

恒投证券

HENGTOU SECURITIES

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

Stock Code: 1476

2020

Annual Report

Contents

IMPORTANT NOTICE	2
CHAIRMAN'S STATEMENT	3
SECTION 1 DEFINITIONS	4
SECTION 2 MATERIAL RISKS	8
SECTION 3 COMPANY PROFILE	9
SECTION 4 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDEXES	20
SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS	27
SECTION 6 REPORT OF THE BOARD OF DIRECTORS	83
SECTION 7 OTHER MATERIAL PARTICULARS	99
SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS	108
SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	113
SECTION 10 CORPORATE GOVERNANCE REPORT	138
APPENDIX PARTICULARS OF SECURITIES BRANCHES	174
INDEPENDENT AUDITOR'S REPORT	187
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	195
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	197
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	200
CONSOLIDATED STATEMENT OF CASH FLOWS	201
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	203

Important Notice

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

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

The financial report for 2020 prepared by the Company, in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises, has been audited by Grant Thornton Hong Kong Limited and Grant Thornton Certified Public Accountants, respectively, each of whom had issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Wu Yigang (the acting chairman of the Board), Mr. Niu Zhuang (the president) and Mr. Sun Hang (the chief financial officer) declared that they undertake the financial statements in this report are true, accurate and complete.

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

Chairman's Statement

Year 2020 was the final year of China's "13th Five-Year Plan" and a year of planning the "14th Five-Year Plan". As an important component and supportive force for high-quality economic development, the capital market also faced historic development opportunities. Against the unfavourable context of the COVID-19 outbreak, under the leadership of the Communist Party of China Central Committee with Comrade Xi Jinping as the core, in order to make an overall planning for the pandemic prevention and control as well as the economic and social development, the regulation of various domestic macro-policies has been significantly enhanced and a number of financial support policies have been introduced successively, giving strong impetus to the capital market for development. In 2020, the domestic securities market performed well on the whole. The Shanghai Stock Exchange Composite Index rose by 13.87%, the Shenzhen Stock Exchange Component Index rose by 38.73%, the Shenzhen Stock Exchange Small and Medium Enterprise Component Index and the Shenzhen Stock Exchange ChiNext Index rose by 43.91% and 64.96%, respectively. Year 2020 was a critical year for the Company to accelerate its transformation and development and achieve greater progress. Tianfeng Securities Co., Ltd. has completed the acquisition of 26.49% equity interest in the Company, becoming the largest shareholder of the Company, and the corporate governance structure has continuously been optimized and improved. With the support of regulatory authorities and shareholders, and under the guidance of the strategic decisions of the Board, the management led all staff of the Company as a united group to work hard, and various businesses have entered a new stage of development. The Company adjusted the organizational structure of its brokerage business, promoted the implementation of the strategy of transforming its brokerage business into wealth management, and improved the layout of its various businesses. The Company insisted on operating in compliance, continuously improved its compliance and risk management system, earnestly implemented various regulatory requirements, and further strengthened the initiative of compliance and risk management. The Company has successfully issued the small public offering bonds, subordinated bonds and private bonds in succession, financing a total of RMB3.45 billion, which has optimized the capital structure of the Company and provided stable mid- and long-term capital support for its future business development. The Company has improved its human resources system and remuneration incentive system, carried out salary and job level adjustments, and enhanced talent recruitment and selection and cultivation, which improved the competitiveness of the Company.

In 2021, with the rapid development of the financial market and intensified competition in the industry, the Company will continue to promote business integration, accelerate its transformation and upgrade, and improve its business mode and profitability. The Company will further carry out the transformation of its brokerage business into wealth management business, promote the in-depth integration of financial technology and business based on the application of technology in the financial services system, and produce unique and competitive products in specific professional fields. It will comprehensively enhance its business capabilities and customer service standards, and change the status quo of homogenization in business to build up differentiated core competitive advantages. The Company will comprehensively strengthen the governance of its subsidiaries, further improve its compliance and risk control system, and optimise the construction of human resources system. It will comprehensively enhance its information and operational capabilities to provide technical support for the smooth development of its businesses, and strengthen the construction of back-office professionalism to provide strong support for and ensure its business development. All staff of the Company will unite to meet the opportunities and challenges with a new outlook, strive and forge ahead to make continuous progress and achieve new results in various businesses of the Company.

Wu Yigang

Acting Chairman

Beijing, the PRC
26 March 2021

Section 1 Definitions

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

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191), a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Registrar of Companies in Hong Kong on 27 April 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
end of Reporting Period	31 December 2020
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and a subsidiary of SASAC Xicheng District

Section 1 Definitions (Continued)

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

Section 1 Definitions (Continued)

Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of Finance Street Investment and a shareholder of the Company
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)

Section 1 Definitions (Continued)

Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Reporting Period	the year ended 31 December 2020
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong
stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 97% equity interest in Hangzhou Ruisi
this report	the 2020 annual report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company

Section 2 Material Risks

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

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

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

Section 3 Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. Name of Company

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

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

2. Board of Directors

Executive Directors

Mr. Wu Yigang (*Acting Chairman, Vice Chairman*)

Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Dong Hong

Ms. Gao Liang

Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

Special Committees of the Board

Strategy and Investment Committee

Mr. Yu Lei

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Wu Yigang

Mr. Dai Genyou

Section 3 Company Profile (Continued)

Audit Committee

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

Mr. Wang Linjing

Dr. Lam Sek Kong

Remuneration and Nomination Committee

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

Dr. Lam Sek Kong

3. Supervisory Committee

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

Mr. Chen Feng

Mr. Wang Hui

4. Legal Representative: Mr. Wu Yigang (*Acting*)

President: Mr. Niu Zhuang

Co-President: Ms. Zhai Chenxi

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

Net capital: RMB7,120,927,892.18

6. Qualifications for Businesses in China

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

Section 3 Company Profile (Continued)

7. Head Office in China

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

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

Website: www.cnht.com.cn

Email: dongban@cnht.com.cn

8. Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

9. Secretary of the Board

Mr. Zhang Jingshun

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: zhangjingshun@cnht.com.cn

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

10. Chief Compliance Officer

Mr. Liu Zhanjun

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: liuzhanjun@cnht.com.cn

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

11. Chief Risk Officer

Ms. Yu Fang

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: yufang@cnht.com.cn

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

Section 3 Company Profile (Continued)

12. Joint Company Secretaries

Mr. Zhang Jingshun, Ms. Leung Wing Han Sharon

13. Authorised Representatives

Mr. Wu Yigang, Ms. Leung Wing Han Sharon

14. Auditors

International accounting firm: Grant Thornton Hong Kong Limited

Domestic accounting firm: Grant Thornton Certified Public Accountants

15. Hong Kong Legal Advisor

Morgan, Lewis & Bockius

16. Principal Bankers

Industrial Bank Co., Ltd., Hohhot Branch

China Construction Bank Corporation, Saihan District Branch of Hohhot

Chinese Mercantile Bank Head Office Business Department

Bank of Communications Beijing Branch Business Department

17. H Share Registrar

Computershare Hong Kong Investor Services Limited

18. Stock Code (H Shares)

01476

Section 3 Company Profile (Continued)

II. DEVELOPMENT HISTORY

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

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

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

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

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

Section 3 Company Profile (Continued)

as to 80% and 20%, respectively, upon completion of the capital increase. On 16 September 2015, Hengtai Futures was converted into a joint stock company with limited liability as a whole through converting its original net asset value into shares.

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

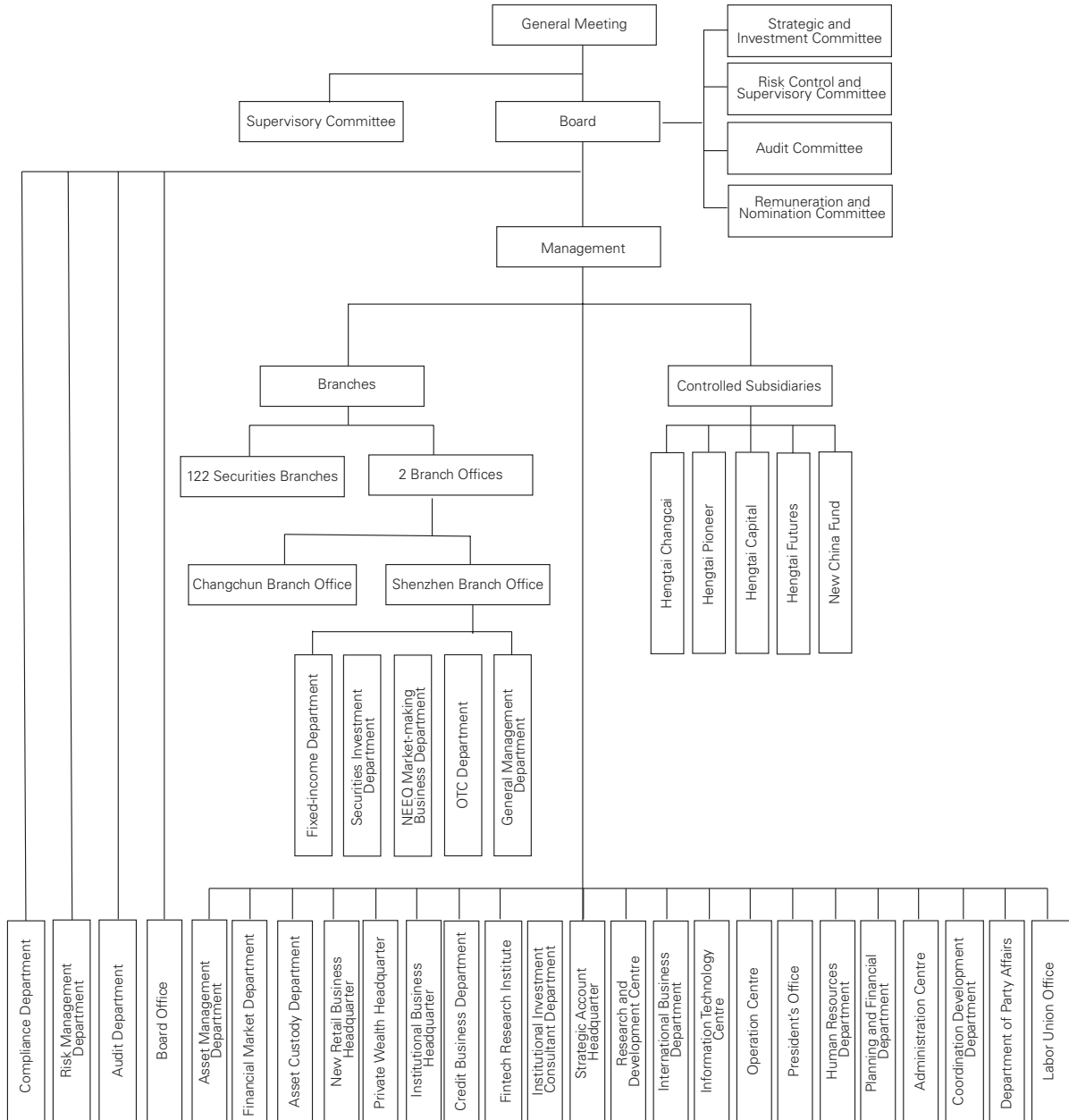
On 3 June 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million. On 29 January 2016, Hengtai Capital increased its registered capital from RMB0.2 billion to RMB1 billion in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

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

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

Section 3 Company Profile (Continued)

III. ORGANIZATION STRUCTURE



Section 3 Company Profile (Continued)

IV. SUBSIDIARIES

As at 31 December 2020, major subsidiaries of the Company, all of which conduct business in China, are as follows:

(I) Controlled Subsidiaries

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

Note:

- The Company's shareholding percentage in such company is presented as direct shareholding percentage.

