixed income market making and derivatives trading into a single segment to provide a one-stop and diversified trading platform with greater synergies. During the Reporting Period, the prime brokerage business team established last year developed and grew drastically and client assets under management and the scale of margin trading and securities lending both doubled. Haitong International focused on strategic clients, and integrated stock research resources on stocks in Hong Kong, Mainland China, the U.S., Japan and India to improve its trading capability. During the Reporting Period, the equity trading turnover for the period was over HKD220 billion, representing a period-on-period growth of 42%. In terms of derivatives business, Haitong International launched a total of 1,714 CBBCs, representing a period-on-period increase of 22% with turnover amounting to over HKD200 billion, making it the 5th place in the Hong Kong market. As the CBBCs business was widely recognised in the market, Haitong International was granted the Derivatives Provider of the Year-Excellence (「年度衍生品機構」卓越大獎) by Bloomberg Businessweek in May this year.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### (2) *Institutional client business*

The Company persisted in establishing a leading research brand in the industry to drive institutional business development, support the expansion of investment banking projects in the STAR Market and retail customer consultancy service by means of research. During the Reporting Period, the research department of the Company published more than 2,900 reports, held 916 teleconferences, and served more than 100,000 person-times customers. As at the end of the Reporting Period, the trading volume of public funds of the Company accounted for 4.34%, the net income of trading unit seats rental of the Company ranked third in the industry. During the Reporting Period, the transaction amount of the Company's QFII/RQFII business amounted to RMB279.8 billion, representing an increase of 110% as compared to the same period of the previous year, with 121 transaction customers and ranking third in the industry.

The Company made the selection of transaction dealers from wealth management subsidiary companies of commercial banks as an entry point, coordinated with multiple sectors in front-, middle- and back offices to develop and improve the consolidated service system in order to enhance the consolidated service capability to large financial institutions. Currently, the Company has won the bids for the qualification as the exchange broker for a variety of wealth management subsidiaries of banks such as large state-owned enterprises, joint-stock and leading city commercial banks. Leveraging the capital investment as a critical link, the Company actively expand private equity manager clients. As of the end of the Reporting Period, the scale of existing investment of MOM products amounted to RMB610 million with an aggregate product scale of settled private placement amounted to RMB26.9 billion.

Empowered by technology and driven by innovation, the Company deepened the comprehensive financial service transformation in respect of its custody and outsourcing business, with the aim of providing high-quality service experience and optimizing the overall operational process of the custody and outsourcing business, and thus achieving the goal of an electronic, automatic and online process for the custody and outsourcing business. As at the end of the Reporting Period, the Company's various custody and outsourcing products amounted to RMB361,219 million, representing an increase of 14.01% as compared to the end of the previous year. As at the end of the Reporting Period, the Company had a total of 5,473 custody and outsourcing products of various types, representing an increase of by 14.52% as compared to the end of the previous year. The Company's Prime Broker (PB) business interconnected the transaction and settlement mode for public funds, banks, and insurance securities companies by adopting the 2+1 transaction system service, providing differentiated services for the introduced institutional clients. The total transaction asset of PB business of the Company amounted to RMB249,514 million and the scale of all types of products amounted to RMB57,734 million, with 35.12% period-on-period growth and an aggregate turnover of RMB201,450 million.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### ➤ *Financial leasing business*

#### **Market conditions:**

In the first half of 2020, due to the impact of various factors such as the COVID-19 pandemic, the downward pressure of the macroeconomy and the tightening risk controls among enterprises, the growth in the leasing industry continued to slowdown, with a slight increase in the number of market players, and a slight decrease in the balance of financial leasing contracts. In the mid-to-long term, with the economic growth in the PRC, upgrade in industrial structure and construction of new infrastructures, China's financial leasing industry will continue to grow steadily. Leasing in new markets and new areas has great potential, and the industry's vitality remains strong. With further progress of the unified industry supervision, the leasing industry has entered into a long term and stable, standardized and orderly new developmental phase. The industry has been showing an increasingly obvious tendency of survival of the fittest, with increased industry concentration being the trend. Therefore, leading companies have obvious advantages in business expansion, comprehensive services, financing capabilities, asset quality, and profitability. In the first half of 2020, China's financial system continued to strengthen its support for COVID-19 prevention and control, and the economic and social development. With the prudent monetary policies which were more flexible and suitable, financing conditions continued being optimized, social financing cost effectively decreased, and the scale of social financing significantly increased. Financing channels and capital replenishment channels for leasing companies have also continued to widen. Carrying out diversified and direct financing through the capital market has gradually become an important financing channel for leading leasing companies.

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

During the Reporting Period, in face of the impact of the COVID-19, Haitong UT orderly facilitated work and operation resumption, achieved positive results in respect of stable profit, growth in scale, risk control, business expansion, and financing guarantee. As at the end of the Reporting Period, Haitong UT's business scale recorded RMB29,960 million, representing an increase of 9.6% as compared with the same period of the previous year. Haitong UT recorded total revenue of RMB3,895 million, representing an increase of 10.0% as compared with the same period of the previous year. The total assets of Haitong UT steadily improved, exceeding RMB100 billion and reached RMB106,411 million, increasing by 7.4% as compared to the end of the previous year. Haitong UT actively responded to the society's demand, optimized its asset layout, and strengthened its financial support for anti-epidemic enterprises, reasonably benefited the real economy. It also reasonably enhanced its provision level to improve risk prevention capability, so as to ensure high quality development of the Company.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### II. OPERATIONS DURING THE REPORTING PERIOD

As at 30 June 2020, the total assets of the Group was RMB681,547 million, and the net assets attributable to the parent company was RMB131,133 million. In the first half of 2020, the Group recorded a revenue of RMB25,978 million, net profit attributable to the parent company of RMB5,483 million, and a weighted average return on net assets of 4.26%, among which its subsidiaries recorded revenue of RMB14,819 million, accounting for 54% of the total revenue, and the overseas businesses realized revenue of RMB8,411 million, accounting for 32% of the total revenue.

#### (I) Major items in the consolidated statement of profit or loss

##### 1. Composition of revenue

Unit: RMB'000

Items	January to June 2020 Amount	January to June 2019 Amount	Increase/decrease	
			Amount	Percentage
Commission and fee income	7,350,439	6,209,922	1,140,517	18.37%
Interest income	7,004,259	6,654,733	349,526	5.25%
Finance lease income	1,985,142	2,359,689	-374,547	-15.87%
Investment income and gains (net)	5,847,746	5,846,516	1,230	0.02%
Other income and gains	3,790,552	5,002,600	-1,212,048	-24.23%
<b>Total revenue, gains and other income</b>	<b>25,978,138</b>	<b>26,073,460</b>	<b>-95,322</b>	<b>-0.37%</b>

In the first half of 2020, the total revenue, gains and other income realized by the Group amounted to RMB25,978 million, representing a decrease of RMB95 million, or 0.37% as compared to the corresponding period of last year.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### Commission and fee income

Unit: RMB'000

Items	January to June 2020	January to June 2019	Increase/ decrease of amount	Increase/ decrease of percentage
Commission and fee income of securities and futures brokerage business	3,761,444	3,210,183	551,261	17.17%
Financial advisory and consultancy fee income	262,842	600,218	-337,376	-56.21%
Underwriting and sponsors fees	1,604,606	1,194,102	410,504	34.38%
Asset management fee income (including fund management income)	1,652,487	1,143,944	508,543	44.46%
Others	69,060	61,475	7,585	12.34%
<b>Total commission and fee income</b>	<b>7,350,439</b>	<b>6,209,922</b>	<b>1,140,517</b>	<b>18.37%</b>

The total commission and fee income amounted to RMB7,350 million, representing an increase of RMB1,141 million or 18.37% as compared to the corresponding period of last year. The increase in the income generated from commission and fee is mainly due to the continuous improvement of the wealth management system, seizing the opportunity of STAR Market and broadening the asset management business.

### Interest income

Interest income amounted to RMB7,004 million, representing an increase of RMB350 million or 5.25% as compared with the corresponding period of last year, mainly due to the increase of interest income from receivables arising from sale and leaseback arrangements.

### Investment income and gains (net)

Net investment gains amounted to RMB5,848 million, representing an increase of RMB1 million or a period-on-period increase of 0.02%, mainly due to the impact from the fluctuation in the secondary market.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### Statement of the Principal Businesses of the Group

#### Principal businesses by segment

Unit: RMB'000

By segment	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to the corresponding period of last year	Segment expense movement as compared to the corresponding period of last year	Segment profit margin movement as compared to the corresponding period of last year
Wealth management business	7,666,820	5,647,763	26.33%	-1.14%	13.49%	-9.49%
Investment banking business	2,326,495	1,233,812	46.97%	20.31%	9.75%	5.10%
Asset management business	1,814,021	916,348	49.49%	24.32%	26.88%	-1.02%
Trading and institutional client business	7,868,151	5,020,238	36.20%	4.90%	7.18%	-1.36%
Financial leasing business	4,190,963	3,484,070	16.87%	13.09%	17.66%	-3.23%
Others	2,111,688	2,120,652	-0.42%	-43.22%	-43.50%	0.49%

#### Principal businesses by region

Unit: RMB'000

By region	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to the corresponding period of last year	Segment expense movement as compared to the corresponding period of last year	Segment profit margin movement as compared to the corresponding period of last year
Domestic business	17,567,289	11,002,502	37.37%	-0.96%	-7.38%	4.34%
Overseas business	8,410,849	7,420,381	11.78%	0.91%	17.01%	-12.14%
Sub-total	25,978,138	18,422,883	29.08%	-0.37%	1.11%	-1.03%

## Section IV REPORT OF THE BOARD OF DIRECTORS

### 2. Composition of expenses

Unit: RMB'000

Total expenses	January to June 2020	January to June 2019	Increase/Decrease	
			Amount	Percentage
Depreciation and amortisation	614,149	524,164	89,985	17.17%
Staff costs	2,954,268	3,442,950	-488,682	-14.19%
Commission and fee expenses	1,629,782	1,347,334	282,448	20.96%
Interest expenses	6,780,490	6,761,366	19,124	0.28%
Expected credit losses	2,900,271	1,059,233	1,841,038	173.81%
Impairment losses on other assets	10,457	12,260	-1,803	-14.71%
Other expenses	3,533,466	5,073,822	-1,540,356	-30.36%
<b>Total</b>	<b>18,422,883</b>	<b>18,221,129</b>	<b>201,754</b>	<b>1.11%</b>

In the first half of 2020, total expenses of the Group amounted to RMB18,423 million, representing an increase of RMB202 million or 1.11% as compared to the corresponding period of last year, mainly due to the increase in expected credit losses. The expected credit losses amounted to RMB2,900 million, representing an increase of RMB1,841 million or 173.81% as compared to the corresponding period of last year, mainly due to the increase in expected credit loss of other loans and receivables.

In the first half of 2020, the Group recorded a net profit attributable to owners of the Company of RMB5,483 million, representing a decrease of 0.78% as compared to the corresponding period of last year; the Group recorded the basic earnings per share of RMB0.48, the same as the corresponding period of last year; the weighted average return on net assets was 4.26%, representing a decrease of 0.30 percentage point as compared with the corresponding period of last year.

### 3. Public welfare contributions

During the first half of 2020, the Group contributed RMB15,998 thousands in total in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

#### Breakdown of public welfare contributions for the first half of 2020

Unit: RMB'000

Item	Amount during the period
Charity donations	15,998
<b>Total</b>	<b>15,998</b>

## Section IV REPORT OF THE BOARD OF DIRECTORS

### 4. Cash flow

In the first half of 2020, the Group's net cash and cash equivalents decreased by RMB7,675 million, in which:

- (1) net cash used in operating activities was RMB14,023 million, which was mainly due to:
  - Cash outflow of RMB18,301 million caused by increase in financial assets at fair value through profit or loss and derivative financial assets;
  - Cash outflow of RMB14,487 million caused by increase in cash held on behalf of clients;
  - Cash outflow of RMB10,985 million caused by decrease in borrowing from banks and other financial institutions.
- (2) net cash used in investing activities was RMB4,401 million, which was mainly due to the cash outflow of RMB6,961 million caused by purchases of property and equipment and other intangible assets.
- (3) net cash from financing activities was RMB10,749 million, which was mainly due to the cash inflow of RMB81,282 million caused by the issuance of short-term financing bills and non-convertible bonds.

### 5. Others

#### ***Details of material changes in the composition or sources of the Company's profits***

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

#### ***Progress of the business plan***

In the first half of 2020, under the guidance of the overall strategy, the Company adhered to prudent operations, focused on main development line, enhanced business collaboration and reinforced Group management and control, upheld the customer-centric concept in the context of complex domestic and overseas macro environments. By continuously exploring the service value chain and building a customer ecosystem, the Company actively grasped the opportunities arising from capital market reform and development that emphasized the expansion of the pilot registration system, to comprehensively improve the overall competitiveness of the Company. For the brokerage business line, the Company consolidated the phased achievements of reform and transformation for branches, overcame the impact of the COVID-19 under



## Section IV REPORT OF THE BOARD OF DIRECTORS

the operation and management model of “diversifying acceptance and centralizing processing”. The financing business made efforts to grasp the market opportunities for the development of the margin financing and securities trading business, on the basis of actively adjusting the structure, continuing to play the role as a ballast stone for the Company’s income. The Company promoted the sale of financial products in an all-round manner, and the scale of products was steadily increased. In addition, the efforts in research services were stepped up, with products and services under custody of the funds to be diversified, and the futures business remained at the forefront of the industry. In terms of the general investment banking business line, the Company’s equity financing business seized the opportunities arising from capital market reform. While proactively promoting projects for the STAR Market, the Company strengthened its efforts in the expansion of traditional sectors, thus setting up the Company’s brand firmly in fields such as new generation information technology, high-end equipment manufacturing and new materials. The bond financing business assisted in the prevention and control of the COVID-19, and continuously enhanced the capability in business innovation. The merger and acquisition financing business made active strategic adjustments to reap the policy benefits and accelerate project implementation. Regarding the asset management business line, the AUM of actively managed assets of its asset management subsidiary increased rapidly, proactively promoting the conversion of general collective products in accordance with the standard of public products. The mutual fund subsidiary was in good shape achieving a new breakthrough in fund size; the private fund subsidiary continued to centralize management by steadily promoting its “offering, investment, management and withdrawal”. As for the international business and leasing business lines, Haitong International actively responded to the impact of the outbreak of overseas COVID-19 to the capital market, adhered to steady operation, and each business continued to maintain its leading position among Chinese investment banks in Hong Kong. The business development of Haitong Bank was advanced in a steady pace, while Haitong UT adhered to risk prevention and control, verifying assets in all aspects and striving to serve the real economy. Under the situation of preventing and controlling the COVID-19 during the first half of 2020, the Company achieved outstanding performance in various business lines and, at the same time, as for management, the Company has sped up unified management within the Group, strengthened the self-innovation of technological work, further promoted the construction of the compliance risk control system, and deepened the reform of the human resource management system, laying a solid foundation for the Company to grow sustainably and robustly.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### (II) Analysis on principal components of the consolidated statement of financial position

Analysis on major items of consolidated statement of financial position of the Group is as follows:

	30 June		31 December		Unit: RMB'000	
	2020	Composition	2019	Composition	Increase/Decrease Amount	Percentage
<b>Non-current assets</b>	<b>130,749,424</b>		135,390,743		-4,641,319	-3.43%
Of which: Finance lease receivables	22,443,013	3.29%	24,786,256	3.89%	-2,343,243	-9.45%
Debt instruments at fair value through other comprehensive income	8,834,074	1.30%	7,551,256	1.19%	1,282,818	16.99%
Equity instruments at fair value through other comprehensive income	15,454,476	2.27%	15,783,978	2.48%	-329,502	-2.09%
Financial assets at fair value through profit or loss	23,618,335	3.47%	21,562,385	3.39%	2,055,950	9.53%
Other loans and receivables	5,803,615	0.85%	4,761,754	0.75%	1,041,861	21.88%
Investments accounted for using equity method	4,995,699	0.73%	4,942,938	0.78%	52,761	1.07%
Financial assets held under resale agreements	2,277,819	0.33%	17,137,937	2.69%	-14,860,118	-86.71%
Property and equipment	14,300,073	2.10%	6,714,638	1.05%	7,585,435	112.97%
Loans and advances	2,786,845	0.41%	2,695,362	0.42%	91,483	3.39%
Goodwill	4,215,827	0.62%	4,134,434	0.65%	81,393	1.97%
<b>Current assets</b>	<b>550,797,792</b>		501,402,888		49,394,904	9.85%
Of which: Bank balances and cash	116,480,188	17.09%	111,062,093	17.44%	5,418,095	4.88%
Clearing settlement funds	10,829,556	1.59%	8,611,101	1.35%	2,218,455	25.76%
Financial assets at fair value through profit or loss	215,528,781	31.62%	198,030,685	31.10%	17,498,096	8.84%
Advances to customers on margin financing	57,731,842	8.47%	52,797,926	8.29%	4,933,916	9.34%
Accounts receivable	11,284,370	1.66%	9,752,377	1.53%	1,531,993	15.71%
Financial assets held under resale agreements	56,666,478	8.31%	40,347,256	6.34%	16,319,222	40.45%
Finance lease receivables	28,207,614	4.14%	28,155,387	4.42%	52,227	0.19%
Debt instruments at fair value through other comprehensive income	786,878	0.12%	3,602,965	0.57%	-2,816,087	-78.16%
Deposits with exchanges	13,731,114	2.01%	9,603,759	1.51%	4,127,355	42.98%
Derivative financial assets	2,920,588	0.43%	1,516,496	0.24%	1,404,092	92.59%
Other loans and receivables	15,753,553	2.31%	20,222,329	3.18%	-4,468,776	-22.10%
<b>Total assets</b>	<b>681,547,216</b>		636,793,631		44,753,585	7.03%

## Section IV REPORT OF THE BOARD OF DIRECTORS

	30 June		31 December		Increase/Decrease	
	2020	Composition	2019	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>392,765,537</b>		355,497,271		37,268,266	10.48%
Of which: Accounts payable to brokerage clients	105,121,009	19.64%	87,464,142	17.65%	17,656,867	20.19%
Financial assets sold under repurchase agreements	80,589,348	15.05%	68,877,678	13.90%	11,711,670	17.00%
Borrowings	66,695,219	12.46%	57,040,864	11.51%	9,645,355	16.93%
Placements from banks and other financial institutions	6,405,222	1.20%	14,421,611	2.91%	-8,016,389	-55.59%
Financial liabilities at fair value through profit or loss	29,045,393	5.43%	26,211,555	5.29%	2,833,838	10.81%
Derivative financial liabilities	3,124,025	0.58%	2,170,599	0.44%	953,426	43.92%
Other payables and accruals	18,962,316	3.54%	17,748,106	3.58%	1,214,210	6.84%
Short-term financing bills payables	33,115,851	6.19%	32,206,855	6.50%	908,996	2.82%
Customer accounts	3,067,974	0.57%	2,873,637	0.58%	194,337	6.76%
Tax liabilities	1,506,809	0.28%	1,976,794	0.40%	-469,985	-23.78%
Bonds payable	43,487,692	8.12%	43,699,917	8.82%	-212,225	-0.49%
<b>Net current assets</b>	<b>158,032,255</b>		145,905,617		12,126,638	8.31%
<b>Non-current liabilities</b>	<b>142,551,866</b>		140,177,617		2,374,249	1.69%
Of which: Bonds payable	96,210,790	17.97%	89,042,454	17.96%	7,168,336	8.05%
Long-term borrowings	30,124,725	5.63%	31,084,259	6.27%	-959,534	-3.09%
Financial liabilities at fair value through profit or loss	2,774,560	0.52%	3,874,411	0.78%	-1,099,851	-28.39%
Placements from banks and other financial institutions	3,232,428	0.60%	6,200,903	1.25%	-2,968,475	-47.87%
<b>Total liabilities</b>	<b>535,317,403</b>		495,674,888		39,642,515	8.00%
<b>Total equity</b>	<b>146,229,813</b>		141,118,743		5,111,070	3.62%

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

As at 30 June 2020, the total assets of the Group amounted to RMB681,547 million, representing an increase of RMB44,754 million or 7.03% as compared to the end of 2019; the total liabilities of the Group amounted to RMB535,317 million, representing an increase of RMB39,643 million or 8.00% as compared to the end of 2019.

## Section IV REPORT OF THE BOARD OF DIRECTORS

As at 30 June 2020, the non-current assets of the Group amounted to RMB130,749 million, representing a decrease of RMB4,641 million as compared to the end of 2019, mainly due to the decrease of financial assets held under resale agreements; the current assets of the Group amounted to RMB550,798 million, representing an increase of RMB49,395 million as compared to the end of 2019, mainly due to the increase in financial assets at fair value through profit or loss; the current liabilities of the Group amounted to RMB392,766 million, representing an increase of RMB37,268 million as compared to the end of 2019, mainly due to the increase in accounts payable to brokerage clients; the net current assets of the Group amounted to RMB158,032 million, representing an increase of RMB12,127 million as compared to the end of 2019; the non-current liabilities of the Group amounted to RMB142,552 million, representing an increase of RMB2,374 million as compared to the end of 2019, mainly due to the increase in bonds payable.

As at 30 June 2020, the Group's equity attributable to owners of the Company amounted to RMB131,133 million, representing an increase of RMB5,042 million or 4.00% as compared with the end of 2019; excluding the influencing factors of accounts payable to brokerage customers, the Group's gearing ratio was 74.63%, representing an increase of 0.32 percentage point from the gearing ratio of 74.31% at the end of 2019. The Group's asset-liability structure remained relatively stable.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### *Borrowings and bond financing*

As at 30 June 2020, the total borrowings and bond financing of the Group amounted to RMB269,634 million. Set out below is the breakdown of borrowings and bond financing of the Group as at 30 June 2020 and 31 December 2019:

	<b>30 June 2020</b>	<i>Unit: RMB'000</i> 31 December 2019
Bonds payable	<b>139,698,482</b>	132,742,371
Borrowings	<b>96,819,944</b>	88,125,123
Short-term financing bills payables	<b>33,115,851</b>	32,206,855
<b>Total</b>	<b>269,634,277</b>	253,074,349

For the details of the interest rates and maturities of borrowings and debt financing, please refer to notes 39, 40 41 to the interim condensed consolidated financial information in this Report.

As at 30 June 2020, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB143,299 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB158,032 million. Therefore, liquidity risk exposure of the Group was immaterial.

As at 30 June 2020, the Group had no outstanding mortgage, charges, bonds other than those liabilities disclosed in this Report.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### (III) Analysis on investment

#### 1. General analysis on external equity investments

As at the end of the Reporting Period, the Group's long-term equity investment was RMB4,996 million, representing an increase of RMB53 million or 1.07% as compared to the end of last year (RMB4,943 million). For the long-term equity investment, please refer to note 18 to the interim condensed consolidated financial information in this Report.

#### (1) Material equity investment

*Unit: RMB0'000*

Name of the company	Shareholding in the company	Carrying value as at the end of the period	Profit or loss in the Reporting Period	Changes in equity of owners in the Reporting Period
Fullgoal Fund Management Co., Ltd.	27.775%	115,868.34	16,220.60	64.30

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

Pursuant to the board resolution of the fifth meeting of the seventh session Board in 2019, the Company and Haitong UT acquired Greenland Bund Center Block B1, B2 and B3, respectively, and obtained title certificates in May 2020. As at 30 June 2020, the total investment amounted to RMB5,797 million, among which, the Company's investment amount was RMB4,503 million and Haitong UT's investment amount was RMB1,294 million.

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

The financial assets measured at fair value mainly consist of financial assets at fair value through profit or loss of RMB239,147 million, equity instruments at fair value through other comprehensive income of RMB15,454 million, debt instruments at fair value through other comprehensive income of RMB9,621 million, and derivative financial instruments of RMB-203 million.

### (IV) Material assets and equity disposal

- ✓ Not applicable



## Section IV REPORT OF THE BOARD OF DIRECTORS

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

1. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities holds 51% equity interest. As at 30 June 2020, the total assets of HFT Investment was RMB2,225 million, and the net asset was RMB1,462 million. In the first half of 2020, HFT Investment realised an operating income of RMB498 million with a net profit of RMB138 million.
2. Fullgoal Fund, with a registered capital of RMB520 million, in which Haitong Securities holds 27.775% equity interest. As at 30 June 2020, the total assets of Fullgoal Fund reached RMB5,849 million, and the net asset was RMB4,207 million. In the first half of 2020, Fullgoal Fund realised an operating income of RMB1,988 million with a net profit of RMB628 million.
3. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities holds 67% equity interest. As at 30 June 2020, the total assets of Haitong-Fortis PE reached RMB278 million, and the net asset was RMB185 million. In the first half of 2020, Haitong-Fortis PE realised an operating income of RMB68 million with a net profit of RMB28 million.
4. Haitong Futures, with a registered capital of RMB1,301.5 million, in which Haitong Securities holds 66.667% equity interest. As at 30 June 2020, the total assets of Haitong Futures reached RMB28,654 million, and the net asset was RMB2,710 million. In the first half of 2020, Haitong Futures realised an operating income of RMB2,470 million with a net profit of RMB129 million.
5. Haitong International Holdings, with a registered capital of HKD11,180 million, in which Haitong Securities holds 100% equity interest. As at 30 June 2020, the total assets of Haitong International Holdings reached HKD312,395 million, in which the net assets attributable to the parent company was HKD15,506 million. In the first half of 2020, Haitong International Holdings realised a revenue of HKD4,846 million with a net profit of HKD834 million.
6. Haitong Capital, with a registered capital of RMB10,650 million, in which Haitong Securities holds 100% equity interest. As at 30 June 2020, the total assets of Haitong Capital reached RMB18,023 million, and the net assets attributable to the parent company was RMB14,320 million. In the first half of 2020, Haitong Capital realised an operating income of RMB1,128 million with a net profit of RMB722 million.



## Section IV REPORT OF THE BOARD OF DIRECTORS

7. Haitong Innovation Securities, with a registered capital of RMB5.3 billion, in which Haitong Securities holds 100% equity interest. As at 30 June 2020, the total assets of Haitong Innovation reached RMB7,354 million, and the net assets was RMB7,230 million. In the first half of 2020, Haitong Innovation Securities realised an operating income of RMB689 million with a net profit of RMB516 million.
8. HT Asset Management, with a registered capital of RMB2.2 billion, in which Haitong Securities holds 100% equity interest. As at 30 June 2020, the total assets of HT Asset Management reached RMB11,394 million, and the net assets was RMB4,172 million. In the first half of 2020, HT Asset Management realised an operating income of RMB1,038 million with a net profit of RMB522 million.
9. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities holds 100% equity interest. As at 30 June 2020, the total assets of Shanghai Weitai Properties reached RMB142 million, and the net assets was RMB7 million. In the first half of 2020, Shanghai Weitai Properties realised an operating income of RMB26 million with a net loss of RMB2,947.5 thousand.

### (VI) Structured entities

#### 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*

In respect of the structured entities held by the Group, the Group will assess whether the combination of investment it held, manager's remuneration, credit enhancement measures, and other interest may create risk exposure to variability of returns that is of such significance that indicates the Group is the primary responsible party. The structured entities shall be recognized and included in the Group's consolidated financial statements if the Group is recognized as the primary responsible party. As at 30 June 2020, the Group has included 48 structured entities in its consolidated financial statements.





## Section IV REPORT OF THE BOARD OF DIRECTORS

### III. OTHER DISCLOSURE

**(I) Warning and explanation on the expected potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or the significant changes therein as compared with the same period of last year**

✓ Not applicable

**(II) Potential risks and prevention measures**

**1. Summary of risk management**

The Company has been attaching great importance to risk prevention and control, and set up the operational philosophy of “pragmatic, pioneering, steady and excellent” and the risk control philosophy of “prudence and even conservativeness”. The operation management of the Company achieved the priority for compliance and priority for risk management.

The Company continued to enhance consolidated supervision on risk control, enhanced group risk data mart, and fully promoted the vertical development 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 rules. In terms of full coverage, the Company built a clearly arranged risk management structure covering various types of risks, different business lines and all departments/branches/subsidiaries, constantly revamped various risk management processes including risk identification, assessment, measurement, monitoring, reporting and response, regulated various business processes and comprehensively enhanced advance prevention, in-process monitoring and follow-up inspection and handling as to various risks. In terms of monitoring, the Company established a three-level indicator system covering supervision indicators, tolerance and limit indicators as well as business risk control indicators, realized dynamic monitoring and automatic warning through the system, and conducted stress tests to assess extreme risks. In the meanwhile, with the framework of same business and same client management, the Company established a group risk limit system, conducting daily monitoring by separating each department and subsidiary. In terms of measurement, the Company measured market risks, credit risks and liquidity risks, established a model management mechanism and procedure, and carried out ongoing assessments and validations of the model. In terms of analysis, the Company included its subsidiaries into the scope of reports and regularly prepared daily reports, monthly reports, quarterly reports, interim/annual reports of the Group, and prepared special reports on significant risk events. In terms of the risk-response ability, the Company chose proper countermeasures according to risk assessment and warning results, and established an effective response mechanism as well as operational contingency plans. In addition, the Company provided guarantee and support for comprehensive risk management through measures including promoting cultural advocacy, deepening the construction of systems, enhancing information systems, strengthening the establishment of the talent team and increasing investment in risk management.

## Section IV REPORT OF THE BOARD OF DIRECTORS

### 2. *Structure of Risk Management*

The Company regulates its operations in strict compliance with the Company Law, the Securities Law, the Guidelines for Internal Control of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies, and the Articles of Association. The Company has built a multi-level organizational structure of risk management based on the needs of business development and risk management, and determined specific responsibilities in risk management at all level for the Board of Directors, the supervisory committee, the management, the Chief Risk Officer (“CRO”), the risk management department, the business and management department, branches and subsidiaries.

The Board is the maker and authorized person of the Company’s strategic objectives for risk management, and is responsible for reviewing and approving the overall objective, fundamental policy and major system of the Company’s risk management, the overall risk orientation and risk tolerance of the Company, solutions for material risks, periodic risk assessment report, supervision on the implementation of the Company’s risk management policy, appointment, dismissal and evaluation of chief risk officer, as well as the establishment of a direct communication mechanism with the chief risk officer and other duties stipulated by the Articles of Association. The Board has set up the Compliance and Risk Management Committee to perform the specific risk management duties.

The Supervisory Committee supervises the Company’s risk management and internal control system and is responsible for the supervision of 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 authorization of the Board, the management is responsible for setting up an organizational structure with clear responsibilities and procedures, formulating risk management policies, rules and regulations of the Company, carrying out overall risk appetite and risk tolerance policies, identifying and evaluating all kinds of risks, establishing a sound and effective risk management system and mechanism, timely responding to or correcting existing defects or issues, reviewing and dealing with significant risk accidents, establishing an overall performance evaluation system covering risk management effectiveness, building a perfect IT system and data quality control mechanism, as well as performing other risk management duties delegated by the Board.



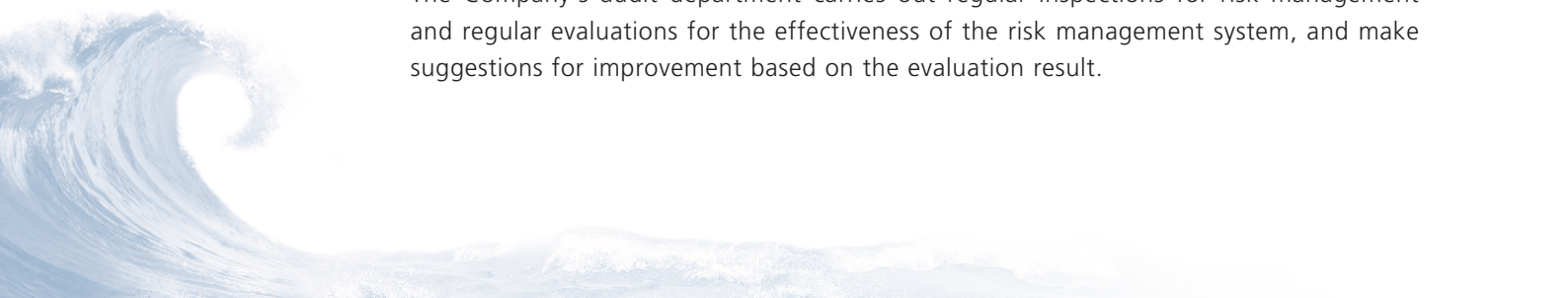
## Section IV REPORT OF THE BOARD OF DIRECTORS

The Company has a Chief Risk Officer (the “CRO”), which is nominated by the chairman and appointed by the Board of Directors. The CRO is the senior management member who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and regulations determined by the Board and the management, arrange supervision, reviews, and evaluations for risk management systems established and perfected by the Company, arrange supervision and inspections for the implementation of risk management policies and procedures, make suggestions on and supervise the improvement of existing problems, significant risks or potential risks and timely report them to relevant authorities, departments or subsidiaries of the Company, arrange instruments and approaches that evaluate and improve risk management, regularly organize evaluations for the level of major risks to which the Company is exposed and its management status, file evaluation reports to the management, the Board and regulatory authorities, as well as organizing the nomination and assessment for the persons in charge of risk management in subsidiaries.

The Company has a risk management department, which is established by the Company and led by the CRO and performs risk management functions, which is responsible for drafting risk management policies, rules and regulations, supervising and guiding each department to formulate business risk management systems and procedures, identifying and evaluating major risks of the Company’s related businesses, organizing supervision and inspections for the implementation of the risk management systems of different businesses, regularly evaluating and reporting overall risk level and risk management, as well as timely reporting significant potential risks or risk events and giving 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 of the Company is responsible for the management of liquidity risk, the general manager’s office is responsible for the management of reputational risk, and the IT management department is responsible for IT risk.

The Company’s departments, branches, and subsidiaries are responsible for risk management within the scope of their operation and management, establishing sound risk management systems and procedures accordingly, carrying out risk management policies and related risk management. The heads of all departments, branches, and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches, and subsidiaries of the Company appoint personnel to take charge of risk management in their respective units, and supervision, inspection, and reporting for the implementation of risk management policies and systems, as well as performing the front-line risk 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.



## Section IV REPORT OF THE BOARD OF DIRECTORS

In respect of the risk management of subsidiaries, all subsidiaries operate in a standardized way and in accordance with the law. The Company integrates the risk management of subsidiaries into its overall risk management system through various mechanisms. The Company has effectively implemented vertical risk management for subsidiaries in terms of nomination of subsidiaries' persons in charge of risk management, limit and report, approval of subsidiaries' major issues, data docking, supervision and inspection, risk management assessment, etc.

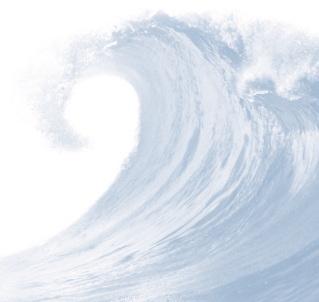
### **3. *Prevention measures to potential risks and the performance during the Reporting Period***

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.

#### *(1) Compliance risk*

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

The Company has established scientific and reasonable compliance management framework systems with clear responsibilities according to the compliance management regulatory requirements and the actual situation of the Company. The responsibilities and duties of the Board of Directors, the Supervisory Committee, the person 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 Measures for the Compliance Management of Haitong Securities Co., Ltd. and relevant ancillary compliance management systems, and assigned a team of compliance management personnel to strictly carry out 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 accountability. Meanwhile, the Company enhanced policy communication and compliance advocacy so as to create a business environment of "Full Compliance and Active Compliance".



## Section IV REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, to effectively prevent compliance risks and to facilitate the effective operation of the Company's compliance management for 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 strengthened the compliance management of the Group, promoted the building of the Group's central control room, and improved the Chinese Wall and conflict of interest management mechanisms, actively commenced compliance training and advocacy, and continually fostered the frontline environment of "Full Compliance and Active Compliance". In the first half of 2020, the Company satisfied the compliance requirements overall in its business operations. All businesses were carried out in a robust pattern with no major compliance risks.

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

The Guidelines for the 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 the management of money laundering, terrorism financing and proliferation financing risks. The risk of money laundering, terrorism financing and proliferation financing facing the Company refers to the possibility that the Company's products or services are used by lawbreakers to carry out 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 file management, compliance assessment and punishment rules. The Company has established a sound anti-money laundering organisational framework under the Board, forming an anti-money laundering management system coordinated by the anti-money laundering leading group of the Company, led by the compliance department for organization and implementation, and implemented by relevant business departments and branches.



## Section IV REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, in order to effectively implement the Guidelines for the Management of Money Laundering and Terrorism Financing Risk of Corporate Financial Institutions (for Trial Implementation) (《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, the Company assessed the Group's money laundering risks, covering its subsidiaries including the parent company, HT Asset Management, Haitong Futures, HFT Investment, Haitong Capital and Haitong Innovation Securities. We emphasized assessing inherent money laundering risks and management and control measures of different business lines, giving prompts about money laundering risks existing in the relative business lines, and supervising and strengthening its anti-money laundering work. Meanwhile, the Company further conducted customer data management, optimized functions such as prompt for customers' login information at terminals. Furthermore, the Company progressively researched and explored the application of new technologies in anti-money laundering, and ceaselessly improved the efficiency of and its performance level in anti-money laundering. Faced with a regulatory environment that strictly complies with the law in an all-round manner, the Company constantly reinforced its duty performance capabilities in anti-money laundering so as to enhance the standard for anti-money laundering compliance management.

### (3) Credit risk

Credit risk refers to the risk that the Company may suffer losses as a result of failure by the borrower, counterparty or debt issuer to perform the stipulated financial obligations or there is any adverse change in 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 pledged 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 fail to perform their obligations.

#### A. *The relevant risks of self-owned monetary funds deposited in other financial institutions and securities brokerage business*

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. Meanwhile, in terms of securities brokerage business, trading is settled under gross margin for credit risk avoidance.

## Section IV REPORT OF THE BOARD OF DIRECTORS

*B. The relevant risks of stock pledged repo transactions, margin financing and securities lending and stock repo transactions*

The Company mainly manages and controls the credit risk through formulating and implementing various strict systems and measures, including due diligence, internal credit rating, project evaluation, credit approval management, daily mark-to-market, limit monitoring, post-lending tracking, supplemental credit enhancement, liquidation execution, judicial recourse and provision making.

*C. The relevant risks of credit bond trading and investment business*

The Company emphasises diversified investment 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.

*D. The relevant risks of the short-term intra-industry borrowing business such as bond repurchase, and the OTC derivatives business*

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.



## Section IV REPORT OF THE BOARD OF DIRECTORS

In addition, 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 of Haitong Securities Co., Ltd., the Company fully fine tunes and integrates the Group credit risk management mechanism, formulates the Group credit risk limit system, makes allocations to the subsidiaries and asks them to carry out strict implementation. Meanwhile, the Company establishes a sound collectivised credit risk measurement and concentration risk management framework. That enables the continuous 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.

During the Reporting Period, the Company further consolidated credit risk management in response to the context of complex and changing external conditions. For three types of financing business, the Company actively adjusted the business structure, enhanced the monitoring and management of projects over the lifetime, and reviewed new projects tightly.





## Section IV REPORT OF THE BOARD OF DIRECTORS

As at the end of the Reporting Period, the average of the guarantee ratio for clients with outstanding liabilities in margin financing business maintained at 279.14%, the average performance guarantee ratio of our customers in securities repurchase transaction business was 219.75% and the margin ratio for stock-pledged repurchase clients with outstanding liabilities was 278.49%. The collaterals provided by the lenders were sufficient, and the overall credit risk was under sound control. Regarding the trade and investment of unsecured credit 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, focused on decentralized investment and timely adjusted the investment strategy based on the monitoring of the post-investment credit risks of issuers to actively manage the risks. As at the end of the Reporting Period, risk monitoring indicators of the Company's unsecured credit 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.

At the subsidiary level, during the Reporting Period, (i) Haitong International's major credit risk monitoring indicators maintained stable operation, and the overall credit risk was controllable. In order to effectively cope with the challenges from the macro environment, and further build a more stable profit model and stronger risk resistance, Haitong International continued to maintain a stable risk appetite when developing credit business, and keep improving credit risk-related guidelines and rules, and strive to effectively control the Company's credit risk tolerance level. (ii) Haitong UT Capital continued to optimize its business structure and return to its leasing business to ensure the steady development of its business. At the same time, it actively improved and strengthened its risk management system according to a number of significant regulations and regulatory policies related to the financial leasing industry that were implemented in the first half of 2020, and continuously enhanced the overall level of credit risk management through reasonable adjustments to the size of existing assets, extensive application of risk rating models, prudent implementation of credit risk measurement, close monitoring of customer concentration, continuous model verification

## Section IV REPORT OF THE BOARD OF DIRECTORS

and other measures. The current credit risk indicators of Haitong UT Capital are operating smoothly, and the overall credit risk is under control. (iii) Haitong Bank has always adhered to a prudent business strategy and continuously improved its credit risk management capabilities. At the end of the Reporting Period, Haitong Bank's major credit risk indicators were operating smoothly and in line with local regulatory requirements. Meanwhile, Haitong Bank continuously improved and revised its risk appetite framework and credit policies according to the overall strategic planning, and pushed forward the resolution of risky assets, hence the overall credit risk of various businesses was under control.

### (4) *Market risk*

Market risk mainly refers to the risk of losses of the 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 prices of the equity securities invested by the Company which could bring loss to the Company. The businesses with such risk mainly include equity securities proprietary 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 the first half of 2020, affected by factors such as Sino-US trade frictions and the COVID-19 epidemic, the Chinese stock market fluctuated sharply. The stock index trend first declined and then rose, showing a rebound trend in the second quarter. In particular, the small and medium enterprise board and the ChiNext board performed relatively better. 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 risk factors. 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.



## Section IV REPORT OF THE BOARD OF DIRECTORS

- B. Interest rate risk. Interest rate risk refers to the risk caused by changes in factors such as the market yield curve or credit spread, etc. The businesses that bear such risks mainly include bond investment business and interest rate derivatives business. In the first half of 2020, the China Bond Composite Full-price Index had experienced wide fluctuations, first trending to rise to the range top at the end of April, and then trending to fall till the end of the first half of this 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. During the Reporting Period, the Group's international layout continued to improve. Facing the complex and volatile overseas market, the Group took the initiative to reduce the leverage level of overseas assets. The overall scale of foreign currency assets was reduced, and the risk exposure of exchange rate was also reduced accordingly. In addition, the Company continued to conduct special tracking studies on the foreign exchange market and constantly optimised system construction and internal management, take various measures to hedge and mitigate exchange rate risks to support the Company's overseas business development. The Company also focused on matching foreign currency assets and liabilities at the Group level to reduce the foreign exchange risk exposure. At the same time, the Company also adopted treatments, for example, hedges of net investment in overseas operations and other means, to reduce the influence of foreign currency exposure on the Group's operating results. As at the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.

Save as the above-mentioned 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 the implementation of the procedures of market risk identification, assessment, measurement, monitoring, response and reporting at the Group level, and 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

## Section IV REPORT OF THE BOARD OF DIRECTORS

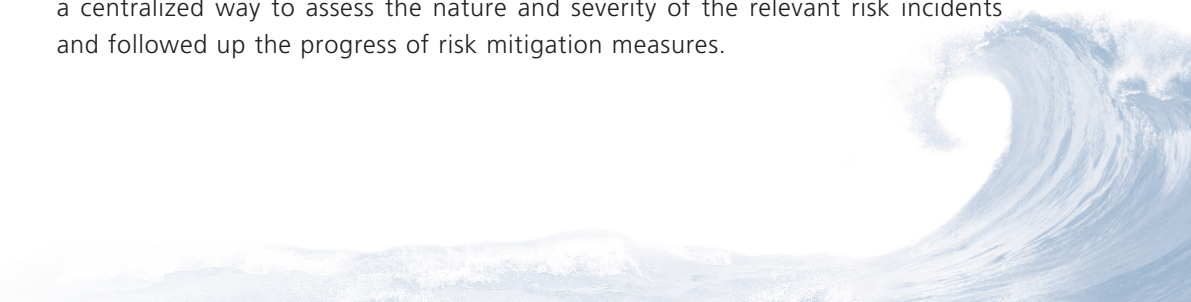
business activities and submit risk reports to the parent company as required. The Group tracks and supervises its subsidiaries on their market risk profile and the implementation of risk limits.

During the Reporting Period, the ratio of the Company's VaR to the Company's net assets and the ratio of the Group's VaR to the Group's net assets at the end of each month were kept within 0.2%, and the market risk was manageable and bearable. During the Reporting Period, the investment scale of the Company's equity securities remained stable as a whole. In addition to traditional trend investments, the Company also actively carried out innovative businesses such as option market making and over-the-counter options. The Company adhered to the risk-neutral investment strategy during the above-mentioned innovative business operation process, and effectively controlled the risk exposure during the business development process. At the same time, the Company gradually increased its bond investment scale based on the trend and judgment of the bond market, and the growth rate remained stable. At the end of each month, the duration of non-equity investments changed to a minor extent, being relatively stable. As at the end of 30 June 2020, the portfolio duration of the Company's non-equity investments was 1.93 years, and the market risk control of the Company's fixed income investments was generally sound.

### (5) *Operational risk*

Operational risk refers to the risk associated with losses to the Company arising from the defects of the internal processes, faulty operation or misconduct of staff, information system defects or breakdowns, and external factors, etc.

During the Reporting Period, the Company continued to implement the relevant requirements of the operational risk management system, in reliance on the Management Measures on (Group) Operational Risk of Haitong Securities Co., Ltd., carried out the Group's operational risk management before, during and after the relevant incidents by making use of multiple operational risk management tools, including Risk and Control Self-Assessment, Key Risk Indicators and Loss Data Collection, etc. While conducting Risk and Control Self-Assessment within the Group, the Company proactively identified operational risk, assessed inherent risk level, performed self-assessment 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 indicator values and their dynamic changes regularly. The Company conducted Loss Data Collection of operational risk within the Group and picked out the operation risk incidents in the system in a centralized way to assess the nature and severity of the relevant risk incidents and followed up the progress of risk mitigation measures.



## Section IV REPORT OF THE BOARD OF DIRECTORS

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 and the Company's internal management needs, the Company formulated and issued the Internal Control System of Haitong Securities Co., Ltd., established an internal control system covering all levels of units, business fields and positions, running through all aspects of decision-making, execution, supervision and feedback, strengthened the management and control of various risks before, during and after the incident by clarifying the division of responsibilities, mechanisms and procedures for internal control. In addition, the Company is continuously improving its internal control management mechanism, optimizing system construction, standardizing operating procedures, strengthening audits and inspections and enhancing the accountability system to reduce the odd of operational risk events and actively and properly address the adverse effects brought by any such event. The Company always emphasizes the implementation of refined management, constantly standardizes and 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. At the same time, the Company attaches great importance to the cultivation and promotion of operational risk management culture, and builds an operational risk management concept of comprehensive coverage and full participation through network training and on-site guidance. The Company is continuously strengthening the construction of the information technology management system, continuously improving the information technology risk emergency plan, monitoring and managing the information technology related conditions of system operation, application research and development, information security, technology management, etc. by adopting regular or irregular monitoring, special inspections and other methods, to prevent information technology risks.

During the Reporting Period, the Company was continuously improving the construction of its internal control system, optimizing various systems and procedures, and strengthening the implementation of various rules and regulations, with no major operational risk events occurring that had a substantial impact on the Company's operations. The Company continued to strengthen the construction, operation and maintenance of its information technology systems and conducted regular and irregular inspections and maintenance in strict accordance with the operational management procedures to ensure the reliability, stability and safe operation of the systems, and no major information technology risk events occurred during the Reporting Period.



## Section IV REPORT OF THE BOARD OF DIRECTORS

### (6) *Liquidity risk*

Liquidity risk refers to the risk that the Company is unable to gain sufficient funds with reasonable costs 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 ensured smooth business development and timely repayment of matured liabilities of the Company. Additionally, the Company continued to improve the management and control mechanism for daily liquidity and risk indicators, built a linkage system of capital and indicators combining with assets and liabilities, and improved a liquidity risk analysis framework including daily indicator position follow-up, prospective analysis of monthly indicators and department indicator disassembly, 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 the 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.



## Section IV REPORT OF THE BOARD OF DIRECTORS

The Company steadily implemented the requirements on the liquidity risk management for the Group and subsidiaries, and guided by the Management Measures on Group Liquidity Risk of Haitong Securities Co., Ltd., developed scientific and effective liquidity risk management strategies as per the business characteristics of each subsidiary, which basically realised the unified management of liquidity risk across the Group. Firstly, with the aim to improve subsidiaries' liquidity risk management systems, the Company continued to implement the classified management of subsidiaries from the two lines of risk and asset-liability management on the basis of liquidity risk management, with different requirements proposed from three aspects: organisational system guarantee, risk management and control framework and risk response measures. Secondly, the Company issued limit management requirements for the subsidiaries based on the consolidated 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, regulating and controlling information, the Company adopted the Management Measures of Haitong Securities Co., Ltd. for Supporting the Liquidity of the Group as its general management guiding principle, continuing to improve the support system for the Group's liquidity and safeguarding the Group against any liquidity risks.

During the Reporting Period, the complex and volatile market environment placed greater demands on the Company's liquidity risk management. Facing the change in the market environment and the transformation of its internal capital demand, the Company proactively planned on the basis of different areas to continuously strengthen liquidity risk management and control via prior risk identification, in-process risk mitigation and ex post improvement. During the Reporting Period, the Company carried out market evaluation, grasped the timing of low interest rates to renew all due liabilities in a timely manner, which reduced the likelihood of the occurrence of liquidity risks and ensured its capability of stable operations in a complex market environment. In the first half of 2020, the daily average liquidity coverage ratio of the core liquidity monitoring indicators of the Company was 267% while the average daily NSFR was 150%, both of which were far higher than the regulatory requirement and pre-warning standard.

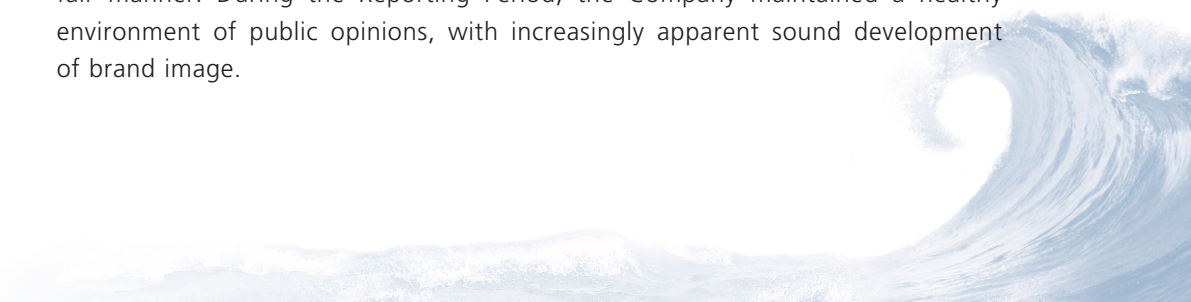
### (7) *Reputation risk*

Reputation risk refers to the risk of negative comments on the Company by its stakeholders due to the Company's operation and management and other actions or external events. A reputation event is an act or event that may give rise to reputation risks of the Company. Reputational events include but not limited to false, untrue and critical coverage in news media, rumours against the Company and negative internet public opinion, unauthorized media interviews by its employees whose content violates statutory disclosure regulations, reputational events arising from inappropriate words and conduct by its employees as well as industry or trading partners, reputational events arising from issues in relation to the Company's operations, clients' complaints, internal and external audit or regulatory department's compliance examination and other emergent reputational events that could cause material and negative impact to the Company.

## Section IV REPORT OF THE BOARD OF DIRECTORS

As such, in order to effectively manage the reputational risk, the Company has taken necessary monitoring and preventive measures. The Company has established a reputational risk forewarning system to monitor public opinions and to ensure that negative emergent events are reported to the management of the Company immediately. For those emergent events with a 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, the 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 the 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 are obligated to initiate media interviews process through the office's system in accordance with the 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.

During the Reporting Period, the Company closely integrated brand building with effective management of reputational risk, and contributed the efforts of Haitong Securities in building a high-quality industry ecology with a 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 Securities 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.





## Section IV REPORT OF THE BOARD OF DIRECTORS

### (III). Tax relief

#### 1. *Taxation of holders of A Shares*

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) and the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101), for individual shareholders of the Company who hold shares for a period (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, individual income tax on dividends is temporarily exempted. Temporarily, for individuals who hold shares for a period less than one year (inclusive), the listed company shall not withhold individual 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 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 (arrangement) 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

### 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 agent will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld 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

### **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 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 the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

### **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 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 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

### 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 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 competent 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 cash 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.