Section 3 Company Profile (Continued)

(II) Major Subsidiaries of Hengtai Capital

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

(III) Major Subsidiary of Hengtai Futures

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

Section 3 Company Profile (Continued)

(IV) Major Subsidiary of New China Fund

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

V. BRANCH OFFICES

As at 31 December 2020, the Company had two branch offices in Shenzhen and Changchun, respectively, details of which are as follows:

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

Section 3 Company Profile (Continued)

VI. DISTRIBUTION OF SECURITIES BRANCHES

As at 31 December 2020, the Company had a total of 122 securities branches (please refer to Appendix to this report). Number and distribution of securities branches of the Company are as follows:

Location (PRC)	Number of securities branches	Location (PRC)	Number of securities branches
Inner Mongolia Autonomous Region	27	Hubei Province	2
Guangdong Province	17	Guangxi Zhuang Autonomous Region	2
Shanghai	16	Shanxi Province	1
Jilin Province	14	Hebei Province	1
Zhejiang Province	12	Chongqing	1
Beijing	11	Shaanxi Province	1
Shandong Province	6	Henan Province	1
Liaoning Province	3	Hunan Province	1
Fujian Province	2	Tianjin	1
Jiangsu Province	2	Sichuan Province	1

Section 4 Summary of Accounting Data and Financial Indexes

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

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

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

Item	2020	2019	Increase/ (decrease) from last period	2018
Operating results (RMB'000)				
Revenue and other income	3,680,835	3,847,104	(4.32%)	2,099,654
Profit before tax	598,535	974,950	(38.61%)	(820,420)
Profit for the year-attributable to ordinary shareholders of the Company	474,086	740,538	(35.98%)	(673,466)
Net cash generated from operating activities	1,220,131	2,308,765	(47.15%)	7,315
Earnings per share (RMB/share)				
Basic earnings per share ¹	0.16	0.25	(36.00%)	(0.30)
Diluted earnings per share ¹	0.16	0.25	(36.00%)	(0.30)
Profitability index				
Weighted average rate of return on net assets (%) ²	4.80	7.69	Decreased by 2.89 percentage points	(9.10)

Section 4 Summary of Accounting Data and Financial Indexes (Continued)

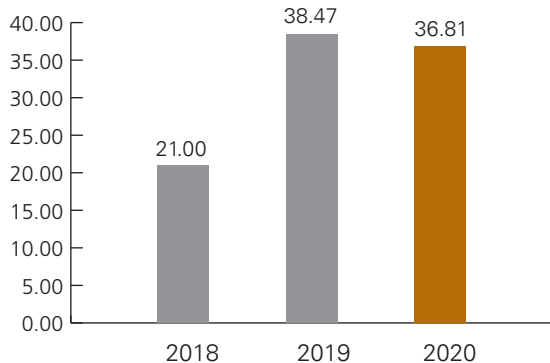
Item	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	31 December 2018
Scale indicators (RMB'000)				
Total assets	33,596,031	29,526,981	13.78%	29,915,079
Total liabilities	24,160,266	18,948,568	27.50%	19,970,258
Accounts payable to brokerage clients	11,392,900	9,071,688	25.59%	7,691,497
Equity attributable to ordinary shareholders and holders of perpetual capital securities	9,031,233	10,174,947	(11.24%)	9,536,409
Total share capital ('000 shares)				
Net assets per share attributable to ordinary shareholders ³ (RMB/share)	3.47	3.33	4.20%	3.09
Gearing ratio (%) ⁴	57.50	48.29	Increased by 9.21 percentage points	55.25

Notes:

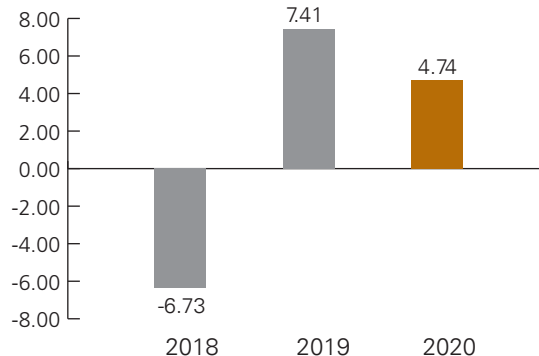
- The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
- Weighted average rate of return on net assets (%) = $P / (E_0 + P \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0)$, in which P represents net profit attributable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

Section 4 Summary of Accounting Data and Financial Indexes (Continued)

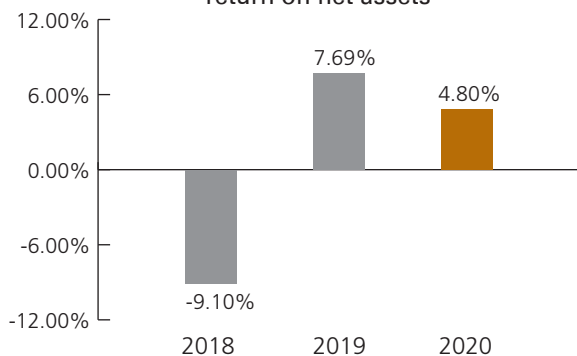
Revenue and other income
(RMB100 million)



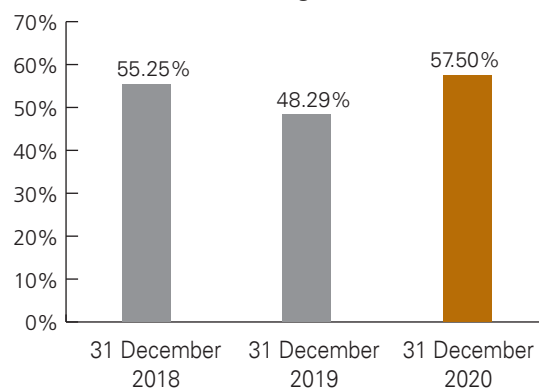
Annual profit/(loss)-attributable to the
Company shareholders of ordinary share
(RMB100 million)



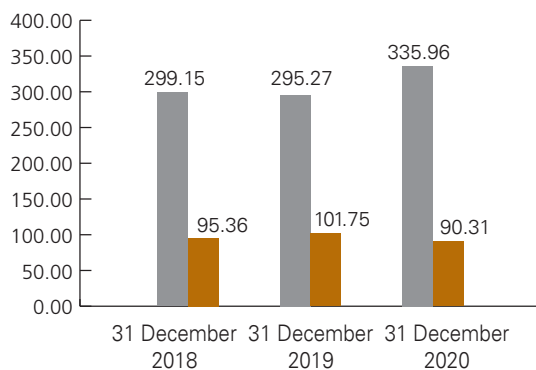
Weighted average rate of
return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



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

Section 4 Summary of Accounting Data and Financial Indexes (Continued)

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

Earnings (RMB'000)

Item	2020	2019	2018	2017	2016
Revenue and other income	3,680,835	3,847,104	2,099,654	4,234,363	3,541,155
Total operating expenses	(3,082,300)	(2,874,822)	(2,918,406)	(3,219,772)	(2,897,455)
Profit/(loss) before tax	598,535	974,950	(820,420)	1,012,905	642,577
Profit/(loss) for the year – attributable to ordinary shareholders of the Company	474,086	740,538	(673,446)	706,202	454,723

Assets, liabilities and equity (RMB'000)

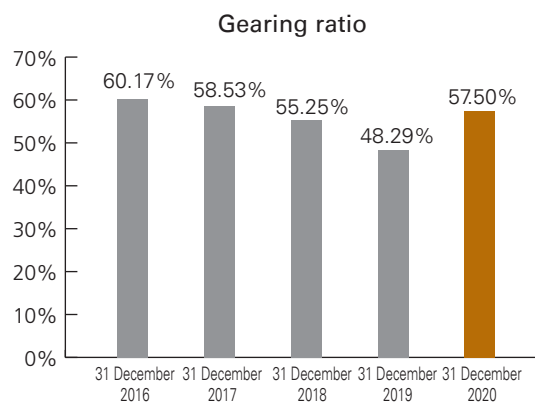
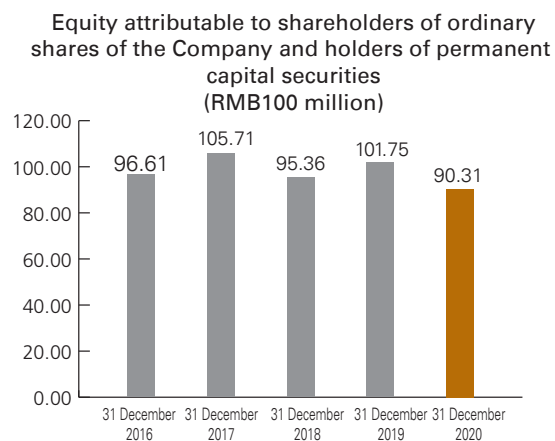
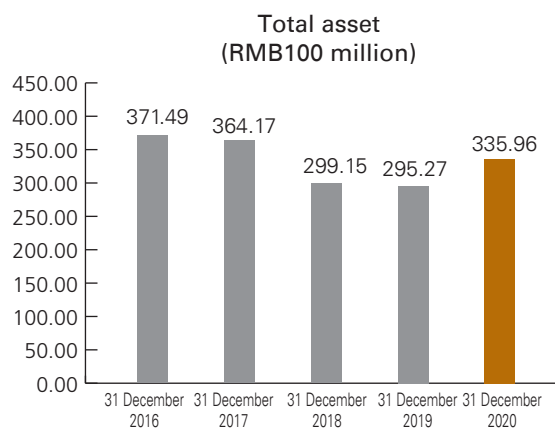
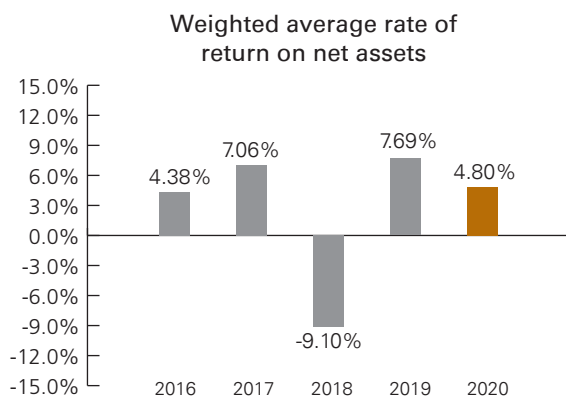
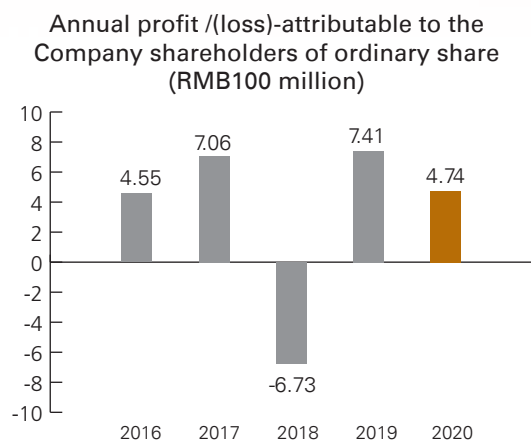
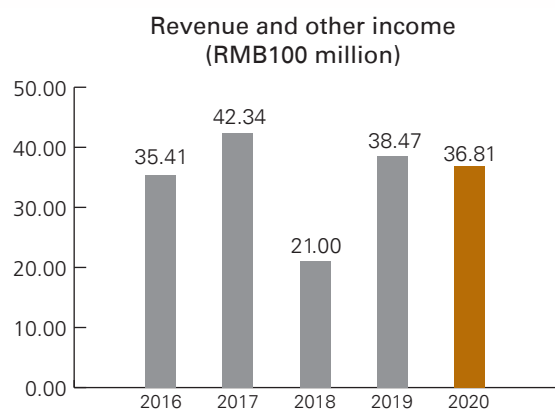
Item	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Total assets	33,596,031	29,526,981	29,915,079	36,416,987	37,148,596
Total liabilities	24,160,266	18,948,568	19,970,258	25,474,555	27,212,391
Accounts payable to brokerage clients	11,392,900	9,071,688	7,691,497	10,028,333	12,201,337
Equity attributable to ordinary shareholders and holders of perpetual capital securities	9,031,233	10,174,947	9,536,409	10,571,277	9,660,960
Total share capital ('000 shares)	2,604,567	2,604,567	2,604,567	2,604,567	2,604,567

Section 4 Summary of Accounting Data and Financial Indexes (Continued)

Key financial indexes

Item	2020	2019	2018	2017	2016
Basic earnings/(loss) per share (RMB/share)	0.16	0.25	(0.30)	0.23	0.14
Diluted earnings/(loss) per share (RMB/share)	0.16	0.25	(0.30)	0.23	0.14
Weighted average rate of return on net assets (%)	4.80	7.69	(9.10)	7.06	4.38
	31 December	31 December	31 December	31 December	31 December
	2020	2019	2018	2017	2016
Gearing ratio (%)	57.50	48.29	55.25	58.53	60.17
Net assets per share attributable to ordinary shareholders (RMB/share)	3.47	3.33	3.09	3.48	3.13

Section 4 Summary of Accounting Data and Financial Indexes (Continued)



Section 4 Summary of Accounting Data and Financial Indexes (Continued)

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

There is no material difference as to Company's net profit for 2020 and 2019 and net assets as at 31 December 2020 and 31 December 2019 shown on the consolidated financial statements prepared under the International Financial Reporting Standards and those shown on the consolidated financial statements prepared under China's Accounting Standards for Business Enterprises.

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

As at 31 December 2020, the Company's net capital amounted to RMB7,120.93 million, representing an increase of RMB1,614.60 million as compared with RMB5,506.33 million at the end of 2019. During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

Unit: in RMB'000

Item	31 December 2020	31 December 2019	Regulatory standard
Net capital	7,120,928	5,506,325	N/A
Including: Net core capital	6,020,928	5,506,325	N/A
Net supplement capital	1,100,000	0	N/A
Net assets	8,389,860	9,429,021	N/A
Total risk capital provision	3,159,231	3,495,827	N/A
Total assets on and off statement of financial position	19,843,769	17,702,429	N/A
Risk coverage ratio	225.40%	157.51%	≥100%
Capital leverage ratio	30.34%	31.10%	≥8%
Liquidity coverage ratio	1,181.45%	771.08%	≥100%
Net stable funding ratio	194.63%	176.37%	≥100%
Net capital/net assets	84.88%	58.40%	≥20%
Net capital/liabilities	63.12%	67.67%	≥8%
Net assets/liabilities	74.37%	115.87%	≥10%
Proprietary equity securities and securities derivatives/net capital	22.13%	33.04%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	101.67%	108.20%	≤500%

According to the relevant requirements under Administrative Measures for Risk Control Indicators of Securities Companies (CSRC Order No. 125) (《證券公司風險控制指標管理辦法》(中國證監會令 第125號)), the CSRC formulated the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies 《證券公司風險控制指標計算標準規定》, which took effect since 1 June 2020. The Company made retrospective adjustment to the relevant data as at 31 December 2019 in accordance with the provisions.