## Section V SIGNIFICANT EVENTS

### I. BRIEFING OF THE GENERAL MEETING

Session of the meeting	Date of the meeting	Query index of the designated website for resolutions disclosure	Disclosure date of resolutions
First Extraordinary General Meeting for 2020	15 April 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	16 April 2020 15 April 2020
2019 Annual General Meeting	18 June 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	19 June 2020 18 June 2020

#### Descriptions of the general meetings

During the Reporting Period, the Company held the first extraordinary general meeting for 2020 at Haitong Securities Building on 15 April 2020 and seven resolutions were considered and approved, including: 1. the resolution regarding the satisfaction of the conditions of the Non-public Issuance of A Shares of the Company; 2. the resolution regarding the adjustments to the Non-public Issuance of A Shares of the Company; 3. the resolution regarding the the proposal on the Non-public Issuance of A Shares of the Company (second revision proof); 4. the resolution regarding the supplemental agreements to the conditional subscription agreements entered into with the specific target subscribers; 5. the resolution regarding the related party transactions involved in the Company's Non-public Issuance of A Shares; 6. 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 (second revision proof); 7. the resolution regarding the grant of authorisation by the general meeting to the Board and the delegation of powers by the Board to the management to deal with all matters relating to the non-public issuance of A Shares of the Company. The relevant announcements were published on the websites of the Shanghai Stock Exchange (<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, the Securities Times and Securities Daily on 16 April 2020.

The Company held the 2019 Annual General Meeting at Haitong Securities Building on 18 June 2020 and 11 resolutions were considered and approved, including: 1. the report of the Board of Directors of the Company for the year 2019; 2. the report of the Supervisory Committee of the Company for the year 2019; 3. the annual report of the Company for the year 2019; 4. the final accounts report of the Company for the year 2019; 5. the profit distribution proposal of the Company for the year 2019; 6. the appointment of auditing firms for the year 2020; 7. the appointment of Mr. Zhou Donghui as a non-executive Director of the Company; 8. the appointment of Mr. Li Zhenghao as a Supervisor of the Company; 9. the proposal regarding projected routine related party transactions of the Company in 2020; 10. the amendments to the Articles of Association; 11. the grant of general mandate to the Board to authorise, allot or issue A Shares and/or H Shares. The relevant announcements were published on the websites of the Shanghai Stock Exchange (<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, the Securities Times and the Securities Daily on 19 June 2019.

## Section V SIGNIFICANT EVENTS

### II. PROPOSAL ON PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUNDS INTO SHARE CAPITAL

#### (I) Profit distribution proposal and proposal on conversion of capital reserve funds into share capital for the first half of 2020

Whether distributed or converted	Yes
Number of dividend shares for every 10 shares (share)	0.00
Amount of dividend for every 10 shares (RMB) (inclusive of tax)	2.80
Number of shares converted for every 10 shares (share)	0.00

Explanations on Proposal on Profit Distribution or Conversion of Capital Reserve Funds into Share Capital

The net profit attributable to owners of the parent company for the Report Period in the consolidated financial statements was RMB5,483,192,354.93 and the net profit of the parent company for the Report Period was RMB4,164,949,338.55.

In accordance with the relevant regulations including the PRC Company Law, the PRC Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after making appropriation to statutory reserve funds and reserves. The Company has made appropriation of 10% of the net profit for the Report Period realised by the parent company to statutory reserve funds, general risk reserve and transaction risk reserve, respectively, each amounting to RMB416,494,933.86, totalling RMB1,249,484,801.58, adding the retained profits of the parent company of RMB24,708,236,893.88 at the beginning of the year, adding the retained profit of RMB-24,567,491.06 transferred from other comprehensive income and the parent company's retained profits as at the end of the Reporting Period was RMB27,599,133,939.79. 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 available for distribution to investors amounted to RMB2,525,134,778.89 during the Reporting Period.

The Company has completed the Non-public Issuance of A Shares, after which the total share capital of the Company increased to 13,064,200,000 shares, through comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company's 2020 interim profit distribution proposal as follows:

1. On the basis of a total share capital of the Company of 13,064,200,000 shares, the Company proposes to distribute a cash dividend of RMB2.80 per 10 shares (inclusive of tax), with total cash dividends amounting to RMB3,657,976,000.00. The retained profits distributable to the investors for the year 2020 shall be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and payable in Renminbi to A shareholders and in HK dollars to H shareholders. The actual amounts declared in HK dollars are converted based on the average benchmark exchange rates for Renminbi to HK dollars as announced by the People's Bank of China for the five business days prior to the date of the second extraordinary general meeting for 2020 in which the proposal was considered.

## Section V SIGNIFICANT EVENTS

The interim profit distribution plan of 2020 shall be subject to consideration and approval in the general meeting of the Company and the cash dividends are expected to be distributed in cash in two months after such general meeting.

### III. PERFORMANCE OF UNDERTAKINGS

#### **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

### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

At the 2019 Annual General Meeting held by the Company on 18 June 2020, the resolution regarding the appointment of accounting firms of the Company for the year 2020 was considered and approved. Therefore, the Company was approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as external auditors of the Company in 2020 for a term of one year. PricewaterhouseCoopers Zhong Tian LLP will be responsible for the provision of relevant domestic audit services for financial statements prepared in accordance with PRC GAAP and internal control, while PricewaterhouseCoopers will be responsible for the provision of relevant overseas audit and review services for financial statements prepared in accordance with IFRS.

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

✓ Not applicable

#### **Explanations of the Company on "non-standard audit report" of accounting firm**

✓ Not applicable

#### **Explanations of the Company on "non-standard audit report" issued by the certified public accountants regarding financial reports of the annual report of last year**

✓ Not applicable



## Section V SIGNIFICANT EVENTS

### V. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company had no bankruptcy and restructuring related matters during the Reporting Period.

### VI. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration with a disputing amount over RMB10 million and accounting for more than 10% 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.

### VII. PUNISHMENT AGAINST AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS

As at the end of the Reporting Period, the Company had neither any controlling shareholder nor any de facto controller. During the Reporting Period, the Company has not experienced any investigation and administrative penalty from the CSRC or any public reprimand from any stock exchange and none of the following circumstances happened to the Company, Directors, Supervisors, senior management or shareholders who held more than 5% of the equity interest of the Company, including being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative authorities, or publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulations with regard to trading of securities of the Company.

### VIII. 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 controlling shareholder 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.





## Section V SIGNIFICANT EVENTS

### IX. 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.

On 8 June 2015, a new share option scheme (the “2015 Share Option Scheme”) was approved and adopted at the extraordinary general meeting of Haitong International Securities, which was valid and effective for a period of 10 years commencing from the date of adoption. According to the 2015 Share Option Scheme, share 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 Securities and any of its subsidiaries. The exercise price of the share options was determined by the directors of Haitong International Securities, and should be at least the highest of (1) 110% of the closing price of its shares of Haitong International Securities as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares of Haitong International Securities 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 of Haitong International Securities.

For the six months ended 30 June 2020, Haitong International Securities granted 10,645,000 share options under the 2015 Share Option Scheme and all of them were accepted; another 1,769,157 share options lapsed during the period due to the resignation of employees.

As at 30 June 2020, share options which have been granted but not yet exercised by Haitong International Securities are set out as follows:

Share Option Scheme	Number of share options issued but not yet exercised (Note)	Exercise price per share (Note)	Exercise period
2015 Share Option Scheme	12,812,750	HK\$4.635	8 December 2016 to 11 May 2021
	11,380,123	HK\$5.002	7 June 2018 to 9 November 2022
	17,890,926	HK\$2.898	28 May 2019 to 31 October 2023
	10,348,675	HK\$2.554	27 December 2019 to 30 May 2024
	10,645,000	HK\$1.727	25 December 2020 to 28 May 2025
<b>Total</b>	<b>63,077,474</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.

## Section V SIGNIFICANT EVENTS

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 1.05% of the issued shares of Haitong International Securities as at 30 June 2020. If the remaining share options are fully exercised, under the current capital structure of Haitong International Securities, an additional of 63,077,474 ordinary shares of Haitong International Securities will be issued, while the share capital of Haitong International Securities will increase by approximately HK\$6,308,000 and the share capital premium will be approximately HK\$206,665,000 (including issuing expenses). Please refer to the 2020 interim report published by Haitong International Securities on the website of the Hong Kong Stock Exchange for more details of its share option scheme above.

### X. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, the Company established a basic and comprehensive related party transactions regulation system as well as a relatively scientific and refined organizational management framework for related party transactions, and the relevant internal control was overall effective. The Company strictly complied with the review procedures and information disclosure requirements of related party transactions under 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 Transaction, which formed an appropriate restrictive mechanism for related party transactions in respect of various businesses.

#### (I) Related party transactions relevant to daily 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 2020 considered and approved in the Annual General Meeting of 2019.

Disclosure of related party transactions set out in this chapter is determined in accordance with the Shanghai Stock Exchange Listing Rules, and may differ from the amounts of related party transactions (prepared in accordance with the Accounting Standards for Business Enterprises) in notes to financial statements.

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

*Unit: RMB10 thousand*

Content of Transactions	Transaction volume from January to June 2020	Remarks
Fee and commission income	100.47	Income generated from provision of bond underwriting service

## Section V SIGNIFICANT EVENTS

Unit: RMB10 thousand

Item	Balance as at 30 June 2020	Remarks
Accounts receivable	72.00	Balance of bond underwriting fees receivable from related parties

➤ **Related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.**

Unit: RMB10 thousand

Contents of Transactions	Transaction volume from January to June 2020	Remarks
Fee and commissions income	3.30	Securities trading fees and commissions income received from related parties
Interest income	0.03	Interest income from margin deposits of related parties
Business and management expenses	3.19	Expenses from service fees of property paid to related parties



## Section V SIGNIFICANT EVENTS

- ***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 from January to June 2020	Remarks
Fee and commissions income	11,410.84	Income from securities brokerage fees, income from investment banking business, income from sales service fees and income from investment consulting service fees received from related parties
Interest income	1.41	Interest income from margin deposits of related parties
Business and management expenses	2,326.90	Expenses from sales and service fees, investment consulting service fees and depository fees paid to related parties
Interest expenses	1,620.37	Interest expense incurred from financial leasing
Net interest expense from credit lending trading	98.19	During the Reporting Period, credit lending trading amounted to RMB4,000 million, with terms ranging from 1 to 7 days
Net interest expense from repurchase trading	289.65	During the Reporting Period, repurchase trading amounted to RMB7,891 million, with terms ranging from 1 to 32 days
Net interest expense from gold forward trading	3,377.65	During the Reporting Period, gold forward trading amounted to RMB3,757 million, with a term of 9 to 12 months
Net gains or losses from trading of derivative financial instruments	-11,509.19	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 RMB5,521 million; as at the end of the Reporting Period, the balance of notional principal amounts was RMB490 million

## Section V SIGNIFICANT EVENTS

Unit: RMB10 thousand

Item	Balance as at 30 June 2020	Remarks
Receivables	1,650.00	Balance of fund management fee and performance fees receivable from related parties
Accounts from securities agency trading	1,409.63	Balance of margin deposits from clients placed by related parties
Payables	1.18	Balance of sales and service fees due to 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 RMB10,215 million.

### (II) Related party transactions relating to acquisition of assets or acquisition and disposal of equity interests

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

### (III) Material related party transactions relating to external joint investment

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

### (IV) Related party debts and liabilities

During the Reporting Period, the Company was not involved in any material related party debts and liabilities.

### (V) Other significant related party transactions

✓ Not applicable



## Section V SIGNIFICANT EVENTS

### (V) Others

#### ***Related party transactions relating to the Non-public Issuance of A Shares of the Company***

The Company convened the first extraordinary general meeting for 2020 on 15 April 2020, during which resolutions regarding the Non-public Issuance of A Shares (including the resolution regarding the related party transactions involved in the Non-public Issuance of A Shares of the Company) 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 35 specific target subscribers (including Shanghai Guosheng Group Co., Ltd. (“Shanghai Guosheng Group”), Shanghai Haiyan Investment Management Company Limited (“Shanghai Haiyan Investment”), Bright Food (Group) Co., Ltd. (“Bright Food Group”) and Shanghai Electric (Group) Corporation (“Shanghai Electric Group”), which is expected to raise gross proceeds no more than RMB20,000 million (inclusive). In accordance with Shanghai Stock Exchange Listing Rules, the aforesaid proposed subscriptions constituted related party transactions. The 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>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 exceeds 5%
Shanghai Haiyan Investment	RMB3,000 million	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	RMB1,000 million	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 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.



## Section V SIGNIFICANT EVENTS

On 25 February 2020, 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 sixth meeting of the seventh 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 A Shares.

On 15 April 2020, 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 First Extraordinary General Meeting for 2020 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.

Events after the above transactions and their progress:

References is made to the announcement dated 9 June 2020 in relation to approval by the CSRC on Non-public Issuance of A Shares. On 9 June 2020, the Company received the "Approval in Relation to the Non-public Issuance of Shares by Haitong Securities Co., Ltd" (Zheng Jian Xu Ke [2020] No.1038) issued by the CSRC, by which the application of non-public issuance of Shares by the Company had been approved, and at the same time, Shanghai Guosheng Group had obtained the corresponding shareholder qualification approval.

References is made to the announcement dated 6 August 2020 on the issuance results of the Non-public Issuance of A Shares and changes in share capital. The new shares issued under the Non-public Issuance of A Shares had been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of shares of the Company increased from 11,501,700,000 to 13,064,200,000, and the registered capital of the Company increased from RMB11,501,700,000 to RMB13,064,200,000, while the raised proceeds amounts to RMB20.0 billion and the issuance price is RMB12.8 per A Share.



## Section V SIGNIFICANT EVENTS

### XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

During the Report 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 guarantees provided for subsidiaries)

Guarantor	Relationship between guarantor and the listed company	Party Guaranteed	Amount of guarantee	Date of provision of guarantee (execution date of agreement)			Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter guarantee exists	Related Parties or not	Related relationship
				date of agreement	date of guarantee	Expiry date of guarantee							
/	/	/	/	/	/	/	/	/	/	/	/	/	/

Total amount of guarantees incurred in the Reporting Period (excluding guarantees provided for subsidiaries) 0

Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries) 0

#### Guarantees provided by the Company for its subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period 4,743,265,000

Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B) 24,121,979,940

#### Total amount of guarantees provided by the Company (including guarantees provided for subsidiaries)

Total amount of guarantees (A+B) 24,121,979,940

Percentage of total guarantee amount to the net assets of the Company (%) 18.40

Including:

Amount of guarantees provided to shareholders, de facto controllers and their related parties (C) 0

Amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D) 19,128,430,000

Amount of the portion of total guarantee exceeding 50% of net assets (E) 0

Total amount of the above three types of guarantees (C+D+E) 19,128,430,000

Explanations on outstanding guarantee which may undertake joint liabilities for repayment -



## Section V SIGNIFICANT EVENTS

### *Explanations on guarantees*

1. On 25 April 2019, the Company convened the 37th meeting of the sixth session of the Board, at which the resolution on providing joint liability guarantee for offshore debt financing of an offshore wholly-owned subsidiary was considered and approved, and the Company was approved to provide a joint liability guarantee for offshore debt financing (including but not limited to issuance of overseas bond, medium-and long-term commercial borrowings and other financing methods in compliance with regulatory requirements) of the offshore wholly-owned subsidiary Haitong International Holdings Limited and wholly-owned subsidiaries thereof, with a guarantee amount of not more than USD670 million covering debt financing principal (inclusive, or other currencies with equivalent value) and a guarantee period of not more than 10 years (inclusive).

The Company signed the deed of guarantee on 12 March 2020, pursuant to which, the Company provided joint liability guarantee for the issue of an USD bond with the amount of USD670 million and an interest rate of 2.107% which will be due in 2025 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).

2. 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.
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 Company signed the loan agreement as a guarantor on 14 May 2018, and provided US\$600 million joint liability guarantee for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.
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.

As at 30 June 2020, the Company's guarantee balance of such liability was EUR170 million.

## Section V SIGNIFICANT EVENTS

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).
6. On 9 February 2015, the Resolution on Increase in Quota of External Guarantee was considered and approved at the First Extraordinary General Meeting for 2015 and the first A Shareholders’/H Shareholders’ Class Meetings for 2015, 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 multitranche issuances basis, through public or non-public issuance, 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 Euro bonds 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 Euro bonds 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 or non-public issuance, 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.

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.

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.



## Section V SIGNIFICANT EVENTS

The financing agreement related to this guarantee was signed on 31 May 2016. According to the guarantee provisions of the agreement, the Company is the guarantor, Haitong Investment Ireland Public Limited Company is the guaranteed party, the London Branch of China Construction Bank Corporation is the lead bank and Frankfurt Branch of China Construction Bank Corporation is the agent bank. The guarantee amount is EUR750 million (including principal, interest, initiation fee and other fees to be borne by the borrower) and the guarantee period is five years. As at 30 June 2020, the balance of the guarantee obligation of the Company was EUR375 million.

8. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1,500 million for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, the CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No.145), consenting the Company's provision of guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

### (III) Other material contracts

During the Reporting Period, there were no other discloseable material contracts of the Company that have not been disclosed.



## Section V SIGNIFICANT EVENTS

### XII. POVERTY ALLEVIATION WORKS OF THE LISTED COMPANY

#### (I) Plans for targeted poverty alleviation

Based on the carrying out of targeted poverty alleviation and the implementation of poverty alleviation over years, the Company had formed a “five-in-one” poverty alleviation model with the framework of targeted poverty alleviation through “one company to one county” pair-up, “hundred enterprises in support of hundred villages” pair-up in Shanghai and Yunnan, the comprehensive poverty relief in rural areas of Shanghai, urban and rural Party organisations’ pair-up. In light of the Company’s three-year development strategy action plan, 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》)”, clarified the organic connection between the work of “fighting against poverty through targeted poverty alleviation” and the strategy of facilitating “rural revitalization” in 2020, and further enriched the content of “five-in-one” poverty alleviation work of the Company in spurt stage, i.e. **Firstly, providing financial supporting continuously**. 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 continuously**. The Company has helped five state-level underprivileged counties and three poverty-stricken villages with “one company to one county” pair-up 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 action to make the villages in Shanghai become the highlights of international metropolises and the background of beautiful Shanghai. **Thirdly, providing intellectual supporting continuously**. Through carrying out education and training activities in underprivileged areas about the capital market as well as investors’ lawful rights and interests protection and education activities, 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. **Fourthly, providing social charity supporting continuously**. The Company continues to build the poverty alleviation public welfare brand of “Love in Haitong” led by Party construction. Aiming to prevent the transfer of poverty across generations, the Company focuses on the field of poverty alleviation through education and carries out the “Haitong • Love (海通 • 愛)” series of public welfare projects, actively leveraging the role of the Company’s youth volunteer team to consolidate the love for improving the education and living standards of underprivileged areas. **Fifthly, providing consumption supporting continuously**. 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.

## Section V SIGNIFICANT EVENTS

### (II) Summary of targeted poverty alleviation during the Reporting Period

The year of 2020 is a critical year for China to win the tough battle of poverty alleviation. It also builds a moderately prosperous society. In the first half of 2020, in accordance with the working requirements of “Four Don’ts (四不摘)” of General Secretary Xi Jinping on unprivileged counties after poverty alleviation, the Company continued to follow the spirit of the “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》)” and implemented the requirements under the “Notice on Taking the “Double One Hundred” Targeted Poverty Alleviation Action 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. Guided by the poverty alleviation public welfare brand of “Love in Haitong” led by Party construction, we fully leveraged our professional advantages as a large state-owned financial enterprise. Under the “five-in-one” pair-up model of financial supporting, industries supporting, intellectual supporting, social charity supporting and consumption supporting, we helped “five counties and three villages” paired up with the Company combat the adverse impact brought by the epidemic of novel coronavirus and consolidate the result of shaking off their poverty. The Company actively responded to the call of the Ministry of Civil Affairs and the Securities Association of China, proactively carried out the “formal supervision for poverty alleviation (掛牌督戰脫貧攻堅)” project in Kargilik County, Kashgar District, Xinjiang and continued comprehensive poverty relief and poverty alleviation in the rural areas of Shanghai and urban and rural Party organisations’ pair-up at the same time. The Company supported unprivileged areas to optimize their business environment and achieve industry upgrade. By carrying out charity projects, the Company actively fulfilled its social responsibilities and was committed to overcoming poverty. Total public welfare funds for poverty alleviation of RMB7.258 million were contributed in the first half of 2020.



## Section V SIGNIFICANT EVENTS

### (III) Performance of targeted poverty alleviation

Unit: Yuan Currency: RMB

Indicators	Quantity and status
I. Summary	
Including: 1. Capital input	7,258,000.00
2. In-kind input	0
3. Number of reduction in registered underprivileged population through help and support (unit: person(s))	2,061
II. Itemized Input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<ul style="list-style-type: none"> <li>✓ Agriculture and forestry development poverty alleviation</li> <li><input type="checkbox"/> Tourism poverty alleviation</li> <li><input type="checkbox"/> E-commerce poverty alleviation</li> <li><input type="checkbox"/> Asset income poverty alleviation</li> <li><input type="checkbox"/> Technology poverty alleviation</li> <li>✓ Others</li> </ul>
1.2 Number of industrial poverty alleviation projects (unit: project(s))	6
1.3 Amount invested in industrial poverty alleviation projects	5,278,000.00
1.4 Number of reduction in registered underprivileged population through help and support (unit: person(s))	/
2. Poverty alleviation through education	
Including: 2.1 Amount of contributed to underprivileged students	500,000.00
2.2 Number of subsidized students (unit: person(s))	/
2.3 Amount contributed to improve educational resources in underprivileged areas	1,000,000.00
3. Poverty alleviation through health	
Including: 3.1 Amount contributed to medical and health resources in underprivileged areas	480,000.00

## Section V SIGNIFICANT EVENTS

### (IV) Staged progress in fulfilling the social responsibility of targeted poverty alleviation

#### (1) *Shaking off poverty without cancelling support and continuing to promote 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 increased support and contribution to the local governments in fields like industry, finance, sales of agricultural products, talent exchange and public welfare and charity, in an effort to build a long-term mechanism for poverty relief. As at 2019, the five counties which have paired up with the Company have all completed the acceptance and realized poverty alleviation.

Facing the challenges resulting from the COVID-19, the Company fully supported our paired-up counties to conduct epidemic prevention and control and operation and production resumption while carrying out poverty alleviation and preventing people from falling back to poverty. In February 2020, the Company donated 105 thousand pairs of disposable medical gloves and 1,920 bottles of hand sanitizer to three of the pair-up local governments in Anhui Province and Jiangxi Province in order to support the pair-up counties to win the decisive battle on epidemic prevention and control. Meanwhile, as studied and decided by the CPC party committee of the Company, the Company continued to donate poverty alleviation funds of RMB1 million to the three counties for operation and production resumption during the regular prevention and control of the epidemic and livelihood support public welfare projects.

Since entering into a pair-up poverty relief agreement of “hundred enterprises in support of hundred villages” in 2018, the Company has invested poverty alleviation funds of RMB3 million in total. The Company focused on the three deeply poverty-stricken villages, namely Zhongzhai, Wangjiatang and Mepuzi, and carried out comprehensive and multi-dimensional poverty alleviation comprising the improvement of infrastructure, development of agricultural planting and breeding industry, rural education, training of secretaries of the Party organizations of the poverty-stricken villages and fortune-making leaders. Currently, the three agricultural industry bases, including the black-bone chicken breeding base, the radix sophorae flavescentis planting base and the citrus planting base, all achieved results and helped 2,061 of registered underprivileged population. In the first half of 2020, the construction of one “Haitong Bridge”, one plastic basketball court and one rural kindergarten (planned to be open in September 2020) were completed under the Company’s support to solve the transportation problem of local villagers over the years and remedied shortcomings in education of poverty-stricken villages.



## Section V SIGNIFICANT EVENTS

### **(2) Utilizing professional advantages of the capital market and leveraging financial poverty alleviation to improve local economy**

Leveraging its advantages in the securities and futures industry, the Company actively explores the functions and mechanism of inclusive finance in the capital market, and carries out targeted poverty alleviation in various areas including investment banking, bond financing, listing on NEEQ, futures operation, capital investment and financial leasing. Its business policies actively favor economic support for underprivileged areas such as supporting underprivileged areas to broaden financing channels and lower financing costs to resist market risks, so as to form a multi-channel and multi-level pattern of support.

In the first half of 2020, the Company supported Henan Province Lankao County City Construction Investment Development Limited (河南省蘭考縣城投公司) to issue 2020 non-publicly issued poverty alleviation special corporate bonds (affordable housing). Taking into consideration the local features and the credit protection certificate pilot business features, Haitong Securities (as the lead underwriter) launched the issuance method of “poverty alleviation bonds + credit protection certificate”. The method not only solved the financing gap for industrial development in Lankao County but also helped establish a quality image for the financial platform of Lankao County in the capital market.

Haitong Futures, a subsidiary of the Company, has actively leveraged its professional advantages and conscientiously helped the main underprivileged regions to effectively avoid relevant pricing risks through innovative financial tools, such as “insurance + futures” and over-the-counter options targeted poverty alleviation pilot projects. In the first half of 2020, Haitong Futures reported and started six “insurance + futures” projects in the stock exchange, one over-the-counter options poverty alleviation project, covering three provinces and six counties including Huachuan County of Heilongjiang Province, Du’an County of Guangxi Province, Sanjiang County of Guangxi Province and Ledong County of Hainan Province etc., among which, four being listed for poverty alleviation supervision counties (掛牌督戰脫貧攻堅縣) and two being former national-level poverty-stricken counties. The above counties relating to agricultural species, such as corn, rubber and soybean meal, play a good exemplary role in applying “insurance + futures” and the management of risks in the futures market and the options market in similar regions, which is of great significance to the subsequent stable expansion of the “insurance + futures” model, supporting and benefiting agriculture and rural revitalization.



## Section V SIGNIFICANT EVENTS

**(3) *Carrying out a new round of village comprehensive poverty relief as well as urban and rural Party organizations' pair-up to provide fund and intellectual support for building beautiful villages in Shanghai***

From 2018 to 2022, the Shanghai municipal party committee and municipal government have launched a new round of village comprehensive poverty relief action. 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 RMB15 million for building 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 action 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 rendering of 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 grassroots level in cities and villages 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 building, and continued to create the party-built public welfare brand of “Love in Haitong (愛在海通)” which was selected as the “Shanghai State-owned Enterprise Party-built Brand (上海國企黨建品牌)”. The Company focused on poverty alleviation on education, especially the launch of the “Haitong • Love (海通•愛)” series of public welfare projects in the “one company to one county” pair-up regions and impoverished frontier areas of minority nationalities in which Shanghai provides partner assistance, aiming at “preventing the transfer of poverty across generations”.

The year 2020 is the 20th anniversary of National Program to Revitalize Border Areas and Enrich Residents’ Lives (全國興邊富民行動). In the first half of 2020, guided by the public welfare brand of “Love in Haitong”, the Company promoted both poverty elimination public welfare projects and epidemic prevention public welfare projects. Immediately before the college entrance examination in June, the Company joined hands with the “Pomegranate Seed Plan (石榴籽計劃)” to initiate the “Haitong • Love Reading (海通•愛朗讀)” reading time special event. The Company’s youth volunteers followed Hai Xia (海霞), a member of the CPPCC and a news anchor for CCTV, and several hosts of the China Media Group (中央廣播電視總台), to jointly send their blessings to the students in No.2 Secondary school, Yecheng County, Kashgar, Xinjiang to encourage the students to face the challenges resulting from the epidemic bravely, study hard, learn Mandarin and build beautiful homes by way of audio reading. The Company continued to carry out the “Love in Haitong • Beautiful Tibet (愛在海通•美麗西藏)” public welfare project for education aids in Shigatse area, Tibet as well as the “Haitong • Love Health (海通•愛健康)” charity project that provides water purification devices and heating equipment in Xichou County of Yunnan Province.



## Section V SIGNIFICANT EVENTS

### (V) Further plans for targeted poverty alleviation

In the second half of 2020, the Company will continue to implement the directives of General Secretary Xi Jinping on poverty alleviation and continue to give full play to the professional and resource advantages of a large-scale state-owned financial enterprise, so as to effectively help the pair-up regions to consolidate the results of poverty alleviation, improve the effectiveness of poverty alleviation and fully support the counties listed as poverty alleviation supervision (掛牌督戰縣) to get rid of poverty. The Company will make achievements in the following aspects: firstly, the Company will continue to help the paired-up counties fight against the impact of the COVID-19 under the regular prevention and control of the COVID-19 by adopting more targeted measures so as to support local operation and production resumption. Secondly, the Company will continue to give full play to the advantages of talents in the capital market to provide professional financial services. The Company will consolidate the resources of the Group as always to provide underprivileged areas with multi-channel, multi-type and all-round financial services through various businesses 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, giving full play to the functions of inclusive finance and 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 programs that help improve livelihood and provide social welfare assistance to help 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 types of internet-based agricultural industry models, so as to provide benefits to more poor 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 • Love” series of public welfare projects, and continue to support educational poverty alleviation projects to prevent the transfer of poverty across generations 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

### XIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company and its subsidiaries did not issue any convertible corporate bonds.

### XIV. ENVIRONMENTAL INFORMATION

**(I) Description of environmental protection of the Company and its key subsidiaries listed by which are the key pollutant discharging units identified by the Environmental Protection Department**

✓ Not applicable

**(II) Description of the environmental protection of the Company other than the key pollutant discharging units**

After inspection, the Company and its subsidiaries are not listed as key pollutant discharging units by environmental protection authorities.

The Group is in strict compliance with the environmental protection laws and regulations such as the Environmental Protection Law of the PRC, the Law of Water Pollution Prevention and Control of the PRC, and the Law of Prevention and Control of Air Pollution of the PRC. During the Reporting Period, the Company was not imposed any penalties due to violations of environmental protection laws.

**(III) Description of reasons for non-disclosure of environmental information by the Company other than key pollutant discharging units**

✓ Not applicable

**(IV) Description of the follow-up progress or changes in the environmental information disclosed during the Reporting Period**

✓ Not applicable



## Section V SIGNIFICANT EVENTS

### XV. CORPORATE GOVERNANCE

During the Reporting Period, the Company's operations and management were standardised and in compliance with the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Regulatory Rules for Securities Companies, and laws and regulations of the CSRC. In the meantime, during the Reporting Period and as at the date of this Report, the Company has complied with the Corporate Governance Code, fully complied with all provisions under the Corporate Governance Code (if applicable), and followed most of the requirements of recommended best practises set out therein.

During the Reporting Period, the Company convened a total of 19 meetings, including two general meetings, three board meetings, two supervisory committee meetings, four meetings of the audit committee, two meetings of independent Directors on annual report, two meetings of the nomination, remuneration and assessment committee, two meetings of the development strategy and investment management committee, and two meetings of the compliance and risk management committee.

During the Reporting Period, according to the relevant regulations under the Management Rules for Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) and Management Rules for Alternative Investment Subsidiaries under Securities Companies (Zhong Zheng Xie Fa [2016] No. 253) (《證券公司另類投資子公司管理規範》(中證協發[2016]253號)) formulated by the Securities Association of China, the Provisions on the Administration of Equities of Securities Companies (No.156 Decree of the China Securities Regulatory Commission) (《證券公司股權管理規定》(中國證券監督管理委員會令156號)) and Provisions on Issues Concerning the Implementation of the Provisions on the Administration of Equities of Securities Companies (《關於實施<證券公司股權管理規定>有關問題的規定》) promulgated by the China Securities Regulatory Commission and the actual conditions of the Company, the Company has amended the current Articles of Association, and the resolution on the relevant amendments was considered and approved at the 2019 Annual General Meeting of the Company held on 18 June 2020. For details of the amendments, please refer to the circular of Annual General Meeting of the Company dated 29 April 2020. The amended Articles of Association became effective on the date of resolution approved at the 2019 Annual General Meeting of the Company.

The new shares issued under the Non-public Issuance of A Shares have been registered and deposited in Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of shares of the Company increased from 11,501,700,000 to 13,064,200,000 and the registered capital of the Company increased from RMB11,501,700,000 to RMB13,064,200,000. The Company made amendments to the articles in the Articles of Association regarding the registered capital and the total number of shares of the Company according to the practical situation. The amended Articles of Association came into effect on 5 August 2020.



## Section V SIGNIFICANT EVENTS

### (I) Shareholders and general meetings

The Company convenes general meetings in accordance with the requirements under the Articles of Association and the Company's Rules of Procedure for Shareholders' General Meetings to ensure that all shareholders are treated equally and are able to fully exercise their rights.

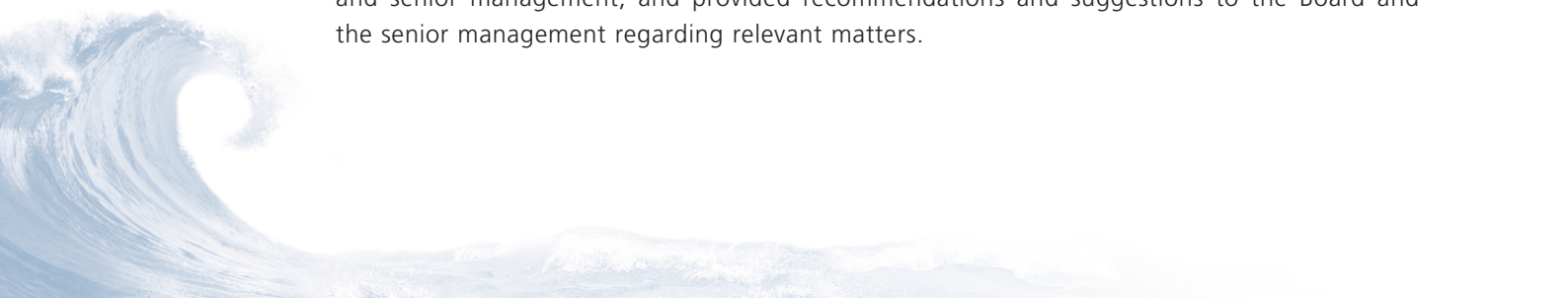
### (II) Directors and the Board

The Company strictly adheres to the Articles of Association in appointing or changing Directors, while the constitution of the Board and the qualifications of Directors are in line with requirements of laws and regulations. As at 30 June 2020, the Board comprised 11 Directors, including three executive Directors, four non-executive Directors, and four independent non-executive Directors. All Directors are able to perform their duties in due diligence and protect the interests of the Company and all shareholders. The Board has established the development strategy and investment management committee, the audit committee, the compliance and risk management committee as well as the nomination, remuneration and assessment committee. Each committee has specific work allocations and clear accountabilities and operates in high efficiency. Among the four committees, the development strategy and investment management committee is chaired by the chairman of the Board, Mr. Zhou Jie, the compliance and risk management committee is chaired by the executive Director, Mr. Qu Qiuping, and the other two committees are chaired by an independent non-executive Director.

The audit committee was established under the Board of the Company, which is in line with relevant provisions of the CSRC, the SSE and those in Chapter 3 of Hong Kong Listing Rules. The audit committee comprises five members, including Mr. Zhang Ming (chairman), Ms. Yu Liping, Mr. Xu Jianguo, Mr. Lam Lee G. and Mr. Zhou Yu. The audit committee is mainly responsible for the communication, supervision and reviewing of the Company's internal and external audit work and providing specialist advice to the Board. The audit committee has reviewed and confirmed the Group's interim results and interim financial report for the six months ended 30 June 2020 without objection on accounting policies and practises adopted by the Group.

### (III) Supervisors and the Supervisory Committee

As at 30 June 2020, the Supervisory Committee of the Company comprised eight Supervisors, including three employee representative Supervisors and five non-employee representative Supervisors. The qualification of Supervisors and the composition of Supervisory Committee are in compliance with laws and regulations. All Supervisors, holding themselves accountable to the shareholders, performed their obligations in due diligence as to monitor the legality and compliance of performance of duties by the Company's finance department, Board members and senior management, and provided recommendations and suggestions to the Board and the senior management regarding relevant matters.



## Section V SIGNIFICANT EVENTS

### (IV) Senior management

Procedures for the appointment of the Company's senior management are in compliance with the Company Law and the Articles of Association. The Company's senior management can operate the business in accordance with laws and regulations and authorisations from the Board, with a view towards maximising shareholders' interests and social benefits.

### (V) Stakeholders

The Company fully respects and defends the legal rights and interests of stakeholders, and engages them in the common goal for promoting the Company's sustainable and healthy development.

### (VI) Information disclosure and investor relationship management

During the Reporting Period, the Company was able to disclose relevant information in a manner that is true, accurate, complete, timely and fair and in strict compliance with the laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. The Company could strictly comply with relevant provisions of Corporate Insider Registration System, strengthen the management of the Company's inside information and well organise the insider registration. The Company managed its investor relations in a manner of integrity and professionalism. The Company's senior management participated in investors services in person and the Company has designated a dedicated investor relations service team. In addition, taking into consideration special factors resulting from the COVID-19, the Company carried out investor communication events through several innovative forms, including online results briefing sessions, e-mails, telephone conferences, group reception day for listed companies, E-interactive platform launched by SSE and hotline for investors, etc., in the first half of 2020 to comprehensively and deeply recommend its development strategy, operating strategy, business highlights and investment value to its various domestic and foreign investors and analysts. The Company responded to various concerns for the capital market in a timely and efficient manner and strived to enhance the openness and effectiveness of the Company and the capital market. During the Reporting Period, the Company convened 2019 annual result announcement sessions, and the Chairman of the Company led a team to conduct an online global organization investor roadshow. The Company was invited and attended investor forums held by several domestic and foreign investment banks, received domestic and foreign investors on-site investigations and telephone surveys for over 30 times and hosted approximately 130 visits by investors.





## Section V SIGNIFICANT EVENTS

### (VII) Building of Compliance System

During the Reporting Period, the Company strictly complied with the requirements of the CSRC by taking into account its actual situation, and continuously improved its compliance management system. The Company's chief compliance officer strictly performed compliance management duties according to applicable laws. None of the shareholders, Directors nor senior management of the Company had violated the stipulated duties and procedures, nor given direct instructions to the chief compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its chief compliance officer for him to fully carry out his duties to ensure effective compliance management. During the Reporting Period, the Company strived to enhance the execution of various systems, mechanisms and processes via strengthening prior review, in-process monitoring, post-event examination, assessment and accountability. The basic compliance management work during the prevention and control of the COVID-19 was carried out in a steady and orderly manner. Meanwhile, the Company strengthened the Group's compliance management, promoted the building of the Group's central control room, and improved the Chinese wall and conflicts of interest management mechanisms. By adhering to the compliance concept that "everyone is responsible for compliance, compliance shall start from the management, compliance creates value, and compliance is the foundation for the survival of the Company", the Company actively carried out compliance training and promotion, and continued to foster the frontline environment of "everyone being responsible and active for compliance".



## Section V SIGNIFICANT EVENTS

### XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) **Descriptions, reasons and impact of changes to accounting policies, accounting estimates and accounting methods as compared with the last accounting period**

✓ Not applicable

(II) **Material accounting errors requiring retrospection and restatement, amount corrected, reasons and impact during the Reporting Period**

✓ Not applicable

(III) **Others**

**1. Matters regarding the Non-public Issuance of A Shares by the Company**

References are made to the announcement of the Company dated 26 April 2018 regarding proposed Non-public Issuance of A Shares under general mandate, the circular dated 31 May 2018 for the 2017 Annual General Meeting, and the poll result announcement of the 2017 Annual General Meeting dated 21 June 2018. Pursuant to the proposal regarding plan of the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), which was considered and approved at the 30th meeting of the sixth session of the Board of the Company on 26 April 2018 and the 2017 Annual General Meeting on 21 June 2018, the Company intends to issue domestic Renminbi-denominated ordinary shares (A Shares) through the way of non-public issuance.

References are made to the announcement of the Company dated 25 April 2019 regarding the proposed adjustments to the Non-public Issuance of A Shares under the general mandate and proposed subscription of A Shares by existing shareholders; the circular dated 28 May 2019 for the 2018 Annual General Meeting, and the poll result announcement of the 2018 Annual General Meeting dated 18 June 2019. The Company made adjustment to the Non-public Issuance of A Shares pursuant to the resolution regarding the adjustment to the plan for the Non-public Issuance of A Shares of the Company (《關於調整公司非公開發行A股股票方案的議案》) considered and approved at the 37th meeting of the sixth session of the Board of the Company held on 25 April 2019 and the 2018 Annual General Meeting held on 18 June 2019.

References are made to the announcement of the Company dated 25 February 2020 regarding the proposed adjustments to the Non-public Issuance of A Shares under the general mandate and proposed entering into the supplemental agreements with existing shareholders regarding subscription of A Shares, the circular of the extraordinary general meeting dated 24 March 2020 regarding the proposed adjustments to the Non-public Issuance of A Shares under the general mandate (the "Circular"), and the poll result announcement dated 15 April 2020 of the 2020 extraordinary general meeting. Pursuant to the Decision on Revising the Administrative Measures for the Issuance of Securities by Listed Companies and the Decision on Amending the Implementation Rules

## Section V SIGNIFICANT EVENTS

for the Non-public Issuance of Shares by Listed Companies [2020] No. 11 (《關於修改<上市公司非公開發行股票實施細則>的決定》[2020]11號) (the “New Non-public Issuance Regulations”) issued by the CSRC on 14 February 2020, the Company convened the sixth meeting (extraordinary meeting) of the seventh session of the Board on 25 February 2020 and the first extraordinary general meeting for 2020 on 15 April 2020 to consider and approve resolutions relating to the non-public issuance, including the resolution regarding the adjustment of the plan for the Non-public Issuance of A Shares of the Company, pursuant to which the Company adjusted the issuance plan according to the New Non-public Issuance Regulations.

Reference is made to the announcement of the Company dated 9 June 2020 in relation to approval by the CSRC on Non-public Issuance of A Shares. The Company announced that the Company received the “Approval in Relation to the Non-Public Issuance of Shares by Haitong Securities Co., Ltd.” (Zheng Jian Xu Ke [2020] No.1038) (《關於核准海通證券股份有限公司非公開發行股票的批覆》(證監許可[2020]1038號)) issued by the CSRC on 9 June 2020, which approved the application for the non-public issuance of the Shares of the Company. Meanwhile, Shanghai Guosheng Group obtained shareholder qualification approval.

Reference is made to the announcement of the Company dated 6 August 2020 on the issuance results of the Non-public issuance of A Shares and changes in share capital. On 29 July 2020, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) issued the Capital Verification Report (De Shi Bao (Yan) Zi (20) No. 00354) in respect of the receipt of the proceeds raised from the Non-public Issuance of A Shares. As at 27 July 2020, the Company has issued and placed 1,562,500,000 Renminbi-denominated ordinary shares (A Shares) to 13 investors at the issuance price of RMB12.80 per A Share. The nominal value of each A Share is RMB1.00, and the net price of each A Share is RMB12.70. The Issuance price of RMB12.80 per A Share represents a discount of 87.25% of the average trading price of RMB14.67 per A Share for the 20 trading days preceding 15 July 2020, which is the pricing benchmark date under the Non-public Issuance of A Shares. The aggregate nominal value of A Shares issued under the Non-public Issuance of A Shares was RMB20,000,000,000.00. The gross proceeds of the Company raised from the Non-public Issuance of A Shares was RMB20,000,000,000.00, after deducting issuance expenses of RMB151,063,522.16 (VAT exclusive), the net proceeds amounted to RMB19,848,936,477.84. The Non-public Issuance of A Shares will enable the Company to effectively cope with the increased



## Section V SIGNIFICANT EVENTS

capital competition in the securities industry, be actively well-positioned to face the competition in the international market, further reduce its liquidity risks and improve its risk bearing ability. The Company will apply the above net proceeds for the purpose below as disclosed in the Circular of the Company dated 25 March 2020:

<b>No.</b>	<b>Projects to be invested with the proceeds</b>	<b>Proposed amounts of proceeds to be applied</b>
1	To develop capital-based intermediary business and further enhance financial services capabilities	No more than RMB6.0 billion
2	To increase FICC investment and optimize the structure of assets and liabilities	No more than RMB10.0 billion
3	To increase investment in information system construction and enhance the overall informatization level of the Company	No more than RMB1.5 billion
4	To increase capital injection to investment banking business and further promote development of investment banking business	No more than RMB2.0 billion
5	To replenish working capital	No more than RMB0.5 billion
	<b>Total</b>	<b>No more than RMB20.0 billion</b>

Registration, custody and other matters relating to the A Shares under the Non-public Issuance of A Shares were completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of shares of the Company increased from 11,501,700,000 shares to 13,064,200,000 shares. The Company's registered capital increased from RMB11,501,700,000 to RMB13,064,200,000.

### **2. Capital increase in subsidiary**

The Company made capital injection of RMB1.2 billion into Haitong Innovation Securities in June 2020. Upon completion of the capital injection, the registered capital of Haitong Innovation Securities increased to RMB5.3 billion.



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

### I. CHANGES IN SHARE CAPITAL

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

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

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

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

There were no changes in shares of the Company during the Reporting Period.

##### 3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share during the period from the end of the Reporting Period to the date of disclosure of the interim report (if any)

✓ Not applicable

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

On 5 August 2020, new A Shares issued under the Non-public Issuance of A Shares have been registered, and therefore the total issued share capital of the Company has increased from 11,501,700,000 shares to 13,064,200,000 shares. There were 13 places for the Non-public Issuance of A Shares, placing details and the lock-up periods are set out as follows:

No.	Places	Number of shares placed (shares)	Placing amount (RMB)	Lock-up period (month)
1	Shanghai Guosheng (Group) Co., Ltd.	781,250,000	10,000,000,000.00	48
2	Shanghai Haiyan Investment Management Company Limited	234,375,000	3,000,000,000.00	18
3	Shanghai Electric (Group) Corporation	78,203,125	1,001,000,000.00	18
4	Bright Food (Group) Co., Ltd.	78,125,000	1,000,000,000.00	18
5	UBS AG	116,406,250	1,490,000,000.00	6
6	Harvest Global Investments Limited	62,890,625	805,000,000.00	6
7	China Huarong Asset Management Co., Ltd.	39,062,500	500,000,000.00	6
8	Shanghai Lansheng Corporation	39,062,500	500,000,000.00	6
9	Shanghai Chengtuo Holdings Co., Ltd.	35,156,250	450,000,000.00	6
10	Fuanda Fund Management Co., Ltd.	31,250,000	400,000,000.00	6
11	JPMorgan Chase Bank, National Association	27,734,375	355,000,000.00	6
12	Qilu Zhongtai Private Equity Management Co., Ltd. (齊魯中泰私募基金管理有限公司)	23,359,375	299,000,000.00	6
13	Greater Bay Area Industry Finance Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司)	15,625,000	200,000,000.00	6
	<b>Total</b>	<b>1,562,500,000</b>	<b>20,000,000,000.00</b>	<b>-</b>

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

### (II) Changes in restricted shares

There were no changes in restricted shares of the Company during the Reporting Period.

## II. PARTICULARS ABOUT SHAREHOLDERS

### (I) Total number of shareholders:

Total number of shareholders of ordinary shares (accounts) as at the end of the Reporting Period 301,309 (of which 301,149 were holders of A Shares and 160 were holders of H Shares)

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

Unit: Share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders						
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Particulars of shares pledged or frozen		Nature of shareholders
					Particulars of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	-78,000	3,408,795,895	29.64	0	Unknown	-	Foreign legal person
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50	0	None	0	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48	0	None	0	State-owned legal person
China Securities Finance Corporation Limited	0	343,901,259	2.99	0	None	0	Others
Shenergy Group Company Limited	0	322,162,086	2.80	0	None	0	State-owned legal person
Shanghai Guosheng Group Assets Co., Ltd.	0	238,382,008	2.07	0	None	0	State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05	0	None	0	State-owned legal person
Shanghai Electric (Group) Corporation	-33,392,000	232,913,293	2.03	0	None	0	State
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86	0	None	0	State-owned legal person
Shanghai United Media Group	1,260,600	146,469,453	1.27	0	None	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 trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type	Type and number of shares	
				Number
HKSCC Nominees Limited	3,408,795,895	Foreign shares listed overseas		3,408,795,895
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 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 Electric (Group) Corporation	232,913,293	RMB denominated ordinary shares		232,913,293
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares		214,471,652
Shanghai United Media Group	146,469,453	RMB denominated ordinary shares		146,469,453

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

### **Number of shares held by the top ten shareholders subject to trading moratorium and trading moratorium**

✓ Not applicable



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

### (III) Shareholdings of the top ten shareholders as at the share registration date (5 August 2020) of the Non-public Issuance of A Shares

No.	Name of shareholders	Number of shares held	Shareholding percentage	Nature of shareholders	Number of shares subject to selling restrictions
1	HKSCC Nominees Limited	3,408,815,895	26.09%	Foreign legal person	–
2	Shanghai Guosheng Group Co., Ltd.	862,489,059	6.60%	State-owned legal person	781,250,000
3	Shanghai Haiyan Investment Management Company Limited	635,084,623	4.86%	State-owned legal person	234,375,000
4	Bright Food (Group) Co., Ltd.	480,275,000	3.68%	State-owned legal person	78,125,000
5	China Securities Finance Corporation Limited	343,901,259	2.63%	Other	–
6	Shenergy Group Company Limited	322,162,086	2.47%	State-owned legal person	–
7	Shanghai Electric (Group) Corporation	290,516,418	2.22%	State	78,203,125
8	Shanghai Guosheng Group Assets Co., Ltd.	238,382,008	1.82%	State-owned legal person	–
9	Shanghai Jiushi (Group) Co., Ltd.	235,247,280	1.80%	State-owned legal person	–
10	Shanghai Bailian Group Co., Ltd.	214,471,652	1.64%	State-owned legal person	–
<b>Total</b>		<b>7,031,345,280</b>	<b>53.81%</b>	<b>–</b>	<b>1,171,953,125</b>

Notes 1: In the table above, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) as at 31 July 2020 and the shares held by other shareholders are RMB denominated ordinary A Shares.

2: Shanghai Guosheng Group Co., Ltd. holds 255,456,441 H Shares of the Company through HKSCC Nominees Limited. Upon the completion of the Non-public Issuance of A Shares, Shanghai Guosheng Group Co., Ltd. and its subsidiary, Shanghai Guosheng Group Assets Co., Ltd. hold 1,100,871,067 A Shares and 255,456,441 H Shares of the Company, holding a total of 1,356,327,508 shares of the Company, representing approximately 10.38% equity interest of the Company. Therefore, Shanghai Guosheng Group Co., Ltd. and its associates constituted the connected persons of the Company, the Company and Shanghai Guosheng Group Co., Ltd. entered into a continuing connected transaction framework agreement commencing from 6 August 2020 to 31 December 2022. Pursuant to the continuing connected transaction framework agreement, the Group and Shanghai Guosheng Group Co., Ltd. and its associates will conduct securities and financial products transactions and securities and financial services in their ordinary course of business. Please refer to the continuing connected transaction announcement of the Company dated 6 August 2020 for further details.



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

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

As at 30 June 2020, 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 recorded 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	Percentage	Long position (Note 2)/short position (Note 3)/ interests in lending pool
					of total issued shares of the Company (%)	of total issued H Shares of the Company (%)	
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.	Shi Jing	H Share	Founder of discretionary trust	228,000,000	1.98	6.69	Long position
4.	Wickhams Cay Trust Company Limited	H Share	Trustee (Note 1)	228,000,000	1.98	6.69	Long position
5.	Abhaya Limited	H Share	Interests in controlled corporation (Note 1)	228,000,000	1.98	6.69	Long position
6.	Heyday Trend Limited	H Share	Beneficial owners (Note 1)	228,000,000	1.98	6.69	Long position
7.	Shanghai Guosheng Group Co., Ltd. (Note 4)	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

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

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

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

- 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.
- 4: According to the disclosures set out in Section V SIGNIFICANT EVENTS – XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS – (III) Others – 1. Matters regarding the Non-public Issuance of A Shares by the Company 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 RMB20.0 billion (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 RMB10.0 billion 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 5 August 2020, the Company completed the registration of A Shares issued under the Non-public Issuance of A Shares. To the best knowledge of the Company, having made reasonable enquiries, Shanghai Guosheng Group Co., Ltd. and its subsidiary, Shanghai Guosheng Group Asset Co., Ltd. held a total of 1,100,871,067 A Shares and 255,456,441 H Shares of the Company, totalling 1,356,327,508 shares of the Company with a shareholding of 10.38%.

Save as disclosed above, as at 30 June 2020, 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.

### **(V) 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 30 June 2020, according to the information obtained by the Company and so far as the Directors are aware, none of the Director(s), Supervisor(s) or 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 recorded 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.

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

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

✓ Not applicable

### III. CHANGES OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

✓ Not applicable

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any listed securities of the Company or its subsidiaries (other than trading of the securities by the Company or its subsidiaries on behalf of the clients).