Section 5 Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, the COVID-19 pandemic broke out unexpectedly and hit the whole world. COVID-19 pandemic outbreak became an important factor affecting the macroeconomic and asset price performance both in the PRC and around the world. In 2020, despite the impact of the COVID-19 pandemic, China has achieved positive growth by integrating the policy of growth stabilization in the short term and the measures to accelerate structural reform and opening up, which attracted worldwide attention. Throughout 2020, in the face of the severe and complex environment both at home and abroad, especially the severe impact of the COVID-19 pandemic, all regions and government departments across the country, under the strong leadership of the Communist Party of China Central Committee with Comrade Xi Jinping as the core, adhered to the general work principle of seeking progress while maintaining stability, and coordinated pandemic prevention and control and economic and social development, which led to the steady recovery of economy and ensured the level of employment and people's livelihood. As a result, the main objectives and tasks for economic and social development have been completed in a better way than expected. China's annual GDP was RMB101,598.6 billion, representing a year-on-year increase of 2.30% calculated at comparable prices. By quarters, the first quarter, the second quarter, the third quarter and the fourth quarter recorded a decrease of 6.80%, an increase of 3.20%, an increase of 4.90% and an increase of 6.50%, respectively. By industries, the added values of the primary industry, the secondary industry and the tertiary industry were RMB7,775.4 billion, RMB38,425.5 billion and RMB55,397.7 billion, respectively, representing increases of 3.00%, 2.60% and 2.10%, respectively. In response to the impact of the pandemic, central banks such as the Federal Reserve System and the European Central Bank have turned to extremely loose monetary policies. Under such circumstances, the People's Bank of China has flexibly grasped the intensity, pace and focus of monetary policy control, and created a stable and suitable monetary and financial environment for key works such as pandemic prevention and control. In 2020, the broad money and the narrow money recorded year-on-year increases of 10.10% and 8.60%, respectively, and the balance of social financing increased by 13.30% year-on-year.

During the Reporting Period, the major indexes in the stock market rose, and the trading volume in the market increased significantly as compared with 2019. In 2020, the Shanghai Stock Exchange Composite Index opened at 3,066.34 points, once fell to the lowest 2,646.80 points, and closed at 3,473.07 points at the end of the year, representing a yearly increase of 13.87%; the Shenzhen Stock Exchange Component Index opened at 10,509.12 points at the beginning of the year, once fell to the lowest 9,578.87 points, and closed at 14,470.68 points at the end of the year, representing a yearly increase of 38.73%; the Growth Enterprise Index opened at 1,811.22 points at the beginning of the year, once fell to the lowest 1,769.16 points, and closed at 2,966.26 points at the end of the year, representing a yearly increase of 64.96%. During the Reporting Period, the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB83.99 trillion and RMB122.84 trillion, respectively, and the trading volume of stocks and funds on both stock exchanges totaled RMB206.83 trillion, representing a year-on-year increase of 62.34%. *(Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and Wind Info)*

Section 5 Management Discussion and Analysis (Continued)

II. ANALYSIS OF PRINCIPAL BUSINESS

The impact of the COVID-19 pandemic on the Group's businesses

At the time of the outbreak of the COVID-19 pandemic in early 2020, the Group adopted online office model, and gradually resumed normal on-site office work since April 2020. During the COVID-19 pandemic, benefited from the pre-position of online business of the brokerage business, the new investment accounts and the transaction size of the brokerage business recorded year-on-year increases in the first quarter of 2020. Meanwhile, the Company provided online services such as real-time inquiry and mobile trading services, off-site business guidance, human expert investment advisers and intelligent investment advisers in order to ensure the quality of service to the customers. In the future, the Company will continue to promote the transformation of wealth management. On the basis of enhancing the connectivity between financial technology and businesses, the Company will start from the customers' demand to further enhance the resources allocation capability and the online businesses service ability. In respect of the proprietary businesses, the impact is mainly reflected in the fluctuation of equity investment results. Affected by the uncontrollable factor of the COVID-19 pandemic, the results of operation of enterprises were negatively affective due to the disruption to normal production and operation, the risk appetite in equity markets was diminished and the investors' risk aversion was increased. The fluctuation of market sentiment dragged down the short-term trend of the stock market, and made certain impact on the Company's proprietary businesses income in the first half of 2020. In order to reduce the impact of fluctuation in proprietary businesses positions on investment results, the proprietary businesses took measures to reduce the fluctuation of investment portfolio to a certain extent and reduce the investment risks. As the capital market gradually overcome the bear market sentiment caused by the pandemic, the effect of government adjustment become the main factor that affect the market tendency. In respect of the investment banking businesses, the COVID-19 pandemic affected the normal promotion of the investment banking projects, thus the early-period coordination, on-site due diligence inspection, the investor roadshow inquiry and other aspects were seriously affected. Under the premise of abiding by the pandemic prevention and control policies, the investment banking businesses took various means, and relied on the online office to conduct work to ensure the project quality was not affected.

Due to the impact of the COVID-19 pandemic, offsite trainings and meetings were suspended and the business and administrative expenses of the Company decreased by RMB14 million in 2020 as compared to the previous year. In terms of liquidity, in the context of the COVID-19 pandemic, the liquidity of the Company suffered insignificant affect since a series of policies were implemented in the PRC to sustain the stability of liquidity in financial market and banking system. In 2020, the Company issued corporate bonds, subordinated bonds, beneficiary certificates and made borrowings from China Securities Finance Corporation Limited to raise funds, and ensure the security of its liquidity and maintain sufficient working capital. In the future, the Company will continue to enhance the efficiency of the overall capital allocation, and continue to explore new types and models of financing, broaden financing channels, so as to meet its capital requirements during the business development, arrange the scale and structure of liabilities in a scientific manner, and properly manage liabilities and liquidity.

Section 5 Management Discussion and Analysis (Continued)

During the Reporting Period, the Group recorded revenue and other income of RMB3,680.84 million and a net profit of RMB482.35 million, representing a decrease of 4.32% and 36.77% as compared with 2019, respectively.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB1,760.22 million, representing an increase of 23.73% as compared with 2019.

1. Securities brokerage

During the Reporting Period, the Company adhered to the customer-centric values, continuously improved its ability to serve its customers online, strengthened the construction of trading service platforms, and newly developed the “Fund Master” and “Hengtai 9:30” APPs on the basis of the original service platform. It relied on the advantages of the digital platform and the whole business chain system to deeply explore the customer demands. The Company used third-party platforms and its own platforms to promote online investment and consultation service and provide diversified investment and consultation service, continued to improve the investment and consultation business system with asset allocation as the core, so as to achieve accurate identification and service matching of differentiated customer demands, and effectively promote the joint improvement of the quality of investment and consultation services and the work efficiency.

During the Reporting Period, the number of new accounts opened reached 312,900 and the total number of clients reached 2,663,100, representing an increase of 12.38% as compared with the end of 2019. The total assets under custody for clients reached RMB136,773.13 million, representing an increase of 16.25% as compared with the end of 2019. The turnover of stocks and funds reached RMB2,014,394.15 million, representing an increase of 25.57% as compared with 2019, while the market share of stocks and funds was 0.46%, representing a decrease of 22.03% as compared with that in 2019.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2021

As for the securities brokerage business, the Company will promote business development with an intelligent, digital, precise and professional online and offline collaborative model, and increase investment in customer solicitation. At the same time, the Company will increase investment in innovative businesses such as share option, return swap, repurchase business and brokerage settlement to enrich the types of brokerage business. The Company will also continue to strengthen cooperation with private equity institutions in the market to expand the scale of company institutions and quantified business. The Company will continue to advance the development of information system to strengthen the efforts of technology empowering, build a hierarchical investment and consultation service system, cultivate professional talents and teams, optimize the performance incentive system, and improve the scale and market share of brokerage business.

2. Futures brokerage

During the Reporting Period, guided by the principles of “institution-orientation, production development and professional operation” in business transformation, Hengtai Futures adhered to the development strategy of serving financial institutions and industrial institutions, focused on transformation of institutional business development; continued to strengthen the construction of Internet online service platforms, promote the integration of platform resources, and vigorously transfer retail channel business to online business; strengthened the construction of core server rooms and systems, and achieved 10 Gigabit network capacity; effectively integrated the business resources of multiple parties, and significantly improved the efficiency of business undertaking and management. During the Reporting Period, the number of newly added clients of Hengtai Futures was 6,045.

Prospects for 2021

On the basis of focusing on transformation of financial institution development, the online transformation of retail channel business and actively exploring and trying new service business models for industrial institutions, Hengtai Futures will build a professional market team, accelerate the reserve of institutional customers and the implementation of new projects, and continuously improve operational efficiency, and enhance the key indicators such as equity scale, market share and revenue.

Section 5 Management Discussion and Analysis (Continued)

3. Wealth management

During the Reporting Period, the Company focused on the transformation of the wealth management business, adjusted the organizational structure of the brokerage business line, established a long-term development mechanism, and emphasized on deepening the professional functions of the three core service departments which are the new retail business headquarters, the private wealth headquarters and the institutional business headquarters, and the technology function of the empowering department of Fintech Research Institute, striving to provide customers with the most convenient, comprehensive, objective and premium wealth management services based on the needs of customers at different levels. During the Reporting Period, the Company sold 262 financial products in total and recorded sales of RMB11,061 million. As at the end of the Reporting Period, the existing size of its financial products is RMB11,597 million.

Prospects for 2021

The Company will continue to promote the development of wealth management to the buyers' investment and consultation model, with customers as the center and customer interests as the starting point. Through the development of the brand product system that fully reflects the professional research services of the Company such as public offering customized securities clearing business theme products, customized star-selected quality manager products, popular star-selected FOF products, the Company will consistently provide customers with multi-dimensional and one-stop wealth management services and continue to expand its brand influence.

4. Capital-based intermediary

During the Reporting Period, with the improvement of trading volume in the stock market, the size of the margin financing and securities lending business of the Company increased. Meanwhile, in order to control margin financing and securities lending business risks, the Company adjusted the credit lines and set more rigorous concentration management indicators to enhance the routine management of customers with larger financing size. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB5,114.43 million, representing an increase of 28.17% as compared with the end of 2019; the balance of stock-pledged repurchase amounted to RMB559.01 million, remaining flat as compared with the end of 2019.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2021

The Company will be committed to providing customers with professional investment and financing services by means of financial technology, offering comprehensive solutions for financing and securities lending to customers through a sound and intensive credit business operation system, so as to bring wealth appreciation for them. The Company will introduce high-end talents in the market, improve the collateral screening and valuation system, strengthen credit business risk management and control while steadily advancing business development, and adopt practical risk control measures to ensure the sound, rapid and healthy development of the business.

5. Asset custody

During the Reporting Period, the Company effectively performed relevant duties, increased investment in system construction, and actively developed securities fund custody, resulting in a steady increase in the scale of securities fund custody. Due to the transformation of business direction, the overall scale of asset custody business declined slightly. As at the end of the Reporting Period, the Company provided custody services for 1,118 funds, fund services for 301 funds and fund raising supervision services for 441 funds. The total size of asset custody, fund services and fund raising supervision amounted to RMB169,537 million, representing a decrease of RMB3,180 million as compared with that by the end of 2019.

Prospects for 2021

Although the growth rate of asset custody business has slowed down, the overall structure grows healthier. The Company will continuously adhere to the efficient and professional service concept, continue to strengthen cooperation with various financial institutions and the private securities fund managers and to expand business cooperation channels, proactively select high-quality fund managers, strengthen compliance and risk management, further perfect business processes, and improve the quality of client services, so as to maintain healthy business development.

Section 5 Management Discussion and Analysis (Continued)

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB345.74 million, representing a decrease of 1.50% as compared with 2019.

1. Equity financing

During the Reporting Period, the deepening reform of the capital markets in China continued to move forward for the purposes of fully implementing the registration system, strengthening information disclosure and the responsibilities of intermediary agencies. Against this backdrop, Hengtai Changcai proactively seized policy opportunities, implemented project quality control and risk management, steadily promoted the development of equity financing business, strengthened project reserves to ensure strong business development in future.

2. Debt financing

During the Reporting Period, the bond market showed a deep V trend due to the impact of COVID-19 pandemic overlapping with the changes of the fiscal and monetary policies. Hengtai Changcai clearly defined its development direction, seized the market opportunities, managed to eliminate the adverse effects caused by COVID-19 pandemic, and fully promoted the expansion of bond business. It completed 4 enterprise bond projects and 28 corporate bond projects, with a financing scale of RMB19,379 million. Meanwhile, Hengtai Changcai actively expanded its business by making use of selected experience. The scale of corporate bond project reserves grew steadily, laying a good foundation for future development.

Prospects for 2021

Hengtai Changcai will continue to deepen the reform of investment banking business, and its equity financing business will closely follow the market opportunities such as the development of the SSE STAR Market and the reform of the Shenzhen Stock Exchange ChiNext Market and the NEEQ, accelerate its business transformation and development to better serve the real economy. The scale of the debt financing business will be further expanded, continuing to build the bond business brand, and optimizing the regional layout, so as to establish effective presence in the Yangtze River Delta, Beijing-Tianjin-Hebei Urban Agglomeration and other regions on the basis of deepening the business development in the core areas. It will proactively expand more business models in the investment banking business, broaden business channels, reserve professional talents, and deepen project management. While expanding the business, it will also continue to strengthen compliance and risk control and management, and impose stricter requirements on subsequent project undertaking to ensure that the projects undertaken are more standardized to further enhance the brand image.

Section 5 Management Discussion and Analysis (Continued)

3. NEEQ recommendation business

During the Reporting Period, the business environment for small and medium-sized enterprises was relatively tough due to the ongoing impact of COVID-19 pandemic, and the development and promotion of various businesses on the NEEQ were affected to some extent. Under the unfavorable market environment, as for the NEEQ business, relying on its stable support policy and sound management system, the Company concentrated its manpower to focus on the development of high-quality listing and targeted capital increase and restructuring projects, optimized continuous steering projects, and put more emphasis on the quality improvement of business and personnel, the improvement of internal control mechanism and the screening of risk projects, and maintained a good competitive position in the market for each business. During the Reporting Period, the Company completed 8 listing projects, 12 targeted capital increase projects, and 3 merger and reorganization projects. It provided continuous steering services for 132 listed companies.

Prospects for 2021

At the end of 2020, the Company's NEEQ business department was entirely transferred to its subsidiary, Hengtai Changcai. The NEEQ business and Hengtai Changcai's original investment banking business will be more interconnected in terms of resources and business linkages to achieve complementary advantages. Meanwhile, the business collaboration between the NEEQ business and other departments will continue to advance and deepen, with a view to have a positive impact on the market development and expansion of the NEEQ business. In terms of the NEEQ business, it will continue to increase efforts on the incubation and public offering of selective layer enterprises, continuously improve the quality of personnel, promote the development of various businesses, and continue to provide more comprehensive and high-quality services to small and medium-sized enterprises in a sound manner.

Section 5 Management Discussion and Analysis (Continued)

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB724.31 million, representing decrease of 23.60% as compared with 2019.

1. Assets management

During the Reporting Period, the investment management business continued to implement the requirement of the Guideline on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (the “New Regulation on Asset Management”), decreased the scale of non-active management products, and strictly control the other existing businesses in accordance with the New Regulation on Asset Management. The overall business scale decreased as compared with the end of 2019. During the Reporting Period, the Company focused on the development of active management business, pursued the integration of investment and research to strengthen the ability on active management, refined the equity research, the positioning of fixed income of different products and targeted customers and combined with the market condition. The Company precisely created 10 new style products, including “Wenjian Hui Fu No.11 (穩健滙富11號)”, “Taize Youxuan No.1 (泰澤優選1號)”, “Wenjian Tian Fu No.5 (穩健添富5號)”, “Kechuang Fuxing No.2 (科創復興2號)” and “Ruixin No.6 FOF (睿鑫6號FOF)”. Currently, the six series of products (Wenjian Hui Fu Series (穩健滙富系列), Wenjian Tian Fu Series (穩健添富系列), Wenjian Zengyi Series (穩健增益系列), Kechuang Fuxing Series (科創復興系列), Zhixuan Series (智選系列), Ruixuan Series (睿選系列)) under assets management business all have good performance, and enjoy a high reputation in the market. In particular, products with fixed income maintained their leading position in the market in term of performance, and the FOF products and equity investment products had modest performance in the market.

As at the end of the Reporting Period, the total size of asset management business was RMB27,779.79 million, of which the size of collective asset management schemes amounted to RMB3,228.10 million; the size of targeted asset management schemes amounted to RMB3,127.76 million; the size of the asset-backed securities special schemes amounted to RMB21,423.93 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 43, 15 and 13, respectively.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2021

In respect of the assets management business, the Company will prioritize the fixed income investment business, spare no efforts to expand its FOF business, forge unique equity investment business, so as to provide customers with diversified products and provide major support for the Company's wealth management business. It will promote the construction of investment research system, deepen the integration of investment and research, speed up the application of investment research, and establish its brand image. Meanwhile, the Company will proactively expand third-party channels such as banks, the Internet and so on to increase business coverage with the expansion of channels; and re-establish institutional sales team to secure institutional clients with professional and comprehensive services, thus achieving the continuous increase of business scale. In addition to expanding the development of its business, the Company will further meliorate the business systems, enhance the compliance awareness of all staff and optimize the internal control system, so as to guarantee the healthy and orderly development of its businesses.

2. Fund management

During the Reporting Period, New China Fund kept enhancing its investment research capacity, strengthening its compliance management, leveling up risk control standard and strengthening the management of its middle and back offices, to promote business development. The performance of its equity funds and fixed income funds both achieved relatively outstanding results. The overall yield of equity funds ranked among the top 1/3 in the industry, and that of fixed income funds ranked in the top 1/10 in the industry. During the Reporting Period, benefiting from the structural trends in the A share market and good investment performance, the management size of publicly-raised funds of New China Fund increased significantly; risk treatment for special accounts proceeded orderly, with the management size decreasing.

As at the end of the Reporting Period, New China Fund had 50 publicly-raised funds with management size of RMB54,205 million, representing a year-on-year increase of RMB30,749 million or 131.09%. The size of asset management with special accounts reached RMB17,721 million, representing a year-on-year decrease of RMB22,834 million or 56.30%.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2021

New China Fund will continue to enhance its corporate brand, revitalise its corporate culture; deepen the reform for integration of equity funds investment and research; improve the investment research system for fixed-income products, reinforce the support for the research of the fix-income products, prevent credit risks; regarding to its institutional business, it will strengthen the expansion of customer base to cover wealth management subsidiaries of banks and financial companies; regarding to its retail business, it will further expand bank channels through further issuance of new funds and continuous marketing activities; regarding to its non-banking business, it will try to realize breakthrough through securities clearing mode; regarding to its internet-based finance business, it will strengthen brand marketing through the Internet; regarding to its special accounts management business, it will strive to properly handle the risks for subsisting assets and the transformation of active management business; it will improve and enhance the service and support capability and level of middle and back offices in an all-round way.

3. Private equity investment

During the Reporting Period, as required by the relevant regulatory authorities, Hengtai Capital continued to implement and promote the rectification. The rectification of its subsidiaries was carried out in an orderly manner. In respect of business rectification, it gradually scaled down the directly invested business, and rectified the existing private equity products under the new requirements of assets management standards. As at the end of the Reporting Period, there were 10 existing directly invested projects with an investment size of RMB740.08 million; there were 8 existing private equity funds with a fund size of RMB9,666 million, 3 of which were rectified. In respect of new business expansion, Hengtai Capital and its partners established a cooperation model of “advisor + tripartite manager”.

Prospects for 2021

Hengtai Capital will strictly manage the existing business and continue to push forward the outstanding matters related to rectification in accordance with the rectification plan previously reviewed and approved by the regulatory authorities. In compliance with the new regulatory requirements, Hengtai Capital will continue to strengthen risk control and capital constraints, focus on the development of merge and acquisition funds, emerging industry funds and synergistic businesses; reasonably adjust its personnel structure, strengthen talent training, expand business scale, and improve operational efficiency to create more income for investors.

Section 5 Management Discussion and Analysis (Continued)

4. Alternative investment

During the Reporting Period, Hengtai Pioneer continued to focus on the post-investment management of the projects, completed its related valuation models and conducted dynamic post-investment management of the projects, and completed the exit of one equity investment project. Meanwhile, Hengtai Pioneer continued to take advantage of the equity investment positioning function and completed one equity investment project in 2020. As at the end of the Reporting Period, Hengtai Pioneer invested in 9 direct investment projects with its own funds for an investment size of RMB97 million.

Prospects for 2021

Hengtai Pioneer will put further efforts into the management of investment projects financed by self-owned capital, intensify internal control and improve team building. In respect of business investment, it will focus on the co-investment in IPOs on the SSE STAR Market innovation board and the investment in Internet financial quotient education ecosystem. Meanwhile, it will pay consistent attention to the investment in film funds, strengthen researches and analyses in the film industry and funds, and identify film funds projects in lower risk for further investment.

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB725.02 million, representing a decrease of 30.81% as compared with 2019.

During the Reporting Period, liquidity and risk appetite were the key drivers of market sentiment. The sectors with sound performance in the first half of 2020 were concentrated in those benefitting from the pandemic environment or with higher certainties on profitability under the pandemic, as well as the growth stocks in the booming industries and benefitting from the sufficient liquidity environment in the first half of 2020, and switched to the industries with pro-cyclical and strong policy expectations in the second half of 2020. The Company strengthened the effective transformation of its research to investment returns in terms of proprietary trading business, identified the leading players in sub-industries, and fully dug into the excess profits.

In terms of stock investment business, in adherence to the principle of stable operation, with strict abidance by the red line of compliance and risk control and insistence on the philosophy of value investment, the Company selected the core products with valuation advantages and definite earnings growth as the focus of portfolio position, generated upward premium from the turnaround points in the beneficial industries, and ensured the safety of the entire portfolio assets.

Section 5 Management Discussion and Analysis (Continued)

In terms of fixed income business, against the backdrop of the global pandemic impact and the rapid control of the domestic pandemic, the organic growth driver of the economy was recovered and the fluctuations in the bond market increased significantly. The Company strengthened the forward-looking research and asset category allocation, made timely adjustments to its position structure, actively allocated convertible exchangeable bonds, participated in interest rate bond swing trading in a flexible manner, and meanwhile carried out arbitrage operation based on interest rate swaps and treasury bond futures.

In terms of the share transfer market-making business, the NEEQ market tended to be improving as the implementation of "smooth opening the selective layer", "introducing the public funds" and other reform policies, however, the structural differentiation was quite apparent. The Company, temporizing with the changes in the NEEQ market, adopted certain adjustments for the position structure.

Prospects for 2021

In terms of stock investment business, on the basis of closely tracking the changes in the macro situation, the Company will flexibly adjust the investment ideas, comprehensively consider from multiple perspectives such as position control, sector allocation and hedging instruments, manage in a dynamic manner and pay more attention to the certainty of returns; centralize the key investments, expand investment categories, strengthen investment research capabilities, continuously optimize strategies and improve returns. As for fixed income business, the Company will reinforce its forward-looking research on macro-economy and policy, increase the flexibility of asset allocation for bonds, use interest rate swaps and other instruments to hedge interest on credit bonds, and meanwhile hedge duration risks by employing treasury bond futures, securities lending and other instruments in a flexible manner. In terms of the share transfer market-making business, with the deepening reform of the NEEQ, the smooth opening of the selective layer has brought more new enterprises and new opportunities to the market. The market liquidity and financing function will continue to improve, and the Company will increase input appropriately and seize the investment opportunities.

Section 5 Management Discussion and Analysis (Continued)

(V) International Business

During the Reporting Period, with the original intention of serving customers and the orientation of satisfying customer needs, under the key working direction of overseas alternative investment projects, introducing overseas projects and other international capital intermediary business, the Company continued to expand its global resource network, negotiated and cooperated with international assets management companies, and maintained good communication with regulatory authorities, laying a solid foundation for future business development.

Prospects for 2021

The Company will continue to advance its international business, continuously promote the implementation of existing projects, make efforts to seek for cross-border merger and acquisition advisory business, assist other business departments of the Company in the overseas work and related matters, and actively establish contacts with well-known international exchanges to gradually enhance its market influence.

III. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB3,680.84 million in aggregate, representing a year-on-year decrease of 4.32%. Net profit attributable to shareholders of the Company amounted to RMB474.09 million, representing a year-on-year decrease of 35.98%. Earnings per share amounted to RMB0.16, representing a year-on-year decrease of 36.00%. Weighted average return on net assets was 4.80%, representing a year-on-year decrease of 2.89 percentage points.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB33,596.03 million, up by 13.78% as compared to RMB29,526.98 million as at the end of 2019. Total liabilities amounted to RMB24,160.27 million, up by 27.50% as compared to RMB18,948.57 million as at the end of 2019. Equity attributable to shareholders of the Company amounted to RMB9,031.23 million, increased by 11.24% as compared to RMB10,174.95 million as at the end of 2019.

Section 5 Management Discussion and Analysis (Continued)

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB13,970.05 million, representing 41.58% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB6,315.64 million, representing 18.80% of the Group's total assets; financial investment assets, which primarily included investment in financial assets, amounted to RMB11,494.36 million, representing 34.21% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,815.98 million, representing 5.41% of the Group's total assets.

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB12,767.37 million, representing a year-on-year increase of RMB2,890.49 million or 29.27%. The gearing ratio of the Group was 57.50%, up by 9.21 percentage points from 48.29% as at the end of 2019 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.46 folds, up by 22.39% from 2.01 folds as at the end of 2019 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included margin and securities refinancing, beneficiary certificates, corporate bonds, subordinated bonds, etc. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB4,100 million, and accumulated capital inflow from beneficiary certificates, the issuance of corporate bonds and the issuance of subordinated bonds amounted to RMB2,060 million, RMB1,950 million and RMB1,500 million, respectively. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

Section 5 Management Discussion and Analysis (Continued)

(IV) Liquidity Management

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

(V) Cash Flow

Net cash flow arising from operating activities for 2020 amounted to RMB1,220.13 million, down by RMB1,088.64 million from RMB2,308.77 million in the corresponding period in 2019. Net cash flow arising from investing activities for 2020 amounted to RMB-2,076.54 million, down by RMB2,022.79 million from RMB-53.75 million in the corresponding period in 2019. Net cash flow arising from financing activities for 2020 amounted to RMB617.22 million, up by RMB4,091.13 million from RMB-3,473.91 million in the corresponding period in 2019. Net decrease in cash and cash equivalents for 2020 amounted to RMB239.19 million, up by RMB979.70 million from RMB-1,218.89 million in the corresponding period in 2019.