## Section VII PREFERENCE SHARES

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



## Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. CHANGES IN SHAREHOLDING

#### (I) Changes in shareholding of current and resigned Directors, Supervisors and senior management during the Reporting Period

✓ Not applicable

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

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

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

Name	Position	Particulars of changes
Chen Bin (陳斌)	Non-executive Director	Resignation (due to change in work arrangement)
Xu Renzhong (徐任重)	Supervisor	Resignation (due to change in work arrangement)
Zhou Donghui (周東輝)	Non-executive Director	Election
Li Zhenghao (李爭浩)	Supervisor	Election

#### Description of changes in Directors, Supervisors and senior management of the Company

##### 1. Changes in Directors

On 26 March 2020, the resolution on change of Directors was considered and approved at the 7th meeting of the seventh session of the Board and Mr. Chen Bin ceased to be a non-executive Director of the seventh session of the Board due to change in work arrangement. In addition, the Board proposed to appoint Mr. Zhou Donghui as the non-executive Director of the seventh session of the Board. Such resolution was considered and approved at the 2019 annual general meeting of the Company held on 18 June 2020 and Mr. Zhou Donghui has been a non-executive Director of the seventh session of the Board since 18 June 2020.

##### 2. Changes in Supervisors

On 26 March 2020, the resolution on change of Supervisors was considered and approved at the 4th meeting of the seventh session of the Supervisory Committee and Mr. Xu Renzhong ceased to be a Supervisor of the seventh session of the Supervisory Committee due to change in work arrangement. In addition, the Supervisory Committee proposed to appoint Mr. Li Zhenghao as the Supervisor of the seventh session of the Supervisory Committee. Such resolution was considered and approved at the 2019 annual general meeting of the Company held on 18 June 2020 and Mr. Li Zhenghao has been a Supervisor of the seventh session of the Supervisory Committee since 18 June 2020.

## Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### III. OTHER INFORMATION

#### (I) Dealings in securities by Directors, Supervisors and relevant employees

The Company has adopted the standards as set out in the Model Code as the code of conduct of the Company regarding securities transactions by the Directors, Supervisors and relevant employees. The Company, having made enquiries to all Directors and Supervisors, confirmed that they had been in compliance with the requirements of the abovementioned Model Code, during the period from 1 January to 30 June 2020. The Company has not found any relevant employee violating the said guidelines.

#### (II) Material changes in relevant information of Directors and Supervisors

Mr. Ren Peng, our executive Director, ceased to serve as the chairman of Haitong UT from May 2020 and was re-designated as a non-executive Director of this company.

Mr. Tu Xuanxuan, our non-executive Director, ceased to serve as the deputy general manager of capital operation department of Shanghai Guosheng Group Co., Ltd. from March 2020 and was re-designated as the general manager of capital operation department of this company; he ceased to serve as a director of Dongxing Securities Co., Ltd. from June 2020.

Mr. Zhou Donghui, our non-executive Director, has been a director of DFZQ since May 2020 and has been a director of China Pacific Insurance (Group) Co., Ltd. since May 2020.

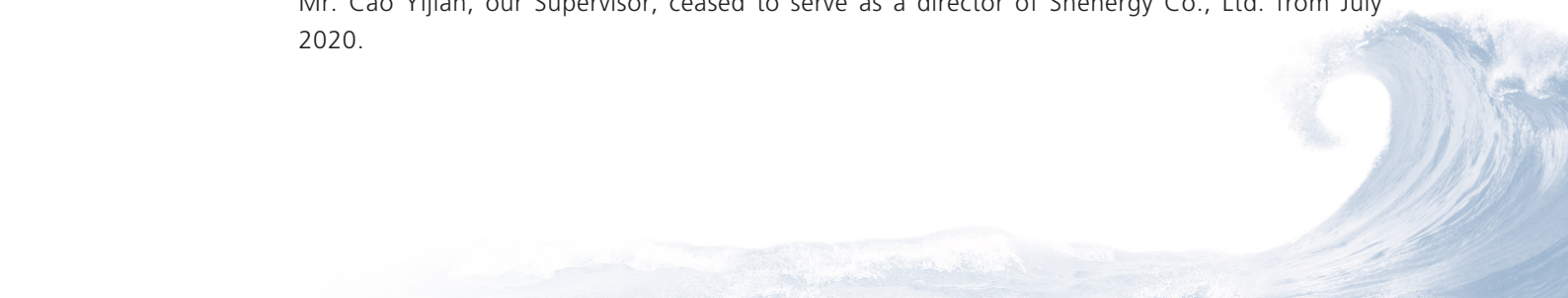
Mr. Xu Jianguo, our non-executive Director, has been a director of Tianjin Pipe (Group) Corporation since March 2020 and has been a director of Shanghai Electric (Group) Corporation Heng Lian Enterprise Development Limited since June 2020.

Mr. Lam Lee G., our independent non-executive Director, ceased to serve as an independent non-executive director of Mingfa Group (International) Company Limited from April 2020 and was re-designated as a non-executive director of this company; he ceased to serve as a non-executive director of China Shandong Hi-Speed Financial Group Limited from May 2020; he ceased to serve as a non-executive director of Singapore eDevelopment Ltd. from July 2020 and was re-designated as an independent non-executive director of this company.

Mr. Zhu Hongchao, our independent non-executive Director, ceased to serve as an independent non-executive director of Chiho Environmental Group Limited since February 2020.

Mr. Li Zhenghao, our Supervisor, has served as a director of Shenergy Co., Ltd. since July 2020.

Mr. Cao Yijian, our Supervisor, ceased to serve as a director of Shenergy Co., Ltd. from July 2020.



## Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zheng Xiaoyun, our Supervisor, ceased to serve as the chief financial officer of Shanghai Bailian Group Co., Ltd. from May 2020 and ceased to serve as a director and the secretary to the board of directors of this company from June 2020.

Mr. Feng Huang, our Supervisor, ceased to serve as the vice chairman of Shanghai Guojin Financial Leasing Co., Ltd. from May 2020.

According to Rule 13.51B of the Hong Kong Listing Rules, save as disclosed above, no other material changes in relevant information of the Directors and Supervisors occurred during the Reporting Period.

### (III) Particulars about service contracts with Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into, and does not propose to enter into any service contract with any of the Directors or Supervisors in their respective capacity as a Director or Supervisor (other than contracts expiring or terminable by the employer within one year without the payment of compensation (other than statutory compensation)).

### (IV) Employees and remuneration policy

As at the end of the Reporting Period, the Group had 10,598 employees, of whom 5,750 were from the Company, and 4,848 were from subsidiaries.

The Company emphasises talent attraction, motivation, training and retention, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. The Company implements a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package of the Company comprises basic salary, performance bonus and benefits. Under the applicable laws and regulations in the PRC, 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.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, making abovementioned social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection for employees in accordance with applicable regulations. The Company also purchased supplementary commercial insurance for employees to provide employees with supplementary guarantee for medical care and accident.

## Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (V) Employee training

In the first half of 2020, the training work actively responded to the adverse effects brought by the pandemic, proactively adjusted mind-set, took full advantage of Haitong Wealth Management Academy (海通財富管理學院) and conducted diversified online training in stages and topics. We continuously updated Policy-based Finance, general skills, vocational skills and business line courses to effectively support the development of various online learning activities and help employees enhance their professional quality and capabilities. We also rapidly launched a series of online courses focusing on themes such as pandemic prevention, resumption of work and production and psychological resilience. Through Haitong Wealth Lecture Hall's (海通財富講堂) online live courses, we continuously conducted online training on professional topics such as marketing and services, professional mentality and literacy and registration system reform. In addition, we opened up a new training program model of online overall operation and maintenance while continuously maintained the timeliness and coverage of training, as well as effectively improved the learning results of online trainings through the integration of online training functions, construction of exclusive learning channels, organized and carried out online training programs such as internal trainer training camps and wealth management online training camps.





## Section IX CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

During the Reporting Period, the Company publicly issued five tranches of corporate bonds, raising a total amount of RMB22.5 billion. Among them, two tranches were publicly issued corporate bonds to qualified investors, two tranches were publicly issued corporate bonds to professional investors, and the other tranche was publicly issued short-term corporate bonds. Details of the Company's existing publicly issued corporate bonds as of the end of the Reporting Period are as follows:

*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	08 March 2018	08 March 2021	30	5.15	Simple annualised interest rate	SSE
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
2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 01	163148	27 February 2020	27 February 2023	50	3.01	Simple annualised interest rate	SSE
2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	20 Haitong 02	163290	19 March 2020	19 March 2023	35	2.99	Simple annualised interest rate	SSE

## Section IX 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
Registration-based 2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 04	163507	30 April 2020	30 April 2023	56	2.38	Simple annualised interest rate	SSE
Registration-based 2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 05	163508	30 April 2020	30 April 2025	7	2.88	Simple annualised interest rate	SSE
Registration-based 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	20 Haitong 06	163568	25 May 2020	25 May 2023	67	2.70	Simple annualised interest rate	SSE
2020 Short-term Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong S1	163807	5 June 2020	2 March 2021	10	2.20	Principal to be repaid upon maturity in one lump sum together with the interest	SSE

### Payment of Interest and Repayment of Principal of Corporate Bonds

During the Reporting Period, the Company paid the interests for four tranches of its publicly issued corporate bonds, details of which are as follows:

*Unit: 100 million Currency: RMB*

Abbreviation of Bonds	Code of Bonds	Date of issuance	Issuance Scale	Interest rate (%)	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
18 Haitong 01	143480	08 March 2018	30	5.15	08 March 2020	Interest paid in full on time
18 Haitong 02	143529	22 March 2018	30	5.14	22 March 2020	Interest paid in full on time
18 Haitong 03	143632	10 May 2018	30	4.70	10 May 2020	Interest paid in full on time
19 Haitong 01	155316	11 April 2019	50	3.75	11 April 2020	Interest paid in full on time

## Section IX 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 Notes to the Consolidated Financial Statements in note 43 to the interim condensed consolidated financial information in this Report for more details on corporate bonds.

*Unit: 100 million Currency: RMB (Foreign currency in special remarks)*

Abbreviation of Bonds	Code of Bonds	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
16 Haitong C1	145180	5 years	17 November 2016	17 November 2021	20	3.40	Simple annualised interest rate	SSE
19 Haitong C1	151202	3 years	28 February 2019	28 February 2022	33	4.09	Simple annualised interest rate	SSE
16 Haitong 02	135485	5 years	18 May 2016	18 May 2021	50	3.80	Simple annualised interest rate	SSE
Haitong Securities 4.5% B2023	5482	5 years	13 December 2018	13 December 2023	US\$300 million	4.50	Simple semi-annualised interest rate	Hong Kong Stock Exchange
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
19 Haitong Financial Bonds 01	091900022	3 years	29 August 2019	29 August 2022	70	3.39	Simple annualised interest rate	Inter-bank

## Section IX CORPORATE BONDS

### II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEES 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, 20 Haitong 04, 20 Haitong 05, 20 Haitong 06, 20 Haitong S1	
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, Lv Hongtu
	Tel	010-65608396
Bonds under custody	19 Haitong 02, 20 Haitong 01, 20 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, 19 Haitong C1	
Credit-rating agency	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	Building 6, Galaxy SOHO, No. 2 Nanzhugan Hutong, Chaoyangmen Inner Street, Dongcheng District, Beijing



## Section IX CORPORATE BONDS

### III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

As at 30 June 2020, the abovementioned proceeds raised from issuance of various bonds by 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 development, which were consistent with the committed use of proceeds, the usage plan and other agreements as described in the bond offering prospectus. Except for the proceeds from the 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. issued publicly to professional investors, proceeds in the above special accounts have been used up. 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.

According to the notice issued by the CSRC requiring bonds issuer to conduct self-inspection, in 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. BDO issued an Inspection Report (XIN KUAI SHI BAO ZI [2020] No. ZA10279) accordingly.

### IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin International Credit Rating Co., Ltd. ("CCXI"). In February 2020, CCXI was licensed by the CSRC to carry out stock market credit rating business and its subsidiary China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) ("CCXR") no longer engages in the stock market credit rating business. The stock market credit rating businesses formerly conducted by CCXR were carried on by CCXI.

In February 2020, CCXR issued a rating report that gave a credit rating of AAA to the "20 Haitong 01" corporate bonds publicly issued by the Company to qualified investors (Xin Ping Wei Han Zi [2020] No. G076-F2).

In March, April and May 2020, CCXR issued a rating report that gave a credit rating of AAA to the "20 Haitong 02" corporate bonds publicly issued by the Company to qualified investors and AAA to the "20 Haitong 04", "20 Haitong 05" and "20 Haitong 06" corporate bonds publicly issued by the Company to professional investors (Xin Ping Wei Han Zi [2020] 0531D, [2020] 1256D, [2020] 1511D).

On 27 April 2020, the Company announced CCXI's follow-up ratings report on various bonds issued by the Company on the website of the SSE. Credit ratings of publicly issued corporate bonds "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", "19 Haitong 02", "20 Haitong 01" and "20 Haitong 02" remained at AAA (Xin Ping Wei Han Zi [2020] Gen Zong No. 012), and the credit rating of relevant debt issuers remained at AAA. The results of the follow-up ratings report were announced on the listed company section published on the website of the SSE (Announcement No.: Lin 2020-033).

## Section IX 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.

#### (I) 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.

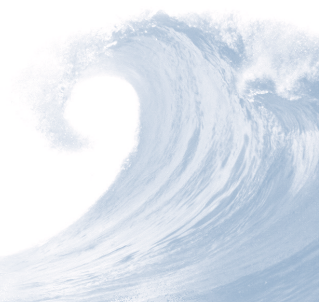
#### (II) Other relevant information

The proposal regarding the general mandate to issue onshore and offshore debt financing instruments was considered and approved at the General Meeting of the Company on 18 June 2019, which stipulated repayment supporting measures, i.e., "authorising the Board and permitting the Board to delegate its power to authorised persons, jointly or separately, in respect of the issuances of the corporate onshore 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 debt financing instrument or an actual failure to repay the principal and interest of the onshore debt financing instrument on due dates: (1) ceasing to distribute dividends to the Shareholders; (2) suspending the implementation of capital expenditure projects such as material external investments, acquisitions and mergers; (3) reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; (4) freezing the job transfer of the key responsible personnel." The above was announced by the Company on the website of the SSE (Announcement No.: Lin [2019-042]) and the poll results announcement of annual general meeting on the website of Hong Kong Stock Exchange on 18 June 2019.

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 Co., Ltd, Allbright Law Office as the bond trustees for corresponding bonds, to safeguard bondholders' interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with the relevant fund management plans and information disclosure requirements. The above measures were consistent with the descriptions in the prospectus.

### VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, no bondholders' meetings were convened by the Company.



## Section IX CORPORATE BONDS

### VII. DUTY PERFORMANCE OF THE BOND TRUSTEES OF THE CORPORATE BONDS

As the bond trustees 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 follow-ups 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 2020, CITIC Securities issued the report of entrusted management affairs for 2019 in respect of two tranches of 2013 Corporate Bonds, three tranches of 2017 Corporate Bonds, five tranches of 2018 Corporate Bonds and the 2019 Corporate Bonds (Tranche 1) of the Company, and CSC Financial issued the report of entrusted management affairs for 2019 in respect of the 2019 Corporate Bonds (Tranche 2). The abovementioned reports were disclosed on the listed company section published on the website of the SSE.

On 27 May 2020, AllBright Law Offices issued the report of entrusted management affairs for 2019 in respect of 2016 Non-public Issued Corporate Bonds (Tranche 2), 2016 Non-public Issued Subordinated Bonds (Tranche 1) and 2019 Non-publicly Issued Subordinated Bonds (Tranche 1).

The abovementioned reports were all disclosed on the bond section published on the website of the SSE.



## Section IX CORPORATE BONDS

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AT THE END OF THE REPORTING PERIOD AND AT THE END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND LAST CORRESPONDING PERIOD)

Key indicators	As at	As at	Movement	Reasons
	the end	the end	at the end	
	of this	of last	of the	
	Reporting	corresponding	Reporting	
	Period	period	Period as	
			compared	
			with the	
			end of the	
			last year (%)	
				for changes
Liquidity ratio	1.78	1.79	-0.56	–
Quick ratio	1.78	1.79	-0.56	–
			Increased by	
			0.32 percentage	
Gearing ratio (%)	74.63	74.31	point	–
Loan repayment ratio (%)	100	100	–	–

Key indicators	For the	For the last	Movement	Reasons
	Reporting	corresponding	for the	
	Period	period	Reporting	
	(January	period	Period	
	to June)		compared	
			with last	
			corresponding	
			period (%)	
				for changes
EBITDA interest coverage ratio	2.29	2.31	-0.87	–
Interest payment ratio (%)	100	100	–	–

Liquidity ratio/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)



## Section IX CORPORATE BONDS

### IX. OVERDUE DEBTS

✓ Not applicable

### X. PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

*Unit: 100 million Currency: RMB (foreign currencies in special remarks)*

Abbreviation of Bonds	Code of Bonds	Date of issuance	Issuance Scale	Interest rate (%)	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
16 Haitong 02	135485	18 May 2016	50	3.80	18 May 2020	Interest paid in full on time
17 Haitong C1	145411	16 March 2017	45	4.80	16 March 2020	Repaid
19 Haitong C1	151202	28 February 2019	33	4.09	28 February 2020	Interest paid in full on time
Haitong Securities 4.5% B2023	5482	13 December 2018	US\$300 million	4.50	15 June 2020	Interest paid in full on time
Haitong Securities FRN B2023	5483	13 December 2018	EUR230 million	3M EURIBOR+1.65	13 March 2020 15 June 2020	Interest paid in full on time

### XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate credit facilities of various types of over RMB500,000 million from a total of approximately hundreds of banks. At the end of the Reporting Period, the unutilised credit facilities was over RMB300,000 million.

### XII. 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.

### XIII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

On 5 June 2020, the Company released an announcement on the website of the SSE (Announcement No.: Lin 2020-041) and an overseas regulatory announcement on the website of Hong Kong Stock Exchange, announcing its accumulative new borrowings in the year has exceeded 20% of the net assets as at the end of the previous year. The Company's new borrowings in the year are in compliance with all relevant laws and regulations and in the ordinary and usual course of business of the Company. At present, the Company has a sound financial situation, fulfils its obligations of principal repayment and interest payment on maturity for each liability, and the new borrowings had no adverse effect on the operations and solvency of the Company.

## Section X FINANCIAL REPORT

- I. The 2020 Interim Financial Report has been reviewed by PricewaterhouseCoopers with the auditor's review report attached hereto.
- II. The Interim Financial Report (attached).



## Section XI DOCUMENTS AVAILABLE FOR INSPECTION

- I. The Report with signature of the legal representative of the Company.
- II. The interim financial report with signatures and seals of the legal representative of the Company and the chief financial officer and the person responsible for the accounting affairs.
- III. The auditor's review report from PricewaterhouseCoopers.
- IV. Original copies of all documents and announcements of the Company publicly disclosed on the websites designated by the CSRC during the Reporting Period.
- V. Other related resources.



## Section XII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING MATTERS OF THE COMPANY

#### (I) Administrative licensing of branches and business departments during the Reporting Period

New branches	New business departments	Relocation of branches	Relocation of business departments
2	4	4	6

#### 1. Administrative licensing of new branches during the Reporting Period

No.	Branches	Address	Approval document No.	Approval date	Date of license obtained
1	Chongqing branch of Haitong Securities Co., Ltd.	4-8, 4-9, 2 Qingyun Road, Jiangbei District, Chongqing	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020
2	Tianjin branch of Haitong Securities Co., Ltd.	503, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020

#### 2. Administrative licensing of new business departments during the Reporting Period

No.	Business departments	Address	Approval document No.	Approval date	Date of license obtained
1	Business Department of Haitong Securities Co., Ltd. in Jinli Road, Chengdu	No. 321, Jinli Road, Jinjiang District, Chengdu, Sichuan	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020
2	Business Department of Haitong Securities Co., Ltd. in Nanmen North Street, Nanchong	No. 6, Nanmen North Street, Shunqing District, Nanchong, Sichuan	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020
3	Business Department of Haitong Securities Co., Ltd. in Qufu Avenue, Tianjin	Unit 1306, 13/F, China Life Financial Centre, 38 Qufu Avenue, Xiaobailou Street, Heping District, Tianjin	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020

## Section XII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Business departments	Address	Approval document No.	Approval date	Date of license obtained
4	Business Department of Haitong Securities Co., Ltd. in Liansheng Road, Humen Town, Dongguan	Room 101, No. 86, Liansheng Road, Humen Town, Dongguan, Guangdong	Hu Zheng Jian Xu Ke [2019] No. 42	12 July 2019	12 February 2020

### (II) Other Administrative Permissions

Date	Business qualification	Approval organisation	Title of approval document	No. of approval
1 January 2020	Permission for Printing Publication of Internal Information	Shanghai Press and Publication Bureau	Permission Number: (K)0772 (valid for a year)	None

## II. INFORMATION ABOUT RELOCATION OF BRANCHES AND BUSINESS DEPARTMENTS DURING THE REPORTING PERIOD

### (I) Relocation of branches during the Reporting Period

No.	Name of branch before relocation	Name of branch after relocation	New address	License obtained on
1	Gansu branch of Haitong Securities Co., Ltd.	Gansu branch of Haitong Securities Co., Ltd.	3/F, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	19 March 2020
2	Yunnan branch of Haitong Securities Co., Ltd.	Yunnan branch of Haitong Securities Co., Ltd.	No. 3-4, 22/F, Spring City 66, No. 23 Dongfeng East Road, Panlong District, Kunming, Yunnan	2 April 2020

## Section XII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of branch before relocation	Name of branch after relocation	New address	License obtained on
3	Shenzhen branch of Haitong Securities Co., Ltd.	Shenzhen branch of Haitong Securities Co., Ltd.	6101, Tower A, Kingkey Timemark, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Street, Futian District, Shenzhen	20 May 2020
4	Jiangxi branch of Haitong Securities Co., Ltd.	Jiangxi branch of Haitong Securities Co., Ltd.	Room 1803 – 1804, Bojin Centre, No. 777 Jinrong Street, Honggutan New District, Nanchang, Jiangxi	20 May 2020

### (II) 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 Wusi West Road, Xining	Business Department of Haitong Securities Co., Ltd. in Wenjing Street, Xining	1/F, Building A, Qinghai Guotou Plaza, No. 32 Wenjing Street, Chengxi District, Xining, Qinghai	14 January 2020
2	Business Department of Haitong Securities Co., Ltd. in Meilin Road, Shenzhen	Business Department of Haitong Securities Co., Ltd. in Meilin Road, Shenzhen	Zhuoyuehui A1109, South Area, Excellence Meilin Central Plaza, No.126 Zhongkang Road, Meidu Community, Meilin Street, Futian District, Shenzhen	19 February 2020
3	Business Department of Haitong Securities Co., Ltd. in Wenhua Road, Hangzhou	Business Department of Haitong Securities Co., Ltd. in Shixin North Road, Hangzhou	4/F, No. 36-7, Shixin North Road, Economic & Technological Development Area, Xiaoshan District, Hangzhou, Zhejiang	15 May 2020

## Section XII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
4	Business Department of Haitong Securities Co., Ltd. in Dongfeng West Street, Weifang	Business Department of Haitong Securities Co., Ltd. in Yingqian Street, Weifang	2/F, No. 107, Jiulong Building, No. 13291 Yingqian Street, Kuiwen District, Weifang, Shandong	20 May 2020
5	Business Department of Haitong Securities Co., Ltd. in Yanda First Road, Huizhou	Business Department of Haitong Securities Co., Ltd. in Huishadi Second Road, Huizhou	Nos. 31 & 32, 1/F, Building 14, Yuehuhui Garden, No. 86 Huishadi Second Road, Henan Bank, Huicheng District, Huizhou, Guangdong	27 May 2020
6	Business Department of Haitong Securities Co., Ltd. in Haerbin Changjiang Road	Business Department of Haitong Securities Co., Ltd. in Haerbin Changjiang Road	1-3/F, No. 109 Changjiang Road, Nangang Jizhong District, Economic Development District, Haerbin	4 June 2020

### III. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2020, 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  
 28 August 2020



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF HAITONG SECURITIES CO., LTD.