(VI) Changes in Significant Accounting Policies and Estimates

During the Reporting Period, there is neither material change in the significant accounting policies and estimates of the Company, nor the correction of material accounting errors.

Section 5 Management Discussion and Analysis (Continued)

(VII) Analysis on Operating Revenue and Profit

1. Items under statement of profit or loss

During the Reporting Period, the Group's profit before tax amounted to RMB598.54 million, representing a year-on-year decrease of 38.61%. The key financial results are as follows:

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Revenue				
Fees and commission income	1,949.93	1,715.19	234.74	13.69%
Interest income	725.90	649.88	76.02	11.70%
Net investment income	913.33	757.35	155.98	20.60%
Other Income and Gains	91.68	724.68	(633.00)	(87.35%)
Total revenue and other income	3,680.84	3,847.10	(166.26)	(4.32%)
Total operating expenses	(3,082.30)	(2,874.82)	207.48	7.22%
Profit before taxation	598.54	974.95	(376.41)	(38.61%)
Income tax expense	(116.19)	(212.10)	(95.91)	(45.22%)
Profit/(loss) for the year	482.35	762.85	(280.50)	(36.77%)
Net profit attributable to shareholders of the Company	474.09	740.54	(266.45)	(35.98%)

Section 5 Management Discussion and Analysis (Continued)

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB3,680.84 million, representing a year-on-year decrease of 4.32%. Among which, the proportion of fees and commission income was 52.98%, representing a year-on-year increase of 8.40 percentage points. The proportion of interest income was 19.72%, representing a year-on-year increase of 2.83 percentage points. The proportion of net investment gains was 24.81%, representing a year-on-year increase of 5.12 percentage points. The revenue structures of the Group in the past five years are as follow:

Unit: in RMB million

Items	2020	2019	2018	2017	2016
Fees and commission income	52.98%	44.58%	70.28%	45.94%	64.42%
Interest income	19.72%	16.89%	37.63%	20.37%	23.14%
Net investment income/(loss)	24.81%	19.69%	(8.59%)	31.02%	11.88%
Other income and gains	2.49%	18.84%	0.68%	2.67%	0.56%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Section 5 Management Discussion and Analysis (Continued)

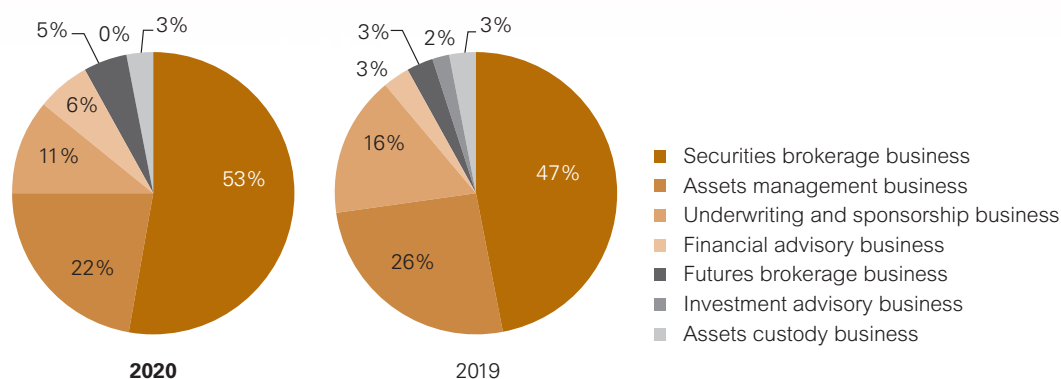
Fees and commission income

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

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Fees and commission income				
Securities brokerage business	1,040.89	802.98	237.91	29.63%
Assets management business	420.84	441.31	(20.47)	(4.64%)
Underwriting and sponsorship business	223.78	290.74	(66.96)	(23.03%)
Financial advisory business	107.64	45.73	61.91	135.38%
Futures brokerage business	97.48	47.85	49.63	103.72%
Investment advisory business	8.29	37.93	(29.64)	(78.14%)
Asset custody business	51.01	48.65	2.36	4.85%
Total fees and commission income	1,949.93	1,715.19	234.74	13.69%
Fees and commission expenses	222.81	177.68	45.13	25.40%
Net fees and commission income	1,727.12	1,537.51	189.61	12.33%

Section 5 Management Discussion and Analysis (Continued)



The Group's fees and commission income consists of:

During the Reporting Period, net fees and commission income of the Group amounted to RMB1,727.12 million, representing a year-on-year increase of 12.33%, primarily attributable to the increase in fees and commission generated from securities brokerage business, financial advisory business and futures brokerage business.

Fees and commission income generated from securities brokerage business increased by RMB237.91 million or 29.63% year-on-year, primarily attributable to the increase in customer reserves as a result of the improvement in its customer service capabilities, resulting in the increase in fees and commission income generated from securities brokerage business during 2020.

Fees income generated from assets management business decreased by RMB20.47 million, or 4.64% year-on-year, primarily due to decrease in income generated from assets management business and fund management business.

Income generated from financial advisory business increased by RMB61.91 million or 135.38% year-on-year, primarily attributable to a substantial increase in income as Hengtai Changcai seized market opportunities to fully expand business.

Income generated from futures brokerage business increased by RMB49.63 million or 103.72% year-on-year, mainly due to Hengtai Futures' improvement in business undertaking capacities and its active development of institutional business, recording an increase in the income generated from such business as compared with last year.

Section 5 Management Discussion and Analysis (Continued)

Interest income

During the Reporting Period, net interest income of the Group amounted to RMB276.67 million, representing a year-on-year increase of 52.07%. The Group's net interest income for 2020 consists of the following:

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Interest income				
Deposits in financial institutions	300.85	286.91	13.94	4.86%
Margin financing and securities lending	345.19	305.97	39.22	12.82%
Financial assets held under resale agreements	35.10	57.00	(21.90)	(38.42%)
Financial assets at fair value through other comprehensive income	39.93	0.00	39.93	N/A
Debt investments measured at amortised cost	2.52	0.00	2.52	N/A
Placements with a financial institution	2.31	0.00	2.31	N/A
Total interest income	725.90	649.88	76.02	11.70%
Interest expense	449.23	467.94	(18.71)	(4.00%)
Net interest income	276.67	181.94	94.73	52.07%

Interest income from deposits in financial institutions increased by RMB13.94 million or 4.86% year-on-year, primarily due to the daily average increase in client deposits as compared with that of last year.

Interest income from financial assets held under resale agreements decreased by RMB21.90 million or 38.42% year-on-year, primarily due to the decrease in interest income from equity-pledged repurchase business of the Company.

Section 5 Management Discussion and Analysis (Continued)

Interest income from margin financing and securities lending increased by RMB39.22 million or 12.82% year-on-year, primarily due to the monthly average increase in size of margin financing business.

Interest expenses decreased by RMB18.71 million or 4.00% year-on-year, primarily due to the decrease in the interest expenses from debt instruments.

Net investment income

During the Reporting Period, net investment income of the Group amounted to RMB913.33 million, representing a year-on-year increase of 20.60%. The Group's net investment income for 2020 consists of the following:

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Net investment income				
Net losses on disposal of financial assets at fair value through other comprehensive income	0.00	(0.09)	0.09	100.00%
Dividends and interests income from financial instruments and derivative financial instruments at fair value through profit or loss	263.31	348.93	(85.62)	(24.54%)
Net realised gains from disposal of financial instruments at FVTPL and derivative financial instruments	637.79	402.24	235.55	58.56%
Gain on disposal of an associate	12.23	6.54	5.69	87.00%
Loss on disposal of a subsidiary	0.00	(0.27)	0.27	100.00%
Total	913.33	757.35	155.98	20.60%

Section 5 Management Discussion and Analysis (Continued)

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fees and commission expenses and interest expenses) amounted to RMB2,207.28 million, representing a year-on-year decrease of 0.91%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Staff costs	1,196.40	1,090.72	105.68	9.69%
Depreciation and amortisations expenses	193.22	170.94	22.28	13.03%
Other operating expenses and tax and surcharges	632.50	626.73	5.77	0.92%
Impairment losses	185.16	339.20	(154.04)	(45.41%)
Total	2,207.28	2,227.59	(20.31)	(0.91%)

Staff costs increased by RMB105.68 million or 9.69% year-on-year, primarily attributable to the recovery of the market, the business development of the Company and the increase in business performance.

Depreciation and amortisation increased by RMB22.28 million or 13.03% year-on-year, primarily attributable to the increase in the depreciation or amortisation for the properties and equipment, right-of-use assets and intangible assets.

Other operating expenses and tax and surcharges increased by RMB5.77 million or 0.92% year-on-year, primarily attributable to the increase of certain expenses.

Section 5 Management Discussion and Analysis (Continued)

Impairment losses

Impairment losses on assets amounted to RMB185.16 million, representing a year-on-year decrease of RMB154.04 million. Details are as follows:

Unit: in RMB million

Items	2020	2019	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Impairment losses				
Margin financing and securities lending	6.74	10.15	(3.41)	(33.60%)
Financial assets at fair value through other comprehensive income	2.74	0.00	2.74	N/A
Financial assets held under resale agreements	116.00	147.18	(31.18)	(21.18%)
Debt investments measured at amortised cost	0.95	0.00	0.95	N/A
Other current assets	58.73	181.87	(123.14)	(67.71%)
Total	185.16	339.20	(154.04)	(45.41%)

Impairment losses on assets primarily included provision for impairment losses on margin financing and securities lending, financial assets held under resale agreements, financial assets of fair value through other comprehensive income, debt investments measured at amortised cost and other current assets. Among which, impairment losses on margin financing and securities lending during the Reporting Period were RMB6.74 million; impairment losses on financial assets held under resale agreements during the Reporting Period were RMB116.00 million and impairment losses on other current assets during the Reporting Period were RMB58.73 million.

Section 5 Management Discussion and Analysis (Continued)

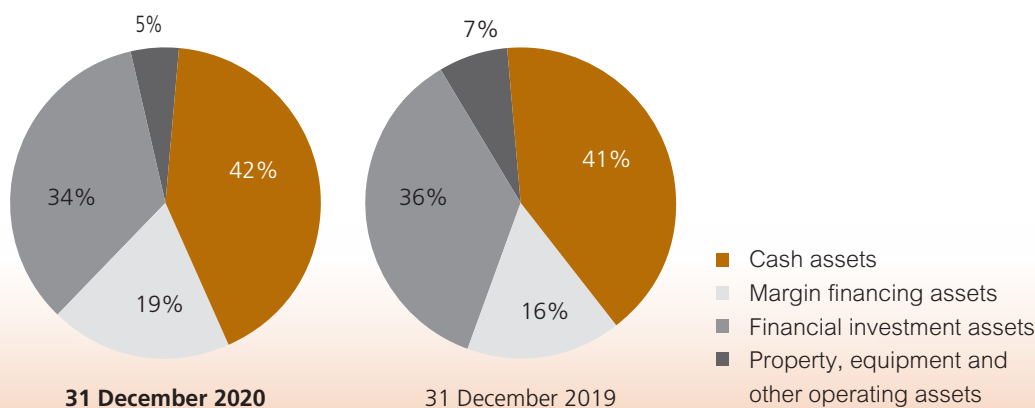
2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB33,596.03 million, representing a year-on-year increase of 13.78%, of which, cash assets amounted to RMB13,970.05 million, representing a year-on-year increase of 14.67%; margin financing assets amounted to RMB6,315.64 million, representing a year-on-year increase of 33.52%; financial investment assets amounted to RMB11,494.36 million, representing a year-on-year increase of 7.04%; and property, equipment and other operating assets amounted to RMB1,815.98 million, representing a year-on-year decrease of 3.20%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Total assets				
Cash assets	13,970.05	12,182.36	1,787.69	14.67%
Margin financing assets	6,315.64	4,730.13	1,585.51	33.52%
Financial investment assets	11,494.36	10,738.53	755.83	7.04%
Property, equipment and other operating assets	1,815.98	1,875.96	(59.98)	(3.20%)
Total	33,596.03	29,526.98	4,069.05	13.78%

Total assets of the Group consist of:



Section 5 Management Discussion and Analysis (Continued)

Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB1,787.69 million or 14.67% year-on-year, representing 41.58% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Cash assets				
Cash and bank balances (including cash held on behalf of brokerage clients)	12,649.49	10,933.48	1,716.01	15.70%
Clearing settlement funds	671.84	800.82	(128.98)	(16.11%)
Refundable deposits	648.72	448.06	200.66	44.78%
Total	13,970.05	12,182.36	1,787.69	14.67%

Changes in cash assets primarily reflected in cash and bank balances (including cash held on behalf of brokerage clients), which increased by RMB1,716.01 million or 15.70%, mainly due to the increase in client deposits as a result of the active exchanging activities of the customers this year.

Section 5 Management Discussion and Analysis (Continued)

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB1,585.51 million or 33.52% year-on-year, representing 18.80% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Margin financing assets				
Margin account receivables	5,086.79	3,969.33	1,117.46	28.15%
Financial assets held under resale agreements:	1,003.85	760.80	243.05	31.95%
Placements with a financial institution	225.00	0.00	225.00	N/A
Total	6,315.64	4,730.13	1,585.51	33.52%

Margin account receivables amounted to RMB5,086.79 million, representing a year-on-year increase of 28.15%, primarily attributable to the increase in the size of the Company's margin financing business.

Section 5 Management Discussion and Analysis (Continued)

Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group increased by RMB755.83 million or 7.04% year-on-year, representing 34.21% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Financial investment assets				
Assets classified as held for sale	0.00	11.77	(11.77)	(100.00%)
Debt investment at amortised cost	199.06	0.00	199.06	N/A
Financial assets at fair value through other comprehensive income	1,523.82	0.00	1,523.82	N/A
Financial assets measured at fair value through profit or loss	9,771.48	10,726.76	(955.28)	(8.91%)
Total	11,494.36	10,738.53	755.83	7.04%

Section 5 Management Discussion and Analysis (Continued)

Financial assets at fair value through profit or loss

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group decreased by RMB955.28 million or 8.91% year-on-year, representing 29.09% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Financial assets at fair value through profit or loss				
Debt securities	5,035.76	5,728.93	(693.17)	(12.10%)
Equity securities	2,603.00	3,106.26	(503.26)	(16.20%)
Investment funds	1,795.67	1,530.23	265.44	17.35%
Assets management schemes	144.72	361.34	(216.62)	(59.95%)
Collective trust schemes	192.33	0.00	192.33	N/A
Total	9,771.48	10,726.76	(955.28)	(8.91%)

Section 5 Management Discussion and Analysis (Continued)

Property, equipment and other operating assets

As at the end of the Reporting Period, property, equipment and other operating assets of the Group amounted to RMB1,815.98 million, decreasing by RMB59.98 million or 3.20% year-on-year, representing 5.41% of the Group's total assets. The following table sets forth the composition of the Group's property, equipment and other operating assets for the dates indicated:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Property, equipment and other operating assets				
Property and equipment, investment properties and right-of-use assets	560.36	734.68	(174.32)	(23.73%)
Goodwill	43.74	43.74	0.00	0.00%
Intangible assets	147.91	129.70	18.21	14.04%
Deferred tax assets	267.37	205.29	62.08	30.24%
Other current assets and other non-current assets	796.60	762.55	34.05	4.47%
Total	1,815.98	1,875.96	(59.98)	(3.20%)

Section 5 Management Discussion and Analysis (Continued)

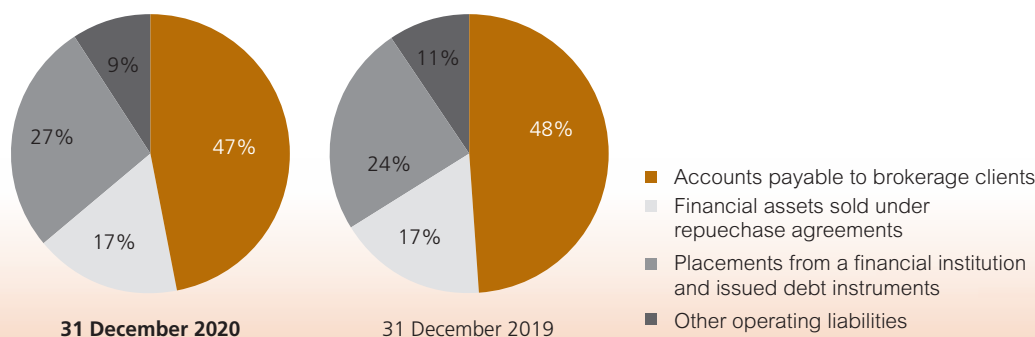
3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB24,160.27 million, representing a year-on-year increase of RMB5,211.70 million or 27.50%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB11,392.90 million, representing a year-on-year increase of 25.59%. Financial assets sold under repurchase agreements amounted to RMB4,130.45 million, up by 29.52% year-on-year. The increase was primarily attributable to the increase in the size of pledged repurchase. Placements from a financial institution and debt instruments issued amounted to RMB6,547.70 million, up by 42.03% year-on-year. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Liabilities				
Accounts payable to brokerage clients	11,392.90	9,071.69	2,321.21	25.59%
Financial assets sold under repurchase agreements	4,130.45	3,189.09	941.36	29.52%
Placements from a financial institution and issued debt instruments	6,547.70	4,609.99	1,937.71	42.03%
Other operating liabilities	2,089.22	2,077.80	11.42	0.55%
Total	24,160.27	18,948.57	5,211.70	27.50%

The Group's total liabilities consist of:



Section 5 Management Discussion and Analysis (Continued)

Placements from a financial institution and debt instruments

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Placements from a financial institution and issued debt instruments				
Placements from a financial institution	1,000.00	1,500.00	(500.00)	(33.33%)
Debt instruments	5,547.70	3,109.99	2,437.71	78.38%
Total	6,547.70	4,609.99	1,937.71	42.03%

Placements from a financial institution amounted to RMB1,000 million, representing a decrease of 33.33% year-on-year, primarily attributable to the decrease in the borrowing from China Securities Finance Corporation Limited.

Debt instruments increased by RMB2,437.71 million year-on-year, primarily attributable to the issuance of bonds and beneficiary certificates for the period.

Section 5 Management Discussion and Analysis (Continued)

Other operating liabilities

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Other operating liabilities				
Employee benefits payables	622.66	466.91	155.75	33.36%
Contract liabilities	12.11	34.32	(22.21)	(64.71%)
Lease liabilities	145.64	154.82	(9.18)	(5.93%)
Other liabilities	1,247.17	1,289.68	(42.51)	(3.30%)
Deferred tax liabilities	61.64	132.07	(70.43)	(53.33%)
Total	2,089.22	2,077.80	11.42	0.55%

Employee benefits payables increased by RMB155.75 million or 33.36% year-on-year, primarily attributable to the development of the Group's businesses.

Other liabilities decreased by RMB42.51 million, representing a year-on-year decrease of 3.30%, primarily attributable to the decrease in third-party equity interests in consolidated asset management schemes.

Section 5 Management Discussion and Analysis (Continued)

4. Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB9,435.76 million, down by 10.08% year-on-year, primarily attributable to the maturity of the perpetual bond. The following table sets forth the composition of the Group's equity for the dates indicated:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Share capital	2,604.57	2,604.57	0.00	0.00%
Share premium	1,665.24	1,665.24	0.00	0.00%
Perpetual capital securities	0.00	1,500.00	(1,500.00)	(100.00%)
Reserves	4,761.43	4,405.14	356.29	8.09%
Non-controlling interests	404.52	403.46	1.06	0.26%
Total	9,435.76	10,578.41	(1,142.65)	(10.80%)

5. Segment results

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

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

Section 5 Management Discussion and Analysis (Continued)

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

Unit: in RMB million

Items	2020		2019	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,760.22	47.82%	1,422.64	36.98%
Investment banking	345.74	9.39%	351.01	9.12%
Proprietary trading	725.02	19.70%	1,047.79	27.24%
Investment management	724.31	19.68%	948.02	24.64%
Others	125.55	3.41%	77.64	2.02%
Total	3,680.84	100.00%	3,847.10	100.00%

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

Unit: in RMB million

Items	2020		2019	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,568.29	50.88%	1,337.37	46.52%
Investment banking	278.72	9.04%	292.92	10.19%
Proprietary trading	247.73	8.04%	362.61	12.61%
Investment management	722.22	23.43%	606.20	21.09%
Others	265.34	8.61%	275.72	9.59%
Total	3,082.30	100.00%	2,874.82	100.00%

Section 5 Management Discussion and Analysis (Continued)

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

Unit: in RMB million

Items	2020		2019	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	191.94	32.07%	85.27	8.77%
Investment banking	67.02	11.20%	58.09	5.97%
Proprietary trading	477.29	79.74%	685.18	70.47%
Investment management	2.09	0.35%	341.82	35.16%
Others	(139.80)	(23.36%)	(198.08)	(20.37%)
Total	598.54	100.00%	972.28	100.00%

(VIII) Contingent Liability, Capital Commitment and other Commitment

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

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

As at 31 December 2020, the Group did not have any security over its assets.

Section 5 Management Discussion and Analysis (Continued)

IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(I) Branches of the Company

1. Establishment of securities branches and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

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

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣津格爾路證券營業部)	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣津格爾路證券營業部) ¹	2/F, Building 1, Re-employment Center, North Junggar Banner, Junggar Road, Yingze Avenue, Junggar Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市津格爾旗迎澤街道津格爾路北津格爾旗再就業中心1號樓2層)
2	Hengtai Securities Co., Ltd Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	Hengtai Securities Co., Ltd Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部) ¹	No. 270, Tuanjie Avenue, Xilinhot, Xilin Gol League, Inner Mongolia (內蒙古自治區錫林郭勒盟錫林浩特市團結大街270號)
3	Hengtai Securities Co., Ltd Chengdu Renmin South Road Securities Branch (恒泰证券股份有限公司成都人民南路證券營業部)	Hengtai Securities Co., Ltd Chengdu Tianfu Avenue Securities Branch (恒泰证券股份有限公司成都天府大道證券營業部)	No. 2707, No. 2708, 27/F, Building 3, No. 1199 North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone (中國(四川)自由貿易試驗區成都市高新區天府大道北段1199號3棟27層2707·2708號)
4	Hengtai Securities Co., Ltd Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部)	Hengtai Securities Co., Ltd Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部) ¹	Rooms 1203, 1205, 12th Floor, Main Building, No.588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang Province (浙江省杭州市濱江區長河街道江南大道588號主樓12層1203室、1205室)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
5	Hengtai Securities Co., Ltd Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部) ¹	Rooms 1601, 1602 and 1603, Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang Province (浙江省杭州市上城區婺江路217號1號樓1601、1602、1603室)
6	Hengtai Securities Co., Ltd Shanghai Qihe Road Securities Branch (恒泰证券股份有限公司上海齊河路證券營業部)	Hengtai Securities Co., Ltd Shanghai Xianxia Road Securities Branch (恒泰证券股份有限公司上海仙霞路證券營業部)	Room 19B, No.137 Xianxia Road, Changning District, Shanghai (上海市長寧區仙霞路137號19B室)
7	Hengtai Securities Co., Ltd Beijing Dongsanhuan Central Road Securities Branch (恒泰证券股份有限公司北京東三環中路證券營業部)	Hengtai Securities Co., Ltd Beijing Dongsanhuan Securities Branch (恒泰证券股份有限公司北京東三環證券營業部)	Room 308, 3/F, Building 1 (East Ring 18 International Building), No. 18 Dongsanhuan Central Road, Chaoyang District, Beijing (北京市朝陽區東三環中路18號院1號樓(東環18國際大廈)3層308室)
8	Hengtai Securities Co., Ltd Changchun Jingyang Road Securities Branch (恒泰证券股份有限公司長春景陽大路證券營業部)	Hengtai Securities Co., Ltd Changchun Shengtai Avenue Securities Branch (恒泰证券股份有限公司長春生態大街證券營業部)	Rooms 501, 502, 509, United Creative Centre Office Building, No.7888 Shengtai Avenue, Jingyue Development Zone, Changchun City, Jilin Province (吉林省長春市淨月開發區生態大街7888號聯合創意中心寫字樓501、502、509室)
9	Hengtai Securities Co., Ltd Shanghai Caoxi North Road Securities Branch (恒泰证券股份有限公司上海漕溪北路證券營業部)	Hengtai Securities Co., Ltd Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司上海江寧路證券營業部)	Units 2003B, 2004A, No. 1158 Jiangning Road, Putuo District, Shanghai (上海市普陀區江寧路1158號2003B、2004A單元)
10	Hengtai Securities Co., Ltd Guangzhou Tiyu West Road Securities Branch (恒泰证券股份有限公司廣州體育西路證券營業部)	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch (恒泰证券股份有限公司廣州珠江東路證券營業部)	Room 2101, No. 13 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區珠江東路13號2101室)
11	Hengtai Securities Co., Ltd Guangzhou Tianhe North Road Securities Branch (恒泰证券股份有限公司廣州天河北路證券營業部)	Hengtai Securities Co., Ltd Guangzhou Tianhe North Road Securities Branch (恒泰证券股份有限公司廣州天河北路證券營業部) ¹	Room 3011, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區天河北路233號3011室)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
12	Hengtai Securities Co., Ltd Shanghai Xiaomujiao Road Securities Branch (恒泰证券股份有限公司上海小木橋路證券營業部)	Hengtai Securities Co., Ltd Shanghai Jiujiang Road Securities Branch (恒泰证券股份有限公司上海九江路證券營業部)	Rooms 2502, 2503, 25/F, No. 288 Jiujiang Road, Huangpu District, Shanghai (上海市黃浦區九江路288號25層2502、2503室)
13	Hengtai Securities Co., Ltd Zhalantun Buteha North Road Securities Branch (恒泰证券股份有限公司扎蘭屯布特哈北路證券營業部)	Hengtai Securities Co., Ltd Zhalantun Fanrong Road Securities Branch (恒泰证券股份有限公司扎蘭屯繁榮街證券營業部)	Shops 01005, 01007, Building 3, Shengliju Shengda Garden Community, Fanrong Subdistrict Office, Zhalantun, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市扎蘭屯市繁榮辦勝利居盛達家園小區3號樓01005、01007號商鋪)
14	Hengtai Securities Co., Ltd Shanghai Boshan Road Securities Branch (恒泰證券股份有限公司上海博山路證券營業部)	Hengtai Securities Co., Ltd Shanghai Yincheng Zhong Road Securities Branch (恒泰证券股份有限公司上海銀城中路證券營業部)	Room 1103B, No. 488 Yincheng Zhong Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路488號1103B室)
15	Hengtai Securities Co., Ltd Zibo Jinjing Road Securities Branch (恒泰证券股份有限公司淄博金晶路證券營業部)	Hengtai Securities Co., Ltd Zibo Yanhe East Road Securities Branch (恒泰证券股份有限公司淄博沿河東路證券營業部)	Room 103, 1/F, Fortune Mansion, No. 3 Yanhe East Road, Chengdong Street, Boshan District, Zibo, Shandong (山東省淄博市博山區城東街道沿河東路3號創富大廈1層103號)
16	Hengtai Securities Co., Ltd Hangzhou Fengqi Road Securities Branch (恒泰证券股份有限公司杭州鳳起路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Qianjiang Road Securities Branch (恒泰证券股份有限公司杭州錢江路證券營業部)	Rooms 1301-02, 03, Building 3, Ping An International Finance Centre, Jianggan District, Hangzhou, Zhejiang Province (浙江省杭州市江干區平安金融中心3幢1301室-02、03)
17	Hengtai Securities Co., Ltd Baotou Youyi Street Securities Branch (恒泰证券股份有限公司包頭友誼大街證券營業部)	Hengtai Securities Co., Ltd Baotou Gaixin District Securities Branch (恒泰证券股份有限公司包頭高新區證券營業部)	Building E02-101-4, Business Garden, Headquarter Economic Park, No. 11 Zhaotan East Road, Rare Earth Development Zone, Baotou, Inner Mongolia (內蒙古自治區包頭市稀土開發區沼潭東路11號總部經濟園區商務花園E02-101-4樓)