*(Incorporated in the People's Republic of China with limited liability)*

### INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 128 to 196, which comprises the interim condensed consolidated statement of financial position of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

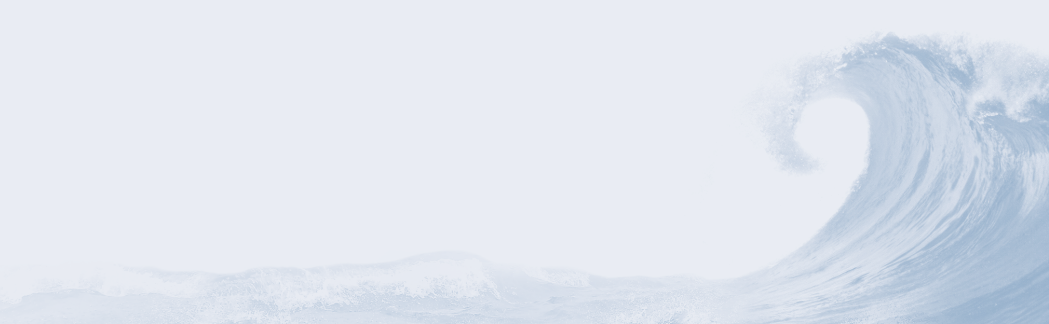
### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 August 2020





## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Revenue			
– Commission and fee income	4	7,350,439	6,209,922
– Interest income	5	7,004,259	6,654,733
– Finance lease income		1,985,142	2,359,689
– Investment income and gains (net)	6	5,847,746	5,846,516
		<b>22,187,586</b>	21,070,860
Other income and gains	7	3,790,552	5,002,600
Total revenue, gains and other income		<b>25,978,138</b>	26,073,460
Depreciation and amortisation	8	(614,149)	(524,164)
Staff costs		(2,954,268)	(3,442,950)
Commission and fee expenses	9	(1,629,782)	(1,347,334)
Interest expenses	10	(6,780,490)	(6,761,366)
Impairment losses under expected credit loss model	11	(2,900,271)	(1,059,233)
Impairment losses on other assets		(10,457)	(12,260)
Other expenses	12	(3,533,466)	(5,073,822)
Total expenses		<b>(18,422,883)</b>	(18,221,129)
Share of profit of associates and joint ventures		264,233	151,426
Profit before income tax		7,819,488	8,003,757
Income tax expense	13	(1,918,027)	(1,935,608)
Profit for the period		<b>5,901,461</b>	6,068,149
Attributable to:			
Shareholders of the Company		5,483,192	5,526,505
Non-controlling interests		418,269	541,644
		<b>5,901,461</b>	6,068,149
Earnings per share (Expressed in RMB per share)			
– Basic	14	0.48	0.48
– Diluted	14	0.48	0.48

The accompanying notes form part of the unaudited interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b>	2019 (Unaudited)
Profit for the period	<b>5,901,461</b>	6,068,149
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit obligations	<b>21,441</b>	(63,879)
Fair value (losses)/gains on equity instruments measured at fair value through other comprehensive income	<b>(520,253)</b>	1,086,063
Income tax impact	<b>121,804</b>	(264,795)
Subtotal	<b>(377,008)</b>	757,389
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>117,494</b>	58,612
Fair value losses on hedging instrument designated in cash flow hedges	<b>(117,553)</b>	–
Fair value gains/(losses) on debt instruments measured at fair value through other comprehensive income		
– Net fair value changes during the period	<b>164,817</b>	79,076
– Reclassification adjustment to profit or loss on disposal	<b>(19,454)</b>	(28,201)
– Reclassification adjustment to profit or loss for expected credit losses	<b>2,628</b>	(4,052)
– Income tax relating to components of other comprehensive income	<b>(33,333)</b>	(13,556)
Share of other comprehensive income of associates and joint ventures, net of related income tax	<b>(45,696)</b>	66,557
Others	–	1,002
Subtotal	<b>68,903</b>	159,438
Other comprehensive income for the period (net of tax)	<b>(308,105)</b>	916,827
Total comprehensive income for the period	<b>5,593,356</b>	6,984,976
Attributable to:		
Shareholders of the Company	<b>4,968,132</b>	6,389,628
Non-controlling interests	<b>625,224</b>	595,348
	<b>5,593,356</b>	6,984,976
Total comprehensive income for the period attributable to shareholders of the company arises from:		
Continuing operations	<b>4,968,132</b>	6,389,628
Discontinued operations	–	–
	<b>4,968,132</b>	6,389,628

The accompanying notes form part of the unaudited interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Non-current assets			
Property and equipment	15	<b>14,300,073</b>	6,714,638
Right-of-use assets	16	<b>1,671,717</b>	1,774,060
Investment properties		<b>119,044</b>	176,839
Goodwill	17	<b>4,215,827</b>	4,134,434
Other intangible assets		<b>536,402</b>	546,059
Investment accounted for using equity method	18	<b>4,995,699</b>	4,942,938
Finance lease receivables	19	<b>22,443,013</b>	24,786,256
Receivables arising from sale and leaseback arrangements	20	<b>16,438,000</b>	13,148,660
Equity instruments at fair value through other comprehensive income	21	<b>15,454,476</b>	15,783,978
Debt instruments at fair value through other comprehensive income	22	<b>8,834,074</b>	7,551,256
Debt instruments measured at amortised cost	23	<b>1,794,444</b>	2,624,093
Financial assets at fair value through profit or loss	24	<b>23,618,335</b>	21,562,385
Financial assets held under resale agreements	25	<b>2,277,819</b>	17,137,937
Other loans and receivables	26	<b>5,803,615</b>	4,761,754
Loans and advances	27	<b>2,786,845</b>	2,695,362
Deferred tax assets	28	<b>3,256,008</b>	3,143,086
Deposits with exchanges	29	<b>149,787</b>	1,152,342
Restricted bank balances and cash	30	<b>1,124,096</b>	966,912
Other non-current assets	32	<b>930,150</b>	1,787,754
<b>Total non-current assets</b>		<b>130,749,424</b>	135,390,743

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Current assets			
Advances to customers on margin financing	33	57,731,842	52,797,926
Accounts receivable	34	11,284,370	9,752,377
Finance lease receivables	19	28,207,614	28,155,387
Receivables arising from sale and leaseback arrangements	20	11,235,400	8,795,032
Debt instruments at fair value through other comprehensive income	22	786,878	3,602,965
Debt instruments measure at amortised cost	23	722,147	–
Financial assets at fair value through profit or loss	24	215,528,781	198,030,685
Derivative financial assets	35	2,920,588	1,516,496
Financial assets held under resale agreements	25	56,666,478	40,347,256
Other loans and receivables	26	15,753,553	20,222,329
Loans and advances	27	625,130	611,826
Other current assets	36	3,900,476	3,215,757
Placements to banks and other financial institutions		444	90,085
Deposits with exchanges	29	13,731,114	9,603,759
Clearing settlement funds	37	10,829,556	8,611,101
Deposits with central banks	38	4,201,657	4,783,145
Deposits with other banks	38	191,576	204,669
Bank balances and cash	30	116,480,188	111,062,093
<b>Total current assets</b>		<b>550,797,792</b>	501,402,888
<b>Total assets</b>		<b>681,547,216</b>	636,793,631

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b>Current liabilities</b>			
Borrowings	39	<b>66,695,219</b>	57,040,864
Short-term financing bills payables	40	<b>33,115,851</b>	32,206,855
Bonds payable	41	<b>43,487,692</b>	43,699,917
Accounts payable to brokerage clients	42	<b>105,121,009</b>	87,464,142
Customer accounts	43	<b>3,067,974</b>	2,873,637
Contract liabilities		<b>241,330</b>	182,998
Other payables and accruals	44	<b>18,962,316</b>	17,748,106
Lease liabilities	16	<b>363,139</b>	372,395
Provisions	45	<b>94,433</b>	75,080
Tax liabilities		<b>1,506,809</b>	1,976,794
Financial liabilities at fair value through profit or loss	46	<b>29,045,393</b>	26,211,555
Derivative financial liabilities	35	<b>3,124,025</b>	2,170,599
Financial assets sold under repurchase agreements	47	<b>80,589,348</b>	68,877,678
Placements from banks and other financial institutions	48	<b>6,405,222</b>	14,421,611
Deposits from central banks		<b>880,487</b>	171,941
Deposits from other banks		<b>65,290</b>	3,099
<b>Total current liabilities</b>		<b>392,765,537</b>	355,497,271
<b>Net current assets</b>		<b>158,032,255</b>	145,905,617
<b>Total assets less current liabilities</b>		<b>288,781,679</b>	281,296,360

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Non-current liabilities			
Long-term payables	49	<b>8,216,773</b>	8,109,336
Deferred tax liabilities	28	<b>436,154</b>	251,079
Long-term borrowings	39	<b>30,124,725</b>	31,084,259
Bonds payable	41	<b>96,210,790</b>	89,042,454
Other payables and accruals	44	<b>1,021,031</b>	996,696
Financial liabilities at fair value through profit or loss	46	<b>2,774,560</b>	3,874,411
Lease liabilities	16	<b>535,405</b>	618,479
Placements from banks and other financial institutions	48	<b>3,232,428</b>	6,200,903
<b>Total non-current liabilities</b>		<b>142,551,866</b>	140,177,617
<b>Total liabilities</b>		<b>535,317,403</b>	495,674,888
Equity			
Share capital	50	<b>11,501,700</b>	11,501,700
Capital reserve		<b>56,600,387</b>	56,526,247
Revaluation reserve	51	<b>(251,098)</b>	114,007
Translation reserve		<b>(1,128,294)</b>	(1,002,905)
General reserves	52	<b>23,728,665</b>	22,092,447
Retained earnings		<b>40,681,874</b>	36,859,497
<b>Equity attributable to shareholders of the Company</b>		<b>131,133,234</b>	126,090,993
<b>Non-controlling interests</b>		<b>15,096,579</b>	15,027,750
<b>Total equity</b>		<b>146,229,813</b>	141,118,743
<b>Total equity and liabilities</b>		<b>681,547,216</b>	636,793,631

The accompanying notes form part of the unaudited interim condensed consolidated financial information.

The unaudited interim condensed consolidated financial information was approved by the Board of Directors on 28 August 2020 and signed on its behalf by:

**Zhou Jie**

*Chairman of the Board*

**Qu Qiuping**

*Executive Director and  
General Manager*

**Zhang Xinjun**

*Chief Financial Officer*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital	Capital reserve (Note)	Revaluation reserve	Translation reserve	General reserves	Retained earnings	Subtotal		
<b>(Unaudited)</b>									
Balance at 1 January 2020	11,501,700	56,526,247	114,007	(1,002,905)	22,092,447	36,859,497	126,090,993	15,027,750	141,118,743
Profit for the period	-	-	-	-	-	5,483,192	5,483,192	418,269	5,901,461
Other comprehensive income for the period	-	-	(389,671)	(125,389)	-	-	(515,060)	206,955	(308,105)
Total comprehensive income for the period	-	-	(389,671)	(125,389)	-	5,483,192	4,968,132	625,224	5,593,356
Appropriation to general reserve	-	-	-	-	1,636,218	(1,636,218)	-	-	-
Distribution to non-controlling interests and perpetual notes holders	-	74,140	-	-	-	-	74,140	(381,971)	(307,831)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	13,457	13,457
Purchase of shares held under the share award scheme of a subsidiary	-	-	-	-	-	-	-	(203,012)	(203,012)
Disposal of equity instruments at fair value through other comprehensive income	-	-	24,566	-	-	(24,566)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	15,100	15,100
Others	-	-	-	-	-	(31)	(31)	31	-
Balance at 30 June 2020	11,501,700	56,600,387	(251,098)	(1,128,294)	23,728,665	40,681,874	131,133,234	15,096,579	146,229,813

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

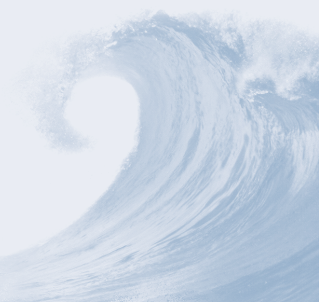
(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Capital reserve (Note)	Revaluation reserve	Translation reserve	General reserves	Retained earnings			
<b>(Unaudited)</b>									
Balance at 1 January 2019	11,501,700	56,405,921	(400,148)	(803,870)	19,819,343	31,300,206	117,823,152	12,324,468	130,147,620
Profit for the period	-	-	-	-	-	5,526,505	5,526,505	541,644	6,068,149
Other comprehensive income for the period	-	-	856,698	6,425	-	-	863,123	53,704	916,827
<b>Total comprehensive income for the period</b>	-	-	856,698	6,425	-	5,526,505	6,389,628	595,348	6,984,976
H shares issued by a subsidiary	-	(88,758)	-	-	-	-	(88,758)	2,058,655	1,969,897
Shares issued under convertible bond and share option schemes of a subsidiary	-	4,131	-	-	-	-	4,131	2,119	6,250
Appropriation to general reserve	-	-	-	-	92,108	(92,108)	-	-	-
Cash dividend recognised as distribution (Note 56)	-	-	-	-	-	(1,725,255)	(1,725,255)	-	(1,725,255)
Distribution to non-controlling interests and perpetual notes holders	-	-	-	-	-	12,516	12,516	(263,316)	(250,800)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	21,811	21,811
Purchase of shares held under the share award scheme of a subsidiary	-	(19,662)	-	-	-	-	(19,662)	(11,272)	(30,934)
Disposal of equity instruments at fair value through other comprehensive income	-	-	(27,098)	-	-	27,098	-	-	-
Changes in non-controlling interests	-	(300)	-	-	-	-	(300)	4,281	3,981
Others	-	-	-	-	-	(118)	(118)	118	-
<b>Balance at 30 June 2019</b>	<b>11,501,700</b>	<b>56,301,332</b>	<b>429,452</b>	<b>(797,445)</b>	<b>19,911,451</b>	<b>35,048,844</b>	<b>122,395,334</b>	<b>14,732,212</b>	<b>137,127,546</b>

### 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.

The accompanying notes form part of the unaudited interim condensed consolidated financial information.





## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Operating activities</b>		
Profit before income tax	<b>7,819,488</b>	8,003,757
Adjustments for		
Interest expenses	<b>6,561,698</b>	5,298,856
Share of results of associates and joint ventures	<b>(264,233)</b>	(151,426)
Depreciation and amortisation	<b>614,149</b>	524,164
Impairment losses under expected credit loss model	<b>2,900,271</b>	1,059,233
Impairment losses on other assets	<b>10,457</b>	12,260
Share-based payment of a subsidiary	<b>13,457</b>	21,811
(Gains)/losses on disposal of property and equipment and other intangible assets	<b>(1,884)</b>	1,653
Foreign exchange (gains)/losses, net	<b>(235,586)</b>	23,437
Interest income from debt instruments at fair value through other comprehensive income	<b>(225,676)</b>	(302,351)
Interest income from debt instruments measured at amortised cost	<b>(21,968)</b>	(16,657)
Dividend income arising from equity instruments at fair value through other comprehensive income	–	(2,494)
Net losses/(gains) arising from debt instruments at fair value through other comprehensive income	<b>889</b>	(25,707)
Net realised gains and income arising from financial assets at fair value through profit or loss	<b>(462,706)</b>	(236,351)
Fair value change of financial instruments at fair value through profit or loss	<b>(1,663,101)</b>	(1,301,650)
Others	–	(21,761)
<b>Operating cash flows before movements in working capital</b>	<b>15,045,255</b>	12,886,774

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b>	2019 (Unaudited)
Increase in finance lease receivables and receivables arising from sale and leaseback arrangements	<b>(4,131,374)</b>	(6,605,764)
Increase in financial assets at fair value through profit or loss and derivative financial assets	<b>(18,301,232)</b>	(17,606,309)
(Increase)/decrease in financial assets held under resale agreements	<b>(2,131,754)</b>	16,580,908
Decrease/(increase) in other loans and receivables	<b>2,600,210</b>	(1,763,169)
(Increase)/decrease in loans and advances	<b>(109,530)</b>	342,016
Increase in advances to customers on margin financing	<b>(5,613,846)</b>	(3,463,765)
Increase in accounts receivables and other current assets	<b>(2,471,456)</b>	(5,115,260)
Decrease/(increase) in placements to banks and other financial institutions	<b>91,550</b>	(79,307)
Increase in deposits with exchanges	<b>(3,124,801)</b>	(2,255,341)
Decrease/(increase) in deposit with central banks	<b>29,902</b>	(9,988)
(Increase)/decrease in restricted bank deposits	<b>(280,496)</b>	193,643
Increase in cash held on behalf of clients	<b>(14,487,068)</b>	(14,331,432)
Increase in accounts payable to brokerage clients and other payables and accruals	<b>19,144,510</b>	19,868,206
Increase in customer accounts	<b>194,337</b>	329,852
Increase in contract liabilities	<b>58,332</b>	68,162
Increase in provisions	<b>19,353</b>	11,762
Increase/(decrease) in financial liabilities at fair value through profit or loss and derivative financial liabilities	<b>1,624,691</b>	(1,974,999)
Increase in financial assets sold under repurchase agreements	<b>11,711,670</b>	10,096,848
Decrease in placements from banks and other financial institutions	<b>(10,984,864)</b>	(5,278,193)
Increase/(decrease) in deposit from central banks	<b>708,546</b>	(1,818)
Increase in deposit from other banks	<b>62,191</b>	1,190
Cash (used in)/from operations	<b>(10,345,874)</b>	1,894,016
Income taxes paid	<b>(2,236,352)</b>	(2,019,701)
Interest paid	<b>(1,441,044)</b>	(1,351,476)
<b>Net cash outflow from operating activities</b>	<b>(14,023,270)</b>	(1,477,161)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Investing activities</b>		
Dividends received from associates and other investments	187,730	544,548
Dividends received from equity instruments at fair value through other comprehensive income	426	2,494
Purchases of property and equipment and other intangible assets	(6,960,628)	(906,898)
Payments for rental deposits	–	(364)
Proceeds on disposal of property and equipment	8,143	2,119
Purchase of investments accounted for using equity method	(300,000)	(176,400)
Proceeds from partial disposal of an associate	272,624	–
Purchases of		
Debt instruments at fair value through other comprehensive income	(1,978,742)	(6,285,836)
Financial assets at fair value through profit or loss	(424,119)	(779,849)
Equity instruments at fair value through other comprehensive income	(300,325)	(1,676)
Debt instruments measured at amortised cost	(267,051)	(2,467,232)
Proceeds from disposal of or interest received from		
Debt instruments at fair value through other comprehensive income	3,877,627	8,213,457
Financial assets at fair value through profit or loss	835,204	684,093
Debt instruments at amortised cost	459,059	16,657
Equity instruments at fair value through other comprehensive income	189,201	383,064
<b>Net cash outflow from investing activities</b>	<b>(4,400,851)</b>	<b>(771,823)</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b>	2019 (Unaudited)
<b>Financing activities</b>		
Dividends paid	<b>(261,322)</b>	(189,673)
Proceeds from issuance of subsidiaries' shares	<b>15,100</b>	2,401
Proceeds from H share issuance of a subsidiary	–	2,039,249
Payments on capital returned to non-controlling shareholders	–	(1,470)
Borrowings raised	<b>53,710,935</b>	12,611,794
Interest paid for borrowings and bonds	<b>(5,068,301)</b>	(4,972,557)
Interest paid for perpetual notes	<b>(50,210)</b>	(50,062)
Issuance cost paid for short-term bonds, non-convertible bonds and others	<b>(115,837)</b>	(221,749)
Repayment of borrowings, short-term financing bills payables, non-convertible bonds and others	<b>(118,296,748)</b>	(69,901,553)
Repayments of leases liabilities	<b>(264,194)</b>	(219,139)
Proceeds from short term financing bills payables and non-convertible bonds	<b>81,282,342</b>	73,988,269
Proceeds from share issued upon exercise of share options of a subsidiary	–	6,250
Purchase of shares held under the share award scheme	<b>(203,012)</b>	(30,934)
<b>Net cash inflow from financing activities</b>	<b>10,748,753</b>	13,060,826
Net (decrease)/increase in cash and cash equivalents	<b>(7,675,368)</b>	10,811,842
Effect of exchange rate changes on cash and cash equivalents	<b>252,046</b>	12,530
<b>Cash and cash equivalents at the beginning of period</b>	<b>41,046,885</b>	38,110,682
<b>Cash and cash equivalents at the end of period (Note 31)</b>	<b>33,623,563</b>	48,935,054

The accompanying notes form part of the unaudited interim condensed consolidated financial information.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 1. GENERAL INFORMATION

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 interim condensed consolidated financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Group adopted the going concern basis in preparing its interim condensed consolidated financial information.

The interim condensed consolidated financial information does not include all the notes of the type normally include in an annual financial statement. Accordingly, it should be read in conjunction with the annual financial information for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 *New and amended standards adopted by the Group*

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs that are relevant for the preparation of the Group's interim condensed consolidated financial information,

- (a) Definition of Material – amendments to IAS 1 and IAS 8
- (b) Definition of a Business – amendments to IFRS 3
- (c) Revised Conceptual Framework for Financial Reporting
- (d) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

The interim condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

#### 2.2 *Impact of standards issued but not yet applied by the Group*

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### 2.3 *Critical accounting estimates and judgements*

The Group continually evaluates the significant accounting estimates and judgements applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are consistent with these policies applied in preparing the financial information for the year ended 31 December 2019.

### 3. 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 organisation, whereby the businesses are organised and managed separately as individual strategic business units that offers different products and serves different markets. The Group's business segments are classified in accordance with the requirements of IFRSs, and are based on the internal organisation 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) CODM 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 3. SEGMENT REPORTING (continued)

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to CODM, which are consistent with the accounting and measurement criteria in the preparation of the interim condensed consolidated financial information.

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, securities 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;
- (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;
- (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 institutional clients, including warehouse receipts pledge service, etc.

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 profit/loss of associates and joint ventures are allocated to segment profit while the corresponding investments in associates and joint ventures are not allocated to each segment.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 3. SEGMENT REPORTING (continued)

#### Operating and Reportable segment

For the six months ended 30 June 2020 (Unaudited)

	Wealth management	Investment banking	Asset management	Trading and institution	Finance lease	Others	Consolidated total
<b>Segment revenue and results</b>							
Revenue	7,533,456	2,241,079	1,733,930	7,449,195	3,171,357	58,569	22,187,586
Other income and gains	133,364	85,416	80,091	418,956	1,019,606	2,053,119	3,790,552
Segment revenue	7,666,820	2,326,495	1,814,021	7,868,151	4,190,963	2,111,688	25,978,138
Segment expenses	(5,647,763)	(1,233,812)	(916,348)	(5,020,238)	(3,484,070)	(2,120,652)	(18,422,883)
Segment results	2,019,057	1,092,683	897,673	2,847,913	706,893	(8,964)	7,555,255
Share of profit/loss of associates and joint ventures	-	-	162,613	107,948	(6,328)	-	264,233
Segment profit before income tax	2,019,057	1,092,683	1,060,286	2,955,861	700,565	(8,964)	7,819,488

For the six months ended 30 June 2019 (Unaudited)

	Wealth management	Investment banking	Asset management	Trading and institution	Finance lease	Others	Consolidated total
<b>Segment revenue and results</b>							
Revenue	7,624,227	1,881,772	1,439,706	7,385,728	2,753,952	(14,525)	21,070,860
Other income and gains	130,631	51,966	19,400	114,702	952,035	3,733,866	5,002,600
Segment revenue	7,754,858	1,933,738	1,459,106	7,500,430	3,705,987	3,719,341	26,073,460
Segment expenses	(4,976,628)	(1,124,210)	(722,221)	(4,683,724)	(2,961,051)	(3,753,295)	(18,221,129)
Segment results	2,778,230	809,528	736,885	2,816,706	744,936	(33,954)	7,852,331
Share of profit/loss of associates and joint ventures	-	-	104,585	39,684	7,157	-	151,426
Segment profit before income tax	2,778,230	809,528	841,470	2,856,390	752,093	(33,954)	8,003,757





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Securities, futures and options dealing and broking fee income	3,761,444	3,210,183
Asset management fee income (including fund management fee income)	1,652,487	1,143,944
Underwriting and sponsors fees	1,604,606	1,194,102
Financial advisory and consultancy fee income	262,842	600,218
Others	69,060	61,475
	<b>7,350,439</b>	6,209,922

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 recognised 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 recognised 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 receive and consume the benefit provided by the Group, hence the revenue is recognised 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 recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 30 June 2020, the Group's contracts with customers mostly have original expected duration of less than one year.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 5. INTEREST INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest income from advances to customers on margin financing	1,976,853	1,850,169
Interest income from financial assets held under resale agreements	1,489,064	2,103,725
Bank interest income	1,472,596	1,321,976
Interest income from receivables arising from sale and leaseback arrangements	906,795	156,122
Interest income from loans and receivables	880,022	856,868
Interest income from debt instruments at fair value through other comprehensive income and amortised cost	247,643	319,008
Other interest income	31,286	46,865
	<b>7,004,259</b>	6,654,733

### 6. INVESTMENT INCOME AND GAINS (NET)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	4,182,553	4,516,665
Fair value change of financial instruments at fair value through profit or loss	1,663,101	1,301,650
Dividend income from equity instruments at fair value through other comprehensive income	426	2,494
Net (losses)/gains arising from debt instruments at fair value through other comprehensive income	(889)	25,707
Others	2,555	–
	<b>5,847,746</b>	5,846,516

### 7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Income from commodity trading	2,040,265	3,729,827
Service fee income from finance lease	547,121	603,176
Government grants	533,061	338,769
Rental income from aircraft lease	246,856	212,320
Foreign exchange gains/(losses)	235,586	(23,437)
Rental income from investment properties	4,899	6,378
Others	182,764	135,567
	<b>3,790,552</b>	5,002,600

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Depreciation for property and equipment	263,827	238,656
Depreciation for right-of-use assets	255,688	201,018
Depreciation for investment properties	3,384	3,636
Amortisation of other intangible assets	91,250	80,854
	<b>614,149</b>	524,164

### 9. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Securities and futures dealing and broking expenses	1,225,482	1,076,140
Commission expenses	301,360	238,502
Services expenses for underwriting, financial advisory and others	102,940	32,692
	<b>1,629,782</b>	1,347,334

### 10. INTEREST EXPENSES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest expense for:		
– Bonds payable and short-term financing bills payables	3,239,279	3,660,899
– Borrowings and overdrafts	1,861,093	1,620,793
– Financial assets sold under repurchase agreements	880,399	866,358
– Accounts payable to brokerage clients	243,518	270,326
– Deposit taken from banks and other financial institutions	161,604	100,333
– Advances from China Securities Finance Corporation Ltd.	131,839	22,098
– Lease liabilities	20,281	17,164
– Others	242,477	203,395
	<b>6,780,490</b>	6,761,366

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Expected credit losses ("ECL") in respect of:		
– Other loans and receivables	823,639	142,503
– Financial assets held under resale agreements	672,655	267,091
– Advances to customers on margin financing	664,477	226,179
– Finance lease receivables	614,555	271,823
– Receivables arising from sale and leaseback arrangements	78,126	146,229
– Loans and advances	15,340	(5,646)
– Debt instruments at fair value through other comprehensive income	3,736	(4,052)
– Debt instruments at amortised cost	2,424	2,589
– Other financial assets and other items	25,319	12,517
	<b>2,900,271</b>	1,059,233

### 12. OTHER EXPENSES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cost of commodity trading	2,054,476	3,729,010
Administrative expenses	1,174,486	1,116,262
Taxes and surcharges	107,513	93,236
Others	196,991	135,314
	<b>3,533,466</b>	5,073,822

### 13. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax and other jurisdictions	1,684,125	1,433,011
– Hong Kong Profits Tax	24,182	201,189
	<b>1,708,307</b>	1,634,200
Adjustments to current income tax in relation to prior years:		
– PRC Enterprise Income Tax and other jurisdictions	24,324	65,626
Deferred tax (Note 28)	185,396	235,782
	<b>1,918,027</b>	1,935,608

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 13. INCOME TAX EXPENSE (continued)

Under the Law of the People's Republic of China Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25%.