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
18	Hengtai Securities Co., Ltd Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大學西街證券營業部)	Hengtai Securities Co., Ltd Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大學西街證券營業部) ¹	Rooms 1801, 1802, 1803, 1804, 18/F, Mengxi Culture Square, Daxue West Street, Yuquan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市玉泉區大學西街蒙西文化廣場18層1801,1802,1803,1804號)

Note:

1. Name of the securities branch remained unchanged after relocation.

(3) Deregistration of securities branches

During the Reporting Period, based on the development strategy of the Company and in order to further optimize the network of the branches, 22 securities branches of the Company completed their deregistration, details of which are as follows:

No.	Name of securities branch	Location (PRC)
1	Hengtai Securities Co., Ltd Qingdao Yan'er Island Road Securities Branch (恒泰证券股份有限公司青島燕兒島路證券營業部)	Qingdao, Shandong Province
2	Hengtai Securities Co., Ltd Jiaxing Nanhu Avenue Securities Branch (恒泰证券股份有限公司嘉興南湖大道證券營業部)	Jiaxing, Zhejiang Province
3	Hengtai Securities Co., Ltd Shanghai Xinjingqiao Road Securities Branch (恒泰证券股份有限公司上海新金橋路證券營業部)	Shanghai
4	Hengtai Securities Co., Ltd Shanghai Shangzhong Road Securities Branch (恒泰证券股份有限公司上海上中路證券營業部)	Shanghai
5	Hengtai Securities Co., Ltd Shanghai Huayuan Road Securities Branch (恒泰证券股份有限公司上海花園路證券營業部)	Shanghai

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch	Location (PRC)
6	Hengtai Securities Co., Ltd Shanghai Haining Road Securities Branch (恒泰证券股份有限公司上海海寧路證券營業部)	Shanghai
7	Hengtai Securities Co., Ltd Shenzhen Jintian Road Golden Central Tower Securities Branch (恒泰证券股份有限公司深圳金田路金中環證券營業部)	Shenzhen, Guangdong Province
8	Hengtai Securities Co., Ltd Shenzhen Longxiang Blvd Securities Branch (恒泰证券股份有限公司深圳龍翔大道證券營業部)	Shenzhen, Guangdong Province
9	Hengtai Securities Co., Ltd Shenzhen Gaoxinnan No. 1 Road Securities Branch (恒泰证券股份有限公司深圳高新南一道證券營業部)	Shenzhen, Guangdong Province
10	Hengtai Securities Co., Ltd Shenzhen Fuzhong Road North Securities Branch (恒泰证券股份有限公司深圳福中路北證券營業部)	Shenzhen, Guangdong Province
11	Hengtai Securities Co., Ltd Shenzhen Qianhai Securities Branch (恒泰证券股份有限公司深圳前海證券營業部)	Shenzhen, Guangdong Province
12	Hengtai Securities Co., Ltd Guangzhou Zhujiang West Road Securities Branch (恒泰证券股份有限公司廣州珠江西路證券營業部)	Guangzhou, Guangdong Province
13	Hengtai Securities Co., Ltd Yantai Yingchun Avenue Securities Branch (恒泰证券股份有限公司煙台迎春大街證券營業部)	Yantai, Shandong Province
14	Hengtai Securities Co., Ltd Dalian Huizhan Road Securities Branch (恒泰证券股份有限公司大連會展路證券營業部)	Dalian, Liaoning Province
15	Hengtai Securities Co., Ltd Beijing Wanfeng Road Securities Branch (恒泰证券股份有限公司北京萬豐路證券營業部)	Beijing
16	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京廣安路證券營業部)	Beijing

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch	Location (PRC)
17	Hengtai Securities Co., Ltd Beijing Nanhu South Road Securities Branch (恒泰证券股份有限公司北京南湖南路證券營業部)	Beijing
18	Hengtai Securities Co., Ltd Beijing Shangdi Third Street Securities Branch (恒泰证券股份有限公司北京上地三街證券營業部)	Beijing
19	Hengtai Securities Co., Ltd Beijing Beixinzhuang Road Securities Branch (恒泰证券股份有限公司北京北辛莊路證券營業部)	Beijing
20	Hengtai Securities Co., Ltd Beijing Agriculture Exhibition Hall South Road Securities Branch (恒泰证券股份有限公司北京農展館南路證券營業部)	Beijing
21	Hengtai Securities Co., Ltd Beijing Guangqu Road Securities Branch (恒泰证券股份有限公司北京廣渠路證券營業部)	Beijing
22	Hengtai Securities Co., Ltd Beijing Beichen West Road Securities Branch (恒泰证券股份有限公司北京北辰西路證券營業部)	Beijing

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

None in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, no change in the Company's major subsidiaries.

(III) Impact on Results

During the Reporting Period, in order to promote the faster and better development of the securities branches, according to the development strategy of the Company, taking into consideration the network of its branches, its human resources, operation data and the actual development situation of its securities branches, the Company optimized its branches through cancellation and merger of its loss-making securities branches. That movement will enable the Company to save operating costs, consolidate its advantages and enhance the competitiveness of its securities branches, so as to achieve better results.

Section 5 Management Discussion and Analysis (Continued)

V. MAJOR INVESTMENT AND FINANCING

(I) Equity Financing

None in the Reporting Period.

(II) Major Debt Financing

1. Issue of corporate bonds

The Company raised an aggregate of RMB1.950 billion through issue of corporate bonds in 2020. As at 31 December 2020, the outstanding balance of the corporate bonds amounted to RMB1.950 billion. The particulars of the issuance of corporate bonds of the Company in 2020 are set out below:

Name	Size of the Issuance <i>(RMB'00 million)</i>	Interest rate	Term <i>(years)</i>	Issue date	Maturity date
20 Hengtai G1	9.50	4.39%	3	18 September 2020	18 September 2023
20 Hengtai F1	10.00	5.40%	3	27 October 2020	27 October 2023

Section 5 Management Discussion and Analysis (Continued)

2. Issue of beneficiary certificates

The Company raised an aggregate of RMB2.06 billion through issue of beneficiary certificates in 2020. As at 31 December 2020, the outstanding balance of the beneficiary certificates amounted to RMB2.06 billion. The particulars of the issuance of beneficiary certificates of the Company in 2020 are set out below:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengfu No. 28	1.00	4.50%	363	6 February 2020	3 February 2021
Hengchuangtaifu No. 23	10.00	4.25%	365	28 April 2020	28 April 2021
Hengfu No. 29	1.00	4.00%	362	24 June 2020	21 June 2021
Hengfu No. 30	1.60	4.00%	361	14 August 2020	10 August 2021
Hengchuangtaifu No. 24	5.00	5.30%	364	25 December 2020	24 December 2021
Hengchuangtaifu No. 25	2.00	4.60%	364	25 December 2020	24 December 2021

3. Issue of subordinated bonds by the Company

The Company raised an aggregate of RMB1.5 billion through issue of subordinated bonds in 2020. As at 31 December 2020, the outstanding balance of subordinated bonds amounted to RMB1.6 billion. The particulars of the issuance of subordinated bonds of the Company in 2020 are set out below:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (years)	Issue date	Maturity date
20 Hengtai C1	15.00	5.80%	3	28 September 2020	28 September 2023

(III) Equity Investment

None in the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

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

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

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

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business Innovation and its Impact

In 2020, the Company built a distinctive wealth management system with all its efforts. In respect of the brokerage business, the Company made a substantial breakthrough in its wealth management transformation strategy from the exploration stage to the implementation stage by restructuring its organizational structure, improving its technological capabilities, enriching its business channels and integrating its business models to provide asset allocation and personalized financial services to its customers. The Company further strengthened its sales capabilities of financial products, developed its institutional and quantitative business, expanded the scale of margin financing and securities lending businesses, enhanced the active management capabilities of the asset management business, improved the profitability of its proprietary business and continuously built a new business and profitability mode.

(II) Risk Control of Business Innovation

The Company formulated the New Business (Product) Management Measures of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司新業務(產品)管理辦法》), the New Business Risk Management Rules of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司新業務風險管理細則》) and other internal control systems to integrate innovative businesses into the comprehensive risk management system. Under the premise of compliance, the Company followed the principle of “system first, prudent evaluation and steady development” to promote the carrying out of innovative businesses. The business department of the Company is the primary responsible person for the risk management of innovative businesses. Through intervening in major business processes, the risk management department controlled key risk points, achieving the overall management and control of the risks relating to innovative businesses at the Company level.

Section 5 Management Discussion and Analysis (Continued)

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

(III) Prospects of Business Innovation

With increasingly intensified homogeneous competition in the securities industry, traditional businesses entered the era of stock competition, and urgent requirements were placed on the Company's business transformation and development. The Company still has a certain space for improvement in business diversification, and it will promote the improvement in aspects such as business and revenue structure, operating mode, marketing strategy and institutional guarantee, and explore a differentiated and characteristic development path. The Company will provide quality products with different features and strengths to change the homogeneous condition of the business and build differentiated core competitiveness of the Company. In 2021, the Company will continue to promote innovation and transformation of its various lines of business while enhancing compliance operation and risk management, which is mainly reflected in the followings:

1. In terms of the brokerage business, the Company will improve the efficiency of the implementation of strategic goals, strengthen business promotion, and expand business influence; deepen the construction and optimization of channels and outlets; build a clear institutional business structure and model, and strengthen cooperation with banking institutions, trusts, and public offering funds. In terms of the wealth management business, the Company will focus on promoting the sales and increasing the scale of the Company's FOF products; improve the construction of the financial product system, introduce highly rated funds to create a high-quality public offering product line, and focus on promoting the acquisition of the business qualifications for public offering fund investment advisory as well as system development. In terms of the capital-based intermediary business, the Company will continue to expand the scale of the margin financing and securities lending, broaden the supply of securities lending sources, strengthen its research on collateral valuation, improve its capabilities of asset pricing, and strictly control credit risks to reduce customer default rates.

Section 5 Management Discussion and Analysis (Continued)

2. In terms of the investment banking business, the Company needs to strengthen the overall interconnected development, and promote the development of investment banking, investment, research, brokerage and other business lines as a whole to facilitate the establishment of a “great wealth management” system. Benchmarking the internal control and governance system of outstanding securities firms in the industry to improve its capabilities of compliance risk prevention and control. In terms of the bond business, the Company will deepen the core regional market, expand the business scope and business varieties, stabilize the corporate bond market share, and promote the continuous growth of corporate bonds; the equity business will cultivate IPO customers and provide in-depth services to existing customers.
3. In terms of the public offering fund business, the Company will promote the improvement of the large grouping and comprehensive upgrade of fixed income, equity and other investment systems, strengthen active management, deepen the integrated reform of equity investment, improve the fixed income investment research system, and strengthen fixed income research support. The Company will further strengthen the market sale of the four business lines of institutional, retail, non-banking, and internet finance, and strengthen internet brand marketing, and do a good job in the risk disposal of the stock assets of the special account business and the transformation of the active management business.
4. In terms of private equity investment funds business, the Company will continue to deepen business rectification, strictly control the risk of existing projects, and properly perform post-investment management, stock withdrawal and rectification of the current existing projects. The Company will prudently carry out investment business according to market changes, conducting business by various ways such as industry funds, merger and acquisition funds, Pre-IPO funds and financial advisory, and focusing on the consumption industry, real estate, bulk commodity and emerging industries with relatively reasonable valuation.