Under the two-tiered profits tax rates regime introduced by the Inland Revenue (Amendment) (No.7) Bill 2017, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

### 14. EARNINGS PER SHARE

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to shareholders of the Company	5,483,192	5,526,505
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share (Notes i, ii)	(625)	(46,260)
Earnings for the purpose of diluted earnings per share	5,482,567	5,480,245
Number of shares for basic and diluted earnings per share (in thousand)	11,501,700	11,501,700
Basic earnings per share (expressed in RMB per share)	0.48	0.48
Diluted earnings per share (expressed in RMB per share)	0.48	0.48

Notes:

- (i) 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 period.
- (ii) Subsidiaries of the Company operated various share option or share awards schemes. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of these subsidiaries when additional shares have to be issued to relevant employees.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 15. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Electronic equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
<b>(Unaudited)</b>							
Cost							
As at 1 January 2020	2,004,137	1,035,566	1,347,599	4,857,700	263,246	251,199	9,759,447
Additions during the period	5,733,017	43,994	121,730	1,624,891	10,820	150,216	7,684,668
Disposals during the period	-	(339,595)	(23,404)	(4,507)	(3,875)	-	(371,381)
Transfer in from investment properties during the period	111,799	-	-	-	-	-	111,799
Transfer during the period	38,179	70,952	114	-	325	(109,570)	-
Exchange difference	3,680	(2,016)	3,879	68,668	419	-	74,630
As at 30 June 2020	7,890,812	808,901	1,449,918	6,546,752	270,935	291,845	17,259,163
Accumulated depreciation							
As at 1 January 2020	534,480	877,588	1,010,278	385,891	206,190	-	3,014,427
Provided for the period	31,269	42,041	79,348	101,456	9,713	-	263,827
Eliminated on disposals	-	(334,374)	(22,277)	(4,309)	(3,827)	-	(364,787)
Transfer in from investment properties during the period	7,516	-	-	-	-	-	7,516
Exchange difference	146	(825)	4,047	3,621	736	-	7,725
As at 30 June 2020	573,411	584,430	1,071,396	486,659	212,812	-	2,928,708
Allowance for impairment losses							
As at 1 January 2020 and 30 June 2020	30,382	-	-	-	-	-	30,382
Carrying amount							
As at 30 June 2020 (Unaudited)	7,287,019	224,471	378,522	6,060,093	58,123	291,845	14,300,073
As at 31 December 2019 (Audited)	1,439,275	157,978	337,321	4,471,809	57,056	251,199	6,714,638

Transportation equipment of the Group includes aircraft held for operating lease businesses. As at 30 June 2020, the cost of aircraft amounted to RMB6,383,078 thousand (31 December 2019: RMB4,690,429 thousand), accumulated depreciation amounted to RMB354,169 thousand (31 December 2019: RMB254,259 thousand), and the carrying amount of aircraft amounted to RMB6,028,909 thousand (31 December 2019: RMB4,436,170 thousand).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### Right-of-use assets

	Leasehold land and buildings	Electronic equipment	Transportation equipment	Others	Total
(Unaudited)					
Cost					
As at 1 January 2020	2,600,358	757	8,902	2,129	2,612,146
Additions during the period	152,362	–	–	309	152,671
Decreases during the period	(98,541)	–	–	–	(98,541)
Exchange difference	1,953	(82)	(2,427)	(1)	(557)
As at 30 June 2020	2,656,132	675	6,475	2,437	2,665,719
Accumulated amortisation					
As at 1 January 2020	833,196	361	3,845	684	838,086
Provided for the period	254,236	149	961	342	255,688
Decreases during the period	(97,453)	–	–	–	(97,453)
Exchange difference	(460)	(89)	(1,769)	(1)	(2,319)
As at 30 June 2020	989,519	421	3,037	1,025	994,002
Carrying amount					
As at 30 June 2020 (Unaudited)	1,666,613	254	3,438	1,412	1,671,717
As at 31 December 2019 (Audited)	1,767,162	396	5,057	1,445	1,774,060

#### Lease liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within one year	363,139	372,395
Within a period of more than one year but not more than two years	284,972	267,434
Within a period of more than two years but not more than five years	233,703	327,269
Within a period of more than five years	16,730	23,776
	898,544	990,874
Less: Amount due for settlement with 12 months shown under current liabilities	363,139	372,395
Amount due for settlement after 12 months shown under non-current liabilities	535,405	618,479

For the period ended 30 June 2020, total cash outflow for leases amounted to RMB301,561 thousand (For the period ended 30 June 2019: RMB259,106 thousand).

For the period ended 30 June 2020, interest expenses for lease liabilities amounted to RMB20,281 thousand (For the period ended 30 June 2019: RMB17,164 thousand).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

#### Lease liabilities (continued)

As at 30 June 2020, the lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 30 June 2020, the Group did not enter into any significant lease that is not yet commenced.

### 17. GOODWILL

	31 December 2019 (Audited)	Exchange adjustments	<b>30 June 2020 (Unaudited)</b>
Unit A – Haitong Futures Co., Ltd.	5,896	–	<b>5,896</b>
Unit B – Haitong International Securities Group Limited	703,170	13,863	<b>717,033</b>
Unit C – Haitong UT Capital Group Co., Ltd.	2,243,193	44,224	<b>2,287,417</b>
Unit D – Haitong Bank S.A.	1,044,792	20,597	<b>1,065,389</b>
Unit E – Haitong International Holdings (UK) Limited (formerly “Japaninvest Group plc”)	132,435	2,611	<b>135,046</b>
Unit F – G. K. Goh Financial Services (Singapore) Pte. Ltd.	4,948	98	<b>5,046</b>
	4,134,434	81,393	<b>4,215,827</b>

### 18. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Cost of unlisted investments in associates and joint ventures	<b>4,205,378</b>	4,178,002
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>790,321</b>	764,936
	<b>4,995,699</b>	4,942,938

Fullgoal Fund Management Co. Ltd., as a major associate of the Group, is primarily engaged in provision of fund management and fund trading distribution services, and is accounted for using the equity method. The financial information for the six months ended 30 June 2020 is as follows,

	<b>30 June 2020</b>	31 December 2019
Total assets	<b>5,849,432</b>	5,655,704
Total liabilities	<b>1,642,807</b>	1,711,019
	<b>Six months ended 30 June 2020</b>	Six months ended 30 June 2019
Revenue for the period	<b>1,987,894</b>	1,274,816
Profit for the period	<b>628,485</b>	383,301

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 19. FINANCE LEASE RECEIVABLES

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Minimum finance lease receivables		
– Within one year	<b>31,674,066</b>	31,614,990
– In the second year	<b>17,374,517</b>	18,316,347
– In the third year	<b>6,906,176</b>	7,717,572
– In the fourth year	<b>481,281</b>	1,102,009
– In the fifth year	<b>193,945</b>	196,705
– After five years	<b>312,698</b>	401,150
Gross amount of finance lease receivables	<b>56,942,683</b>	59,348,773
Less: Unearned finance lease income	<b>(4,593,010)</b>	(4,984,413)
Present value of minimum finance lease receivables	<b>52,349,673</b>	54,364,360
Less: Allowance for ECL	<b>(1,699,046)</b>	(1,422,717)
Carrying amount of finance lease receivables	<b>50,650,627</b>	52,941,643
Present value of minimum finance lease receivables		
– Within one year	<b>29,093,029</b>	28,957,576
– In the second year	<b>15,978,484</b>	16,798,678
– In the third year	<b>6,360,786</b>	7,064,671
– In the fourth year	<b>465,804</b>	1,017,695
– In the fifth year	<b>182,782</b>	186,959
– After five years	<b>268,788</b>	338,781
Total	<b>52,349,673</b>	54,364,360
Analysed as:		
Current assets	<b>28,207,614</b>	28,155,387
Non-current assets	<b>22,443,013</b>	24,786,256
	<b>50,650,627</b>	52,941,643

As at 30 June 2020, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB5,697,570 thousand (as at 31 December 2019: RMB8,832,561 thousand).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 19. FINANCE LEASE RECEIVABLES (continued)

#### *Movement of allowance for ECL*

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
(Unaudited)				
As at 1 January 2020	809,239	427,389	186,089	1,422,717
Changes in the loss allowance:				
– ECL (reversed)/ recognised	(58,080)	419,552	253,083	614,555
– Transfer between stages	(56,861)	(99,931)	156,792	–
– Recovery of finance lease receivables previously written off	–	–	22,804	22,804
– Other derecognition	–	–	(278,657)	(278,657)
– Write-offs	–	–	(82,373)	(82,373)
As at 30 June 2020	694,298	747,010	257,738	1,699,046

The table below details the credit risk exposures of the Group's finance lease receivables, which are subject to ECL assessment:

#### *Gross carrying amount*

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	49,012,182	2,760,057	577,434	52,349,673
As at 31 December 2019 (Audited)	52,243,091	1,675,580	445,689	54,364,360

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements,

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
– Within one year	<b>12,620,243</b>	9,922,821
– In the second year	<b>9,598,845</b>	7,783,770
– In the third year	<b>5,038,772</b>	3,995,867
– In the fourth year	<b>2,760,290</b>	1,851,864
– In the fifth year	<b>1,066,193</b>	1,203,216
Gross amount of receivables arising from sale and leaseback arrangements	<b>31,084,343</b>	24,757,538
Less: Interest adjustment	<b>(3,084,089)</b>	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	<b>28,000,254</b>	22,193,103
Less: Allowance for ECL	<b>(326,854)</b>	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	<b>27,673,400</b>	21,943,692
Present value of receivables arising from sale and leaseback arrangements:		
– Within one year	<b>11,368,102</b>	8,894,996
– In the second year	<b>8,646,479</b>	6,977,512
– In the third year	<b>4,538,841</b>	3,581,967
– In the fourth year	<b>2,486,423</b>	1,660,044
– In the fifth year	<b>960,409</b>	1,078,584
Total	<b>28,000,254</b>	22,193,103
Analysed as:		
Current assets	<b>11,235,400</b>	8,795,032
Non-current assets	<b>16,438,000</b>	13,148,660
	<b>27,673,400</b>	21,943,692

As at 30 June 2020, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB8,062,993 thousand (31 December 2019: RMB4,977,336 thousand).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (continued)

#### Movement of allowance for ECL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At beginning of the period/year	249,411	–
ECL recognised	78,126	249,411
Write-offs	(683)	–
At end of the period/year	<b>326,854</b>	249,411

#### Stage analysis on allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	<b>308,965</b>	<b>14,833</b>	<b>3,056</b>	<b>326,854</b>
As at 31 December 2019 (Audited)	240,109	8,252	1,050	249,411

### 21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
China Securities Finance Corporation Limited ("CSFCL") (Note i)	<b>14,927,365</b>	15,382,009
Other equity investments (Note ii)	<b>527,111</b>	401,969
	<b>15,454,476</b>	15,783,978
Analysed as:		
– Listed	<b>260,068</b>	135,869
– Unlisted	<b>15,194,408</b>	15,648,109
	<b>15,454,476</b>	15,783,978

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 losses of RMB24,567 thousand was reclassified from revaluation reserve to retained earnings during the six months ended 30 June 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Unlisted bond investments	4,641,334	5,029,804
Listed bond investments	4,979,618	6,124,417
	<b>9,620,952</b>	11,154,221
Analysed as:		
Current assets	786,878	3,602,965
Non-current assets	8,834,074	7,551,256
	<b>9,620,952</b>	11,154,221
Allowance for ECL	<b>490,322</b>	486,886

#### Movement of allowance for ECL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At beginning of the period/year	486,886	20,379
ECL recognised	3,736	461,704
Write-offs	–	(2,665)
Exchange difference	(300)	7,468
At end of the period/year	<b>490,322</b>	486,886

#### Stage analysis on allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	7,880	425	482,017	<b>490,322</b>
As at 31 December 2019 (Audited)	9,053	444	477,389	486,886

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Debt securities	2,588,602	2,692,075
Less: Allowance for ECL	(72,011)	(67,982)
	<b>2,516,591</b>	2,624,093
Analysed as:		
Current assets	722,147	–
Non-current assets	1,794,444	2,624,093
	<b>2,516,591</b>	2,624,093

#### *Movement of allowance for ECL*

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At beginning of the period/year	67,982	3,512
ECL recognised	2,424	64,932
Write-offs	–	(444)
Exchange difference	1,605	(18)
At end of the period/year	<b>72,011</b>	67,982

#### *Stage analysis on allowance for ECL*

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	6,889	–	65,122	72,011
As at 31 December 2019 (Audited)	4,536	–	63,446	67,982

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Debt securities	<b>122,330,138</b>	122,793,884
Equity securities (Note i, ii)	<b>27,541,015</b>	23,930,196
Funds (Note i)	<b>53,482,050</b>	41,094,235
Others	<b>35,793,913</b>	31,774,755
	<b>239,147,116</b>	219,593,070
Analysed as:		
Current assets	<b>215,528,781</b>	198,030,685
Non-current assets	<b>23,618,335</b>	21,562,385
	<b>239,147,116</b>	219,593,070

Notes:

- (i) As at 30 June 2020, 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 RMB1,289,740 thousand (31 December 2019: RMB389,145 thousand) 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) Included in the Group's listed equity securities are amounts of approximately RMB1,486,631 thousand as at 30 June 2020 (31 December 2019: RMB895,650 thousand), which are restricted shares with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed by collateral type:		
Stock	38,759,470	42,674,467
Bonds	21,157,090	14,910,448
Others	631,516	831,406
Less: Allowance for ECL	(1,603,779)	(931,128)
	<b>58,944,297</b>	57,485,193
Analysed by market:		
Stock Exchange	51,662,747	47,447,813
Inter-bank	8,253,813	9,922,288
Over the counter ("OTC")	631,516	1,046,220
Less: Allowance for ECL	(1,603,779)	(931,128)
	<b>58,944,297</b>	57,485,193
Analysed as:		
Current assets	56,666,478	40,347,256
Non-current assets	2,277,819	17,137,937
	<b>58,944,297</b>	57,485,193

#### Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
(Unaudited)				
As at 1 January 2020	36,085	50,526	844,517	931,128
Changes in the loss allowance:				
– ECL (reversed)/ recognised	(39,043)	5,319	706,379	672,655
– Transfer between stages	18,820	(40,391)	21,571	–
– Exchange difference	(4)	–	–	(4)
As at 30 June 2020	<b>15,858</b>	<b>15,454</b>	<b>1,572,467</b>	<b>1,603,779</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 25. 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 amount

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	52,671,402	1,653,911	6,222,763	60,548,076
As at 31 December 2019 (Audited)	49,498,055	4,315,605	4,602,661	58,416,321

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 purchase the specified securities at a future date with an agreed price.

As at 30 June 2020, the fair value of the collateral received was RMB136,429,578 thousand (31 December 2019: RMB144,570,672 thousand).

### 26. OTHER LOANS AND RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Factoring receivables	8,165,608	7,675,555
Entrusted loans and others	1,000,453	1,191,095
Other loans and receivables	14,035,482	16,962,128
Gross carrying amount	23,201,543	25,828,778
Less: Allowance for ECL	(1,644,375)	(844,695)
	21,557,168	24,984,083
Analysed as:		
Current assets	15,753,553	20,222,329
Non-current assets	5,803,615	4,761,754
	21,557,168	24,984,083

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 26. OTHER LOANS AND RECEIVABLES (continued)

#### *Movement of allowance for ECL*

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
(Unaudited)				
As at 1 January 2020	207,531	423,588	213,576	844,695
Changes in the loss allowance:				
– ECL recognised	72,603	7,572	743,464	823,639
– Transfer between stages	(2,517)	(7,328)	9,845	–
– Write-offs	–	–	(25,580)	(25,580)
– Exchange difference	(34,630)	–	36,251	1,621
As at 30 June 2020	242,987	423,832	977,556	1,644,375

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*

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	20,089,124	1,808,404	1,304,015	23,201,543
As at 31 December 2019 (Audited)	23,560,019	1,539,777	728,982	25,828,778

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 27. LOANS AND ADVANCES

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Customer loans and advances	<b>3,519,711</b>	3,411,962
Less: Allowance for ECL	<b>(107,736)</b>	(104,774)
	<b>3,411,975</b>	3,307,188
Analysed as:		
Current assets	<b>625,130</b>	611,826
Non-current assets	<b>2,786,845</b>	2,695,362
	<b>3,411,975</b>	3,307,188

#### *Movement of allowance for ECL*

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
At beginning of the period/year	<b>104,774</b>	608,768
ECL recognised	<b>15,340</b>	16,237
Write-offs	<b>(1,780)</b>	(515,504)
Exchange difference	<b>(10,598)</b>	(4,727)
At end of the period/year	<b>107,736</b>	104,774

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 27. LOANS AND ADVANCES (continued)

#### Stage analysis on allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	12,669	63,959	31,108	107,736
As at 31 December 2019 (Audited)	21,748	46,258	36,768	104,774

### 28. DEFERRED TAXATION

For the purpose of presentation in the Group's interim condensed consolidated statement 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:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deferred tax assets	3,256,008	3,143,086
Deferred tax liabilities	(436,154)	(251,079)
	2,819,854	2,892,007

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

## 28. DEFERRED TAXATION (continued)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon,

	Financial assets/ liabilities at fair value through profit or loss	Accelerated depreciation	Derivative financial instruments	Accrued but not paid expenses	Debt instrument at fair value through other comprehensive income	Equity instrument at fair value through other comprehensive income	Impairment losses	Tax losses and others	Total
As at 1 January 2019	(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)
As 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
(Charge)/credit to profit or loss	(297,105)	(12,892)	(70,725)	(47,341)	385	-	375,208	(132,926)	(185,396)
Credit/(charge) to other comprehensive income	-	-	5,763	-	(33,333)	118,118	-	(4,502)	86,046
Effects of exchange rate	(99)	(1,259)	(134)	844	-	(10,982)	27,451	11,376	27,197
As at 30 June 2020	(861,366)	(78,012)	(38,778)	1,087,922	99,220	17,801	2,109,530	483,537	2,819,854

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 29. DEPOSITS WITH EXCHANGES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deposits with stock exchanges		
– Shanghai Stock Exchange	910,717	987,263
– Shenzhen Stock Exchange	165,717	248,363
– The Stock Exchange of Hong Kong Limited	1,997	1,344
– National Equities Exchange and Quotations	1,012	869
Subtotal	<b>1,079,443</b>	1,237,839
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	4,601,774	3,922,378
– Shanghai Futures Exchange	2,631,971	2,410,146
– Dalian Commodity Exchange	1,069,303	892,588
– Zhengzhou Commodity Exchange	717,207	414,314
– Shanghai Gold Exchange	45,969	3,007
– HKFE Clearing Corporation Limited	37,010	36,655
– The Chinese Gold & Silver Exchange Society	444	615
– Collateral deposits placed with overseas stock exchange and brokers	2,221,545	1,115,303
Subtotal	<b>11,325,223</b>	8,795,006
Trading rights and other deposits		
– Deposit with China Securities Finance Corporation Ltd.	1,189,215	528,592
– Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	123,805	65,020
– Deposit with Shanghai Clearing House	80,682	76,841
– Guarantee fund paid to Shenzhen Stock Exchange	37,300	19,720
– Guarantee fund paid to Shanghai Stock Exchange	28,339	16,326
– Guarantee fund paid to the SEHK Options Clearing House Ltd.	5,987	9,505
– Guarantee fund paid to Securities and Futures Commission	183	179
– Others	10,724	7,073
Subtotal	<b>1,476,235</b>	723,256
Total	<b>13,880,901</b>	10,756,101
Analysed as:		
Current assets	13,731,114	9,603,759
Non-current assets	149,787	1,152,342
	<b>13,880,901</b>	10,756,101

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 30. BANK BALANCES AND CASH

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Cash held on behalf of clients (Note i)	<b>89,591,282</b>	76,178,521
General accounts	<b>28,014,708</b>	35,852,218
Less: Allowance for ECL	<b>(1,706)</b>	(1,734)
	<b>117,604,284</b>	112,029,005
Less: Non-current restricted bank deposits (Note ii)	<b>(1,124,096)</b>	(966,912)
	<b>116,480,188</b>	111,062,093

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 42). 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 and pledged bank deposit, etc.

### 31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Bank balances and cash – general account (excluding accrued interest)	<b>27,985,539</b>	35,730,492
Less: Restricted bank deposits (Note)	<b>(1,761,329)</b>	(1,480,833)
Deposits with central banks other than legal reserve	<b>4,185,038</b>	4,736,623
Clearing settlement funds – House accounts	<b>3,018,543</b>	1,855,965
Deposits with other banks (excluding accrued interest)	<b>195,772</b>	204,638
	<b>33,623,563</b>	41,046,885

Note:

The restricted bank deposits are restricted for fund management risk reserve purpose, margin deposits for notes payable, margin deposits for borrowings and other pledge of bank deposits, etc.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 32. OTHER NON-CURRENT ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deferred costs	276,529	110,907
Long-term receivables from government cooperation projects	211,245	74,499
Repossession of finance lease assets	92,978	105,740
Foreclosed assets	12,450	59,099
Prepayment on acquisition of property and equipment and intangible assets	269	1,238,238
Others	336,679	199,271
	<b>930,150</b>	<b>1,787,754</b>

### 33. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Loans to margin clients (Note)	59,519,733	53,905,940
Less: Allowance for ECL (Note)	(1,787,891)	(1,108,014)
	<b>57,731,842</b>	<b>52,797,926</b>
Analysed as:		
Current assets	<b>57,731,842</b>	<b>52,797,926</b>

#### Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
(Unaudited)				
As at 1 January 2020	35,652	45,852	1,026,510	1,108,014
Changes in the loss allowance:				
– ECL (reversed)/recognised	(14,358)	2,190	676,645	664,477
– Transfer between stages	36,148	(40,555)	4,407	–
– Write-offs	–	–	(53)	(53)
– Exchange difference	539	600	14,314	15,453
As at 30 June 2020	<b>57,981</b>	<b>8,087</b>	<b>1,721,823</b>	<b>1,787,891</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 33. 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

	12m ECL Stage 1	Lifetime ECL (not credit- impaired) Stage 2	Lifetime ECL (credit- impaired) Stage 3	Total
As at 30 June 2020 (Unaudited)	54,976,731	1,155,025	3,387,977	59,519,733
As at 31 December 2019 (Audited)	49,241,708	1,824,130	2,840,102	53,905,940

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 30 June 2020 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB195,277,319 thousand (31 December 2019: RMB172,183,182 thousand).

As at 30 June 2020, included in the Group's accounts payable to brokerage clients were approximately RMB7,969,614 thousand (31 December 2019: RMB5,921,917 thousand) cash collateral received from clients for securities lending and margin financing arrangement.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 34. ACCOUNTS RECEIVABLE

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Accounts receivable from:		
– Brokers, dealers and clearing houses	<b>8,409,978</b>	7,880,432
– Clients for subscription of new shares in IPO	<b>1,092,350</b>	5,026
– Asset and fund management	<b>1,045,113</b>	756,470
– Cash clients	<b>243,572</b>	831,413
– Advisory and financial planning	<b>20,006</b>	18,600
– Others	<b>677,330</b>	456,972
	<b>11,488,349</b>	9,948,913
Less: Allowance for ECL	<b>(203,979)</b>	(196,536)
	<b>11,284,370</b>	9,752,377

#### *Aging analysis:*

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Less than 3 months	<b>9,976,815</b>	8,897,795
Between 4 and 6 months	<b>376,877</b>	262,738
Between 7 and 12 months	<b>636,433</b>	345,738
Over 1 year	<b>294,245</b>	246,106
	<b>11,284,370</b>	9,752,377



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 35. DERIVATIVE INSTRUMENTS (continued)

Notes:

#### (i) 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 30 June 2020 and 31 December 2019. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 30 June 2020, 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 RMB3,375,082 thousand (31 December 2019: RMB2,272,336 thousand), recognising net derivative assets of RMB119,580 thousand (31 December 2019: net derivative liabilities of RMB13,384 thousand) before settlement.

#### (ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2020 and 31 December 2019. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

	30 June 2020 (Unaudited)	
	Contractual value	Fair value
T2009	3,462,496	4,336
TF2009	2,517,994	46,431
TS2009	4,049	(3)
Total	5,984,539	50,764
Plus: settlement		(50,764)
Net position of TF contracts		–
	31 December 2019 (Audited)	
	Contractual value	Fair value
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: settlement		36,261
Net position of TF contracts		–

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 35. DERIVATIVE INSTRUMENTS (continued)

#### (iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As 30 June 2020, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2019: nil).

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Contractual value	Fair value	Contractual value	Fair value
<b>Contract</b>				
Commodity	3,200,176	(11,521)	3,734,216	137,359
Plus: settlement		11,521		(137,359)
Net position		–		–

#### (iv) Gold futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in gold futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 30 June 2020, the net position of the gold futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2019: none).

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Contractual value	Fair value	Contractual value	Fair value
<b>Contract</b>				
Gold	588,678	(4,712)	–	–
Plus: settlement		4,712		–
Net position		–		–

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 35. DERIVATIVE INSTRUMENTS (continued)

#### (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 30 June 2020 and 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.

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Contractual value	Assets	Liabilities	Contractual value	Assets	Liabilities
IRS – settled in Shanghai Clearing House	27,630,000	67,919	–	23,320,000	–	(8,260)
IRS – non-centralised settlement	19,238,369	966,019	(1,406,595)	21,507,632	1,014,960	(1,014,474)
<b>Total</b>	<b>46,868,369</b>	<b>1,033,938</b>	<b>(1,406,595)</b>	44,827,632	1,014,960	(1,022,734)
Plus: settlement		(67,919)	–		–	8,260
<b>Net position of IRS contracts</b>		<b>966,019</b>	<b>(1,406,595)</b>		1,014,960	(1,014,474)

### 36. OTHER CURRENT ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Prepayments	1,282,155	1,151,969
Inventory	293,423	323,017
Dividend receivable	720	116
Other receivables	2,806,852	2,225,912
	<b>4,383,150</b>	3,701,014
Less: Allowance for ECL (Note)	<b>(482,674)</b>	(485,257)
	<b>3,900,476</b>	3,215,757

Note:

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 37. CLEARING SETTLEMENT FUNDS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Clearing settlement funds held with clearing houses for:		
Customers	<b>7,811,013</b>	6,755,136
House accounts	<b>3,018,543</b>	1,855,965
	<b>10,829,556</b>	8,611,101

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.

### 38. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Deposits with central banks other than legal reserve	<b>4,185,038</b>	4,736,623
Legal reserve	<b>16,619</b>	46,522
	<b>4,201,657</b>	4,783,145
Deposits with other banks	<b>195,805</b>	204,672
Less: Allowance for ECL	<b>(4,229)</b>	(3)
	<b>191,576</b>	204,669
	<b>4,393,233</b>	4,987,814

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interest bearing.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 39. BORROWINGS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Short-term borrowings:		
Secured borrowings (Note)	4,970,237	4,383,774
Unsecured borrowings	42,942,800	37,408,231
	<b>47,913,037</b>	41,792,005
Long-term borrowing:		
Secured borrowings (Note)	18,469,520	17,773,149
Unsecured borrowings	30,437,387	28,559,969
	<b>48,906,907</b>	46,333,118
<b>Total</b>	<b>96,819,944</b>	88,125,123
Current liabilities:		
Short-term borrowings	47,913,037	41,792,005
Long-term borrowings due within one year	18,782,182	15,248,859
	<b>66,695,219</b>	57,040,864
Non-current liabilities:		
Long-term borrowings	30,124,725	31,084,259
	<b>96,819,944</b>	88,125,123
Analysis by maturity:		
Less than 1 year	66,695,219	57,040,864
1-2 year	16,227,241	11,908,979
2-5 year	12,298,053	16,965,033
Over 5 years	1,599,431	2,210,247
	<b>96,819,944</b>	88,125,123

Note:

As at 30 June 2020, borrowings of RMB39 million (31 December 2019: RMB45 million) are secured by the 33rd floor of No.689 Guangdong Road, Haitong Securities Tower, Shanghai, the PRC.

As at 30 June 2020, borrowings of RMB6,009 million (31 December 2019: RMB5,914 million) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Group.

As at 30 June 2020, current borrowings of RMB2,741 million (31 December 2019: RMB2,687 million) are secured by the bond fund at fair value of RMB3,653 million (31 December 2019: RMB3,612 million).

As at 30 June 2020, borrowings of RMB14,651 million (31 December 2019: RMB12,463 million) are secured by finance lease receivables of RMB5,698 million (31 December 2019: RMB8,833 million), receivables arising from sale and leaseback arrangements of RMB8,063 million (31 December 2019: RMB4,977 million), shares of subsidiaries and Group's aircrafts with the net carrying amount of RMB6,019 million (31 December 2019: RMB4,255 million).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 40. SHORT-TERM FINANCING BILLS PAYABLES

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Short-term bonds (Note i)	<b>16,061,370</b>	11,047,480
Medium-term notes (Note ii)	<b>5,952,177</b>	6,696,159
Short-term income certification (Note iii)	<b>5,556,963</b>	9,940,351
Ultra-short-term bonds (Note iv)	<b>4,543,774</b>	4,522,865
Corporate bonds (Note v)	<b>1,001,567</b>	–
	<b>33,115,851</b>	32,206,855

Note i:

During the six months ended 30 June 2020, the Group newly issued short-term bonds with an aggregate principal amount of RMB25,000 million, and paid the principal and interest of short-term bonds amounting to RMB20,133 million. The balance as at 30 June 2020 carried interest rates ranging from 1.45% to 3.37% per annum, with terms ranging from 3 months to 1 year.

Note ii:

During the six months ended 30 June 2020, the Group newly issued medium-term notes with an aggregate principal amount of RMB4,546 million, and paid the principal and interest of medium-term notes amounting to RMB5,493 million. The balance as at 30 June 2020 carried interest rates ranging from 2.30% to 3.95% per annum, with terms ranging from 9 months to 1 year.

Note iii:

During the six months ended 30 June 2020, the Group newly issued short-term income certification with an aggregate principal amount of RMB14,757 million, and paid the principal and interest of short-term income certification amounting to RMB19,065 million. The balance as at 30 June 2020 carried interest rates ranging from 1.60% to 7.00% per annum, with terms ranging from 6 days to 1 year.

Note iv:

During the six months ended 30 June 2020, the Group newly issued ultra-short-term bonds with an aggregate principal amount of RMB2,500 million, and paid the principal and interest of ultra-short-term bonds amounting to RMB2,539 million. The balance as at 30 June 2020 carried interest rates ranging from 1.45% to 3.45% per annum, with terms ranging from 3 months to 1 year.

Note v:

During the six months ended 30 June 2020, the Group newly issued corporate bonds with an aggregate principal amount of RMB1,000 million, while no corporate bonds matured. The balance as at 30 June 2020 carried interest rate is 2.20% per annum, with the term of 9 months.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 41. BONDS PAYABLE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Corporate bonds (Note i)	97,150,567	74,758,309
Asset-based securities, notes and special plans (Note ii)	12,720,015	22,502,819
Subordinated notes (Note iii)	8,318,707	13,005,063
Financial bonds (Note iv)	7,994,214	8,621,796
Long-term income certificates (Note v)	3,596,398	3,713,203
Medium-term notes (Note vi)	2,615,294	2,886,918
Convertible bonds	113,561	110,422
Other bonds (Note vii)	7,189,726	7,143,841
	<b>139,698,482</b>	132,742,371
Analysed as:		
Current liabilities	43,487,692	43,699,917
Non-current liabilities	96,210,790	89,042,454
	<b>139,698,482</b>	132,742,371

Note i:

During the six months ended 30 June 2020, the Group newly issued corporate bonds with an aggregate principal amount of RMB28,066 million, and paid the principal and interest of corporate bonds amounting to RMB7,628 million. The balance as at 30 June 2020 carried interest rates ranging from 1.29% to 6.18% per annum, with terms ranging from 2 years to 10 years.

Note ii:

During the six months ended 30 June 2020, the Group newly issued asset-based securities, notes and special plans with an aggregate principal amount of RMB5,381 million, and paid the principal and interest of asset-based securities, notes and special plans amounting to RMB15,600 million. The balance as at 30 June 2020 carried interest rates ranging from 2.43% to 6.20% per annum, with terms ranging from 1 year to 3 years.

Note iii:

During the six months ended 30 June 2020, the Group did not issue any subordinated notes, but paid the principal and interest of subordinated notes amounting to RMB4,911 million. The balance as at 30 June 2020 carried interest rates ranging from 3.40% to 6.05% per annum, with terms ranging from 3 years to 5 years.

Note iv:

During the six months ended 30 June 2020, the Group did not issue any financial bonds, but paid the interest of financial bonds amounting to RMB850 million. The balance as at 30 June 2020 carried interest rates ranging from 0.22% to 5.77% per annum, with terms ranging from 2 years to 5 years.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 41. BONDS PAYABLE (continued)

Note v:

During the six months ended 30 June 2020, the Group newly issued long-term income certificates with an aggregate principal amount of RMB31 million and paid the principal and interest of long-term income certificates amounting to RMB216 million. The balance as at 30 June 2020 carried interest rates ranging from 2.60% to 4.90% per annum, with terms ranging from 1 year to 2 years.

Note vi:

During the six months ended 30 June 2020, the Group did not issue any medium-term notes, but paid the interest of medium-term notes amounting to RMB331.75 million. The balance as at 30 June 2020 carried interest rates ranging from 1.14% to 5.77% per annum, with terms ranging from 3 years to 10 years.

Note vii:

During the six months ended 30 June 2020, the Group did not issue any other bonds, but paid the interest of other bonds amounting to RMB136 million. The balance as at 30 June 2020 carried interest rates ranging from 3.80% to 6.50% per annum, with terms ranging from 2 years to 3 years.

### 42. 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.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 30 June 2020, included in the Group's accounts payable to brokerage clients were approximately RMB7,969,614 thousand (31 December 2019: RMB5,921,917 thousand) cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rates.

### 43. CUSTOMER ACCOUNTS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Demand deposits – corporate	<b>24,702</b>	379,485
Time deposits – corporate	<b>3,016,219</b>	2,464,127
Demand deposits – individual	<b>2,683</b>	501
Time deposits – individual	<b>24,370</b>	29,524
	<b>3,067,974</b>	2,873,637
Analysed as:		
Current liabilities	<b>3,067,974</b>	2,873,637

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 44. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Payable to employees (Note i)	5,014,340	5,699,702
Short term finance lease guarantee deposits	3,314,237	2,630,716
Client settlement payables	2,835,566	2,473,668
Amounts due to brokers	1,979,583	1,329,198
Notes payable	1,161,126	930,867
Pending payable to clearing house	545,735	365,151
Other tax payable	513,069	598,558
Risk reserve	463,262	436,387
Funds payable to securities issuers	401,498	–
Dividends payable	100,085	52,431
Commission and fee payables	54,937	23,609
Others (Note ii)	3,599,909	4,204,515
	<b>19,983,347</b>	<b>18,744,802</b>
Analysed as:		
Current liabilities	<b>18,962,316</b>	17,748,106
Non-current liabilities (Note i)	<b>1,021,031</b>	996,696
	<b>19,983,347</b>	<b>18,744,802</b>

Notes:

- (i) The Group set up a detailed plan for the payment of employees' bonuses accrued. According to the plan, a balance of RMB480,267 thousand is expected to be settled after one year (31 December 2019: RMB462,582 thousand) and therefore classified as non-current liabilities.
- (ii) Others mainly represent payables received in advance which are non-interest bearing and are settled within one year.

### 45. PROVISIONS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contingencies (Note)	79,405	66,017
ECL impairment for loan commitments, financial guarantee and letters of credit	15,028	9,063
	<b>94,433</b>	<b>75,080</b>

Note: These provisions are intended to cover certain contingencies related to the Group's activities, including contingencies related to ongoing tax processes, and ongoing litigation related to legal dispute with staff.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 46. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial liabilities held for trading	4,532,513	3,326,891
Liabilities arising from consolidation of structured entities	3,903,713	3,762,236
Designated as financial liabilities at fair value through profit or loss (Note i)		
– Structured products (Note ii)	21,044,189	17,064,332
– Gold option (Note iii)	1,443,941	5,660,657
– Income certificates (Note iv)	895,597	271,850
	<b>31,819,953</b>	30,085,966
Analysed as:		
Current liabilities	29,045,393	26,211,555
Non-current liabilities	2,774,560	3,874,411
	<b>31,819,953</b>	30,085,966

#### Notes:

- (i) As at 30 June 2020 and 31 December 2019, 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 six months ended 30 June 2020 and during the six months ended 30 June 2019.
- (ii) As at 30 June 2020 and 31 December 2019, included in the Group's financial liabilities designated at fair value through profit or loss are structured notes issued by 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. 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 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 financial liabilities at fair value through profit or loss upon initial recognition.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed by collateral type:		
Stock	1,288,122	1,421,462
Bonds	68,305,917	61,117,485
Gold	10,995,309	6,338,731
	<b>80,589,348</b>	68,877,678
Analysed by market:		
Stock exchanges	20,345,397	12,147,846
Inter-bank	49,248,642	50,391,101
OTC	10,995,309	6,338,731
	<b>80,589,348</b>	68,877,678
Analysed as:		
Current liabilities	<b>80,589,348</b>	68,877,678

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 information but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 30 June 2020, the collateral pledged for the financial assets sold under repurchase agreement is RMB94,629,711 thousand, of which the financial assets at fair value through profit or loss is RMB58,373,971 thousand, the financial assets at fair value through other comprehensive income is RMB1,674,292 thousand and financial assets purchased under resale agreements is RMB347,760 thousand (As at 31 December, 2019: the collateral pledged for the financial assets sold under repurchase agreement is RMB87,356,276 thousand, of which the financial assets at fair value through profit or loss is RMB68,526,053 thousand, the financial assets at fair value through other comprehensive income is RMB473,014 thousand, and financial assets purchased under resale agreements is RMB161,179 thousand).

### 48. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Placements from banks	7,118,959	13,603,465
Placements from CSFCL	2,518,691	7,019,049
	<b>9,637,650</b>	20,622,514
Analysed as:		
Current liabilities	6,405,222	14,421,611
Non-current liabilities	3,232,428	6,200,903
	<b>9,637,650</b>	20,622,514

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 49. LONG-TERM PAYABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Finance lease guarantee deposits	7,148,814	7,116,287
Deferred income	662,279	666,492
Others	405,680	326,557
	<b>8,216,773</b>	8,109,336

Long-term payables are mainly due to guaranteed funds received by the Group through finance leasing business. These amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

### 50. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares (‘000)	Amount	Number of shares (‘000)	Amount	Number of shares (‘000)	Amount
Registered, issued and fully paid at RMB1.00 per share: At 31 December 2019 (audited) and at 30 June 2020 (unaudited)	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

### 51. REVALUATION RESERVE

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At beginning of the period/year	114,007	(400,148)
Debt instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period/year	170,853	(562,817)
– Reclassification adjustment to profit or loss on disposal	(18,076)	(34,593)
– Reclassification adjustment to profit or loss for ECL	2,628	461,704
– Income tax impact	(35,772)	32,454
Equity instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period	(504,624)	795,267
– Transfer to retained earnings	32,757	(27,098)
– Income tax impact	115,538	(192,690)
Share of other comprehensive income of associates and joint ventures	(45,696)	68,727
Actuarial gains/(losses) on defined benefit obligations	16,938	(28,705)
Fair value (losses)/gains on hedging instrument designated in cash flow hedges	(99,651)	1,385
Others	–	521
At end of the period/year	<b>(251,098)</b>	114,007



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 52. GENERAL RESERVES

#### *Surplus reserves*

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the period for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

#### *General risk reserves*

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for trading risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be announced as dividends or converted into share capital. General reserves also include reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside of the Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. These regulatory reserves are not available for distribution.

Also, the general risk reserve includes the general risk reserve appropriated by the Company's subsidiaries in accordance with applicable laws and regulations in the industry or region.

### 53. CREDIT COMMITMENTS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Contingent liabilities		
– Guarantees and standby letters of credit income	<b>758,272</b>	1,017,789
Commitments		
– Irrevocable credit commitments	<b>244,593</b>	94,427

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable credit commitments represent contractual agreements to extend credit to the Haitong Bank, S.A.'s customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed.

As it is expected that the majority of these guarantees and commitment will expire without being used, the amounts disclosed above are not representative of the future cash outflows.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 54. OPERATING LEASE ARRANGEMENTS

#### *The Group as lessor*

The Group had contracted with tenants for the following future minimum lease payments:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Less than 1 year	<b>650,798</b>	470,356
1-5 years	<b>2,464,686</b>	1,831,974
Over 5 years	<b>1,313,788</b>	789,639
	<b>4,429,272</b>	3,091,969

### 55. CAPITAL COMMITMENTS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided	<b>2,708,250</b>	9,627,922

### 56. DIVIDENDS

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Dividends recognised as distribution	–	1,725,255

For the six months ended 30 June 2020, the company didn't pay any dividend. Pursuant to the 11th meeting of the 7th session of the Board held on 28 August 2020, the board of director of the company proposed a profit distribution resolution to declare 2020 interim dividend of RMB0.28 (taxes inclusive) with a total amount of 3,657,976 thousand, satisfied by cash. The profit distribution resolution has yet to be approved by the general meeting of shareholders. (Note 64).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 57. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries

Name of Entity	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 30 June 2020	As at 31 December 2019		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.*	有限責任公司 (中外合資) Limited liability company (equity joint venture)	PRC	51%	51%	RMB300,000,000	Fund Management
海富產業投資基金管理有限公司 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%	RMB100,000,000	Fund Management
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.*	有限責任公司 (法人獨資) Limited liability company (wholly owned)	PRC	100%	100%	RMB10,650,000,000	Private equity investment management
海通國際控股有限公司 Haitong International Holdings Limited*	N/A	Hong Kong	100%	100%	HKD11,179,726,140	Investment holding
海通期貨股份有限公司 Haitong Futures Co., Ltd.*	股份有限公司 (新三板上市) Joint stock limited company (listed on NEEQ)	PRC	66.67%	66.67%	RMB1,301,500,000	Financial and commodity futures contracts broking
海通國際證券集團有限公司 Haitong International Securities Group Limited*	N/A	Bermuda	64.91%	64.40%	HKD603,603,509	Investment holding
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited*	有限責任公司 (法人獨資) Limited liability company (wholly owned)	PRC	100%	100%	RMB5,300,000,000	Financial products investment, equity and securities investment
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited*	有限責任公司 (法人獨資) Limited liability company (wholly owned)	PRC	100%	100%	RMB2,200,000,000	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%	HKD4,146,162,881	Investment holding
海通恒信國際融資租賃股份有限公司 Haitong UniTrust International Financial Leasing Co., Ltd* (Note)	股份有限公司 (上市) Joint stock limited company (listed)	PRC	85%	85%	RMB8,235,300,000	Lease
海通銀行 Haitong Bank S.A.*	N/A	Portugal	100%	100%	EUR844,769,000	Banking services
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd.*	有限責任公司 (法人獨資) Limited liability company (wholly owned)	PRC	100%	100%	RMB10,000,000	Real estate development, property management and catering management

\* English translated name is for identification only.

Note: On 7 August 2020, "Haitong UniTrust International Financial Leasing Co., Ltd" completed the registration of name change. The former name was "Haitong UniTrust International Leasing Co., Ltd."

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 58. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. 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 30 June 2020 and 31 December 2019, and the results and cash flows for the six months ended 30 June 2020 and the year ended 2019, 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 RMB29,092,305 thousand and RMB17,770,241 thousand at 30 June 2020 and 31 December 2019, 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 30 June 2020 and 31 December 2019, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB504,552 thousand and RMB581,151 thousand respectively.

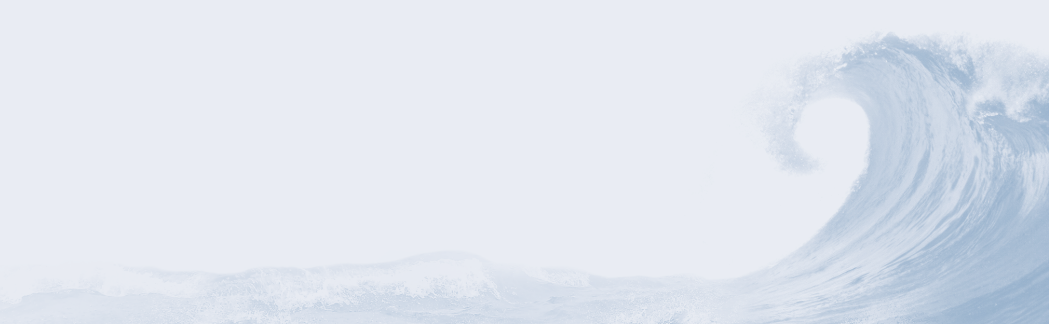
Interests held by other interest holders are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position and the corresponding changes are presented as changes in net investment gains or losses in the consolidated statement of profit or loss.

### 59. 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 58, 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 RMB9,934,856 thousand and RMB19,924,704 thousand as at 30 June 2020 and 31 December 2019, respectively. For the six months ended 30 June 2020, total fee income from all unconsolidated structured entities in which the Group acted as investment manager is RMB1,578,729 thousand (for the six months ended 30 June 2019: RMB1,056,529 thousand).

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 is close to their respective carrying amounts.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 60. RELATED PARTY TRANSACTIONS

There is no shareholder with shareholdings of 5% or above in the Company as at 30 June 2020.

The name and the relationship of other related parties that have major transactions at 30 June 2020 or for the six months ended 30 June 2020 are set out as below,

Name of the related party	Relationship of the related party
Shanghai Tong Guan Investment Management (Limited Partnership)	Joint venture
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	Joint venture
Fullgoal Fund Management Co., Ltd.	Associated enterprise
Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	Associated enterprise
Xi'an Aerospace and New Energy Industry Fund	Associated enterprise
Shanghai Cultural Industries Investment Fund (Limited Partnership)	Associated enterprise
Shanghai Equity Investment Fund (Limited Partnership)	Associated enterprise
Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	Associated enterprise
Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	Associated enterprise
Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)	Associated enterprise
Guangdong South Media Integration Fund (Limited Partnership)	Associated enterprise
Haitong (Jilin) Equity Investment Fund (Limited Partnership)	Associated enterprise
Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.	Associated enterprise
Shanghai Equity Investment Fund II (Limited Partnership)	Associated enterprise
Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	Associated enterprise

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 60. RELATED PARTY TRANSACTIONS (continued)

The Group's major transactions with related parties are as follows,

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Commission and fee income from		
– Fullgoal Fund Management Co. Ltd.	35,835	20,396
– Shanghai Equity Investment Fund (Limited Partnership)	18,014	30,152
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	8,491	–
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	8,019	9,457
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	7,881	6,990
– Shanghai Equity Investment Fund II (Limited Partnership)	7,009	–
– Xi'an Aerospace and New Energy Industry Fund	6,792	9,396
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	4,176	12,968
– Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.	4,028	2,014
– Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership)	2,828	3,944
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	1,585	2,774
– Haitong (Jilin) Equity Investment Fund (Limited Partnership)	1,132	1,132
– Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	11	–
	<b>105,801</b>	99,223
Commission and fee expenses to		
– Shanghai Equity Investment Fund (Limited Partnership)	<b>(23,030)</b>	–
Interest income from		
– Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	30,616	38,196
– Others	20	129
	<b>30,636</b>	38,325
Interest expenses to		
– Fullgoal Fund Management Co. Ltd.	–	(2)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 60. RELATED PARTY TRANSACTIONS (continued)

The Group had the following material balances with the related parties as at 30 June 2020 and 31 December 2019

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Financial assets held under resale agreements and interests		
– Gui'an UT Financial Leasing (Shanghai) Co., Ltd	<b>632,234</b>	832,284
Accounts receivable from		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	2,250
Other receivables from		
– Shanghai Equity Investment Fund (Limited Partnership)	<b>19,095</b>	1,003
– Shanghai Equity Investment Fund II (Limited Partnership)	<b>7,430</b>	–
	<b>26,525</b>	1,003
Other payables to		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	<b>(8,790)</b>	–
– Xi'an Aerospace and New Energy Industry Fund	<b>(8,320)</b>	–
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	<b>(4,170)</b>	–
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	<b>(1,540)</b>	–
	<b>(22,820)</b>	–
Contract liabilities		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	–	(690)
Accounts payable to brokerage clients		
– Xi'an Aerospace and New Energy Industry Fund	<b>(4,331)</b>	(1,722)
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	<b>(518)</b>	(171)
– Shanghai Tong Guan Investment Management (Limited Partnership)	–	(3,622)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	–	(3,217)
– Others	<b>(4)</b>	(339)
	<b>(4,853)</b>	(9,071)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 60. RELATED PARTY TRANSACTIONS (continued)

The remuneration of the key management personnel of the Group was as follows:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Short-term benefits:		
– Fees, salaries, commission and bonuses	27,059	30,407
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	193	407
	27,252	30,814

### 61. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity instruments and debt instruments at fair value through other comprehensive income, financial instruments at fair value through profit or loss, derivative instruments, financial assets held under resale agreements, other loans and receivables, loans and advances, advances to customers on margin financing, accounts receivable, other receivables, placements to banks and other financial institutions, deposits with exchanges, clearing settlement funds, restricted bank deposits, bank balances and cash, receivables arising from sale and leaseback arrangements, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and finance lease receivables include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

During the six-months ended 30 June 2020, there has been no material changes in the risk management policies. The interim condensed consolidated financial information does not include all financial risk management information and disclosure and should be read in conjunction with the consolidated financial information for the year ended 31 December 2019.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 62. 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.

#### 62.1 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 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Debt instruments measured at amortised cost	2,516,591	2,388,989	2,624,093	2,635,203
<b>Financial liabilities</b>				
Non-convertible bonds payable	139,584,921	140,690,403	132,631,949	132,575,034

Except for the above, the directors of the Group 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.

#### 62.2 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.

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 models, recent transaction prices or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

#### 62.2 Financial instruments measured at fair value on a recurring basis (continued)

The following table presents financial assets and financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

	Level 1	Level 2	Level 3	Total
(Unaudited)				
<b>As at 30 June 2020</b>				
Financial assets at fair value through profit or loss				
– Debt securities	5,502,561	114,917,150	1,910,427	122,330,138
– Equity securities	17,838,799	742,762	8,959,454	27,541,015
– Funds	2,386,458	50,560,265	535,327	53,482,050
– Others	–	30,945,140	4,848,773	35,793,913
Debt instruments at fair value through other comprehensive income	177,626	7,901,055	1,542,271	9,620,952
Equity instruments at fair value through other comprehensive income	260,068	14,927,365	267,043	15,454,476
Derivative financial assets	21,482	2,895,430	3,676	2,920,588
	<b>26,186,994</b>	<b>222,889,167</b>	<b>18,066,971</b>	<b>267,143,132</b>
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	270,515	4,261,998	–	4,532,513
– Designated as financial liabilities at fair value through profit or loss	–	26,927,386	360,054	27,287,440
Derivative financial liabilities	152,339	2,930,343	41,343	3,124,025
	<b>422,854</b>	<b>34,119,727</b>	<b>401,397</b>	<b>34,943,978</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

#### 62.2 Financial instruments measured at fair value on a recurring basis (continued)

	Level 1	Level 2	Level 3	Total
(Audited)				
<b>As at 31 December 2019</b>				
Financial assets at fair value through profit or loss				
– Debt securities	1,316,005	120,234,358	1,243,521	122,793,884
– Equity securities	16,528,978	1,067,314	6,333,904	23,930,196
– Funds	3,791,362	37,087,060	215,813	41,094,235
– Others	–	30,409,229	1,365,526	31,774,755
Debt instruments at fair value through other comprehensive income	316,424	9,644,796	1,193,001	11,154,221
Equity instruments at fair value through other comprehensive income	135,870	15,382,009	266,099	15,783,978
Derivative financial assets	212	1,490,678	25,606	1,516,496
	22,088,851	215,315,444	10,643,470	248,047,765
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	206,459	3,120,432	–	3,326,891
– Designated as financial liabilities at fair value through profit or loss	28,596	26,375,859	354,620	26,759,075
Derivative financial liabilities	175,794	1,941,868	52,937	2,170,599
	410,849	31,438,159	407,557	32,256,565

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020  
(All amounts in RMB'000 unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

#### 62.2 Financial instruments measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

As at 30 June 2020 (Unaudited)

	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative instruments
As at 1 January 2020	9,158,764	266,099	1,193,001	354,620	(27,331)
Transfer in	5,417,826	-	179,530	-	-
Purchase/(disposal)	980,136	-	(5,756)	-	-
Transfer out	(561,424)	-	-	-	1,641
Total gains/(losses) – other gains/(losses)	1,258,679	944	175,496	5,434	(11,977)
As at 30 June 2020	16,253,981	267,043	1,542,271	360,054	(37,667)

As at 31 December 2019 (Audited)

	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative instruments
As at 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 gains/(losses) – other gains/(losses)	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)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

### 63. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current period's presentation.

### 64. SUBSEQUENT EVENTS

On 5 August 2020, the Company completed a private placement of 1,562,500 thousand A shares to specific target subscribers. The Company's share capital increased to RMB13,064,200 thousand. After the completion of the private placement, Shanghai Guosheng Group Co., Ltd. and its subsidiary, Shanghai Guosheng Group Assets Co., Ltd. held 10.38% voting rights in total of the Company, becoming the largest equity holder of the Company.

Pursuant to the 11th meeting of the 7th session of the Board held on 28 August 2020, the Board of Directors of the Company proposed a profit distribution resolution to declare 2020 interim dividend of RMB0.28 (taxes inclusive) with a total amount of 3,657,976 thousand, satisfied by cash. The profit distribution resolution has yet to be approved by the general meeting of shareholders.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 30 June 2020 and up to the date of approval of the consolidated financial information.