Section 5 Management Discussion and Analysis (Continued)

VIII. RISK FACTORS AND COUNTERMEASURES

(I) Credit Risk

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

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

(II) Market Risk

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

Section 5 Management Discussion and Analysis (Continued)

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

(III) Liquidity Risk

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

(IV) Compliance Risk

Compliance risk refers to the risk that securities fund management companies may be investigated for legal liabilities, subjected to regulatory measures, disciplinary actions, or suffers property loss or reputation loss due to violation of laws, regulation and rules arising from the management or practices of the securities fund management company or its staff. The Company has established an effective and sound compliance management system and compliance management framework. In accordance with regulatory requirements, the compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

Section 5 Management Discussion and Analysis (Continued)

(V) Operational Risk

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

(VI) Reputational Risk

Reputational risk is the risk of negative assessment or comments on the Company from stakeholders as a result of its operation, management and other companies or external events. The Board Office of the Company takes the lead in reputational risk management. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company. Through real-time monitoring of the evolution and development of various reputational risk events, the Company organized the information about the overall situation of the reputational risk events and the corresponding measures to be taken and reported the same to the senior management of the Company in a timely manner, so as to negotiate and determine the final solution.

Section 5 Management Discussion and Analysis (Continued)

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

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

(I) Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), which set overall requirements on the comprehensive risk management. It has established special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In 2020, in order to further improve its risk management system, the Company newly formulated 14 systems including the Risk Limit Management Measures of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險限額管理辦法》); and amended three systems including the Credit Risk Management Regulations of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司信用風險管理規定》).

(II) Framework

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

(III) Information Technology

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

Section 5 Management Discussion and Analysis (Continued)

(IV) Indicator System

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

(V) Talent Team

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

(VI) Response Mechanism

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

Section 5 Management Discussion and Analysis (Continued)

X. INVESTMENT IN COMPLIANCE, RISK CONTROL AND INFORMATION TECHNOLOGY

The Company has always attached great importance to compliance and risk management, continuously improved the construction of compliance and risk management system and insisted on providing adequate guarantee for compliance and risk management. During the Reporting Period, the Company continued to increase investment in compliance and risk management, including preparation of annual budget for compliance and risk management, strengthening the construction of the professional compliance and risk management talent team, updating or upgrading the compliance and risk management information system, etc. During the Reporting Period, the Company further strengthened the construction of information system and improved overall information and operation security capability to provide technical support for the development of various businesses. The main investment in the fields of system software, hardware and engineering, system operation and maintenance, network construction and maintenance, server room and line leasing amounted to approximately RMB59.25 million.

XI. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS

(I) Competition in the Industry

In 2020, with the deepening of China's capital market reform and the continuing opening-up of the financial business, the competition in the domestic securities industry was further intensified. In the face of the competition between large domestic securities companies and foreign-funded securities companies, the market competition environment for small and medium-sized securities companies was even more arduous. Large domestic securities companies and foreign-funded securities companies have considerable advantages in terms of capital strength, product innovation capabilities, their own risk control capabilities, and human resource management capabilities, etc. To achieve high-quality development, small and medium-sized securities companies need to actively promote differentiated development strategies, continuously strengthen active management capabilities, improve investment and research capabilities and cross-business integration capabilities, and continue to meet the diversified financial needs of customers through innovations in management models and profit models, etc., so as to enhance their own competitiveness.

Section 5 Management Discussion and Analysis (Continued)

(II) Market Position

According to the statistics of the Securities Association of China, as of 31 December 2020, there were 135 securities companies in the PRC, and the average total assets, net assets and net capital size of a single securities company amounted to approximately RMB65.926 billion, RMB17.111 billion and RMB13.481 billion, respectively. In 2020, the average operating revenue of a single securities company amounted to approximately RMB3.322 billion, and the average net profit of a single securities company amounted to approximately RMB1.167 billion (all of which were unaudited).

The 2020 industry data shows that the Company remained as a small- and medium-sized securities companies in the industry. In 2020, industry development, transformation and competition coexisted, the Company still has a greater space for improvement in business diversification. The Company needs to create its characteristics and strengths in specific professional fields, change the status quo of business homogeneity, in order to build differentiated core competitive advantages.

(III) Core Competitiveness

1. Professional and stable management team

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

2. Implementation of effective risk management and internal control systems

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

Section 5 Management Discussion and Analysis (Continued)

3. Sound capability in continuous innovation

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

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

4. Effective business layout to promote transformation and upgrade

The Company highly values the future development and reform of the securities industry and proactively explores and deepens transformation and upgrade of the Company's businesses. The brokerage business has been actively transformed by the Company to the wealth management with preliminary results. Through adjusting the organizational structure and optimizing the network layout, the Company further improved the online and offline, retail + institutional whole-chain business system. Facing future challenges in the market, on the basis of intensifying compliance management and control and prevention of risks, the Company will continue to deepen the innovation and transformation of businesses to enhance the advantages of characteristic and differentiated businesses and gradually expand its business size and market influence.

5. Excellent corporate culture

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

Section 5 Management Discussion and Analysis (Continued)

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

The Company always insists on the development approach centering on talent strategy, and pays great attention to the introduction, absorption, stability and promotion of the talents, especially the stability of the core talents. The Company has continuously improved the construction of human resources system and remuneration incentive system. At the same time, the Company will increase the introduction of market-oriented excellent talents and build a more efficient human resources platform.

XII. PROSPECTS FOR FUTURE DEVELOPMENT OF THE COMPANY

In 2021, with the deepening of capital market reform, the development of financial market will be accelerated. In the face of intensifying homogeneous competition in the securities industry, the Company needs to continuously promote business transformation, change its existing business development and profit models, develop specialties and strengths in specific professional areas, and form differentiated core competitive advantage.

The Company will make every effort to promote business integration and accelerate its transformation and upgrade. In terms of brokerage business, the Company will further promote the transformation of wealth management, based on the application of technology in the financial service system, promoting the deep integration of financial technology and business, and changing the traditional business model, profit model and competition pattern. In terms of investment banking business, the Company will strengthen the overall joint development and establish a multi-dimensional service and diversified income generation model. In terms of asset management business, the Company will accelerate the enhancement of active management capabilities and give full play to its value discovery function. The Company will continue to improve the construction of compliance and risk control systems, strengthen compliance examination, deepen the education of compliance and risk control culture, and improve the overall risk prevention and control capability of the Company to ensure the healthy and orderly development of various businesses. Under the new macroeconomic situation and regulatory environment, the securities industry has put forward higher requirements on the comprehensive quality and professionalism of practitioners, and talents have become a key factor affecting the core competitiveness of the Company. The Company will continue to optimize the incentive and performance assessment mechanism, and further carry out the building of position system and talent team to enhance the competitiveness of the Company's talents. It will strengthen the governance and support for its subsidiaries to realize their professional and market-oriented development. The Company will comprehensively enhance the information and operation support capability to provide technical support for the smooth development of various businesses. To serve business development as the core, it will strive to enhance the value of investment and research, strengthen back-office professional construction, and put support services into practice to lay a foundation for the high-quality development of the Company.

Section 6 Report of the Board of Directors

I. INFORMATION ON THE PRINCIPAL ACTIVITIES AND PRINCIPAL SUBSIDIARIES

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

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

II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

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

III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

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

IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

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

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

Section 6 Report of the Board of Directors (Continued)

(II) Implementation of the 2019 Profit Distribution Plan

The Company held the 2019 annual general meeting on 25 May 2020 to consider and approve the resolution in relation to the 2019 Profit Distribution Plan, which approved the Company will not conduct profit distribution as at the end of 31 December 2019.

(III) The 2020 Annual Profit Distribution Plan

The Board recommended that no profit distribution will be made for the year ended 31 December 2020.

V. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

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

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

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

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

Section 6 Report of the Board of Directors (Continued)

On 7 February 2020, the resolution in relation to the “Change of the Use of Proceeds of the Company” was considered and approved at the 2020 first extraordinary general meeting of the Company, pursuant to which it was approved to change the use of the remaining available proceeds and use all the balance to replenish the Company’s working capital.

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

Use of proceeds as specified in the Prospectus	50% of the funds being used for the capital-based intermediary business	30% of the funds being used for the NEEQ market-making business	20% of the funds being used for the internet-based finance business	Total
Amount of proceeds available for use before change <i>(RMB)</i>	653,122,468.27	391,873,480.97	261,248,987.31	1,306,244,936.55
Use of proceeds upon change on 22 December 2017	For the capital-based intermediary business and replenishing working capital	For the NEEQ market-making business	For the internet-based finance business	Total
Amount of proceeds available for use upon change <i>(RMB)</i>	973,122,468.27	71,873,480.97	261,248,987.31	1,306,244,936.55

Section 6 Report of the Board of Directors (Continued)

Use of proceeds upon change on 7 February 2020	For replenishing working capital	For the capital-based intermediary business and replenishing working capital	For the NEEQ market-making business	For the internet-based finance business	Total
Amount of proceeds available for use upon change (RMB)	138,293,027.16	970,902,777.78	50,000,000.00	147,049,131.61	1,306,244,936.55
Accumulated amount of proceeds used as of 31 December 2020 (RMB)	122,646,824.74	970,902,777.78	50,000,000.00	147,049,131.61	1,290,598,734.13
Remaining amount of proceeds available for use (RMB)	15,646,202.42	0.00	0.00	0.00	15,646,202.42
Expected timeline for use of the remaining proceeds available for use	The balance is expected to be fully utilised by the end of 2023				
		-	-	-	-

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

Section 6 Report of the Board of Directors (Continued)

VI. DIRECTORS AND SUPERVISORS

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

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

VII. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

VIII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

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

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

Controlling Shareholders’ Interests in Contracts of Significance

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

Section 6 Report of the Board of Directors (Continued)

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

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

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

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

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

As at 31 December 2020, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests or short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO; (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO; or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

Section 6 Report of the Board of Directors (Continued)

XII. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, each of Baotou Huazi, Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), Finance Street Xihuan Properties, Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), Finance Street Investment, Huarong Infrastructure, Huifa Investment, Hongzhi Huitong, Zhongchang Hengyuan Holdings Co., Limited (中昌恒遠控股有限公司), Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司) and Tomorrow Holding has signed a non-competition undertaking (collectively, the “Non-competition Undertakings”). Pursuant to the Non-competition Undertakings:

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

From March 2020 to April 2020, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. transferred their respective shares in the Company to Tianfeng Securities. Upon completion of the transfer, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. no longer held any shares of the Company.

XIII. PERMITTED INDEMNITY PROVISIONS

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

XIV. EQUITY-LINKED AGREEMENTS

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

Section 6 Report of the Board of Directors (Continued)

XV. OTHER DISCLOSURES

(I) Share Capital

Information on share capital is contained in Note 50(a) to the consolidated financial statements of this report and forms a part of the Report of the Board of Directors.

(II) Pre-emptive Rights Arrangements

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

(III) Sufficiency of Public Float

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

(IV) Management Contract

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

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

Individual investors

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

Section 6 Report of the Board of Directors (Continued)

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation and effective on 28 June 2011, for domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the provisions in the taxation treaties signed between their nations and China as well as the taxation arrangements between Mainland China and Hong Kong (Macao). The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to foreign resident H Shares individual holders shall be imposed individual income tax at the rate of 10%, without having to make applications to the Chinese tax authorities. If the tax rate of 10% is not applicable, (1) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10% with China, non-foreign invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid heir nations a will be refunded; (2) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10% but less than 20% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the treaty and no need to make an application; and (3) for a foreign resident who is H Share individual holder to receive dividend, if his country has not signed any tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20%.

Enterprise

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

Section 6 Report of the Board of Directors (Continued)

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

(VI) Reserves and Reserves of Profits Available for Distribution

Reserves and the changes in reserves of profits available for distribution of the Group during the Reporting Period are set out in Note 52 to the consolidated financial statements and the “consolidated statement of changes in equity” in this report, which forms a part of the Report of the Board of Directors.

(VII) Relationship with Key Stakeholders

1. Employees

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

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

Section 6 Report of the Board of Directors (Continued)

2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company's large customers include financial institutions, large, small and medium enterprises, institutional investors and individual customers. Most customers of the Company are located in China, mainly in Inner Mongolia. As at 31 December 2020, revenue and other income generated from the top five customers accounted for 2.81% of the revenue and other income of the Group, and revenue and other income generated from the largest customer accounted for 0.70% of the revenue and other income of the Group. During the Reporting Period, as far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers.

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

(VIII) Property and Equipment

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

(IX) Fulfilment of Social Responsibilities

1. Investor education

The Company actively undertakes the corporate mission of performing social responsibilities and attaches great importance to investor education in protecting the legitimate interests of investors and promoting the standardized, healthy and orderly development of the market.

During the Reporting Period, the Company actively organized and conducted multiform investor education activities in listed companies, communities, squares, colleges and universities, enterprises and other places, focusing on popularizing securities knowledge, establishing rational investment concept and promoting risk prevention with the participation of nearly 80,000 investors. It has distributed nearly 100,000 copies of brochures and booklets on investor education to investors. In addition, the Company also vigorously participated in activities organized by regulatory authorities, designed and produced investor education products, which won the Outstanding Organization Award in knowledge contest of the SSE STAR Market issued by the Shanghai Stock Exchange and the Best Mobilization Award in the 2020 knowledge contest of investors' rights and interests titled "Here Come Shareholders" organized by the China Securities Investor Services Center (中證中小投資者服務中心). The Company's selected teaching works were also shown on the websites and official accounts of the regulatory authorities for many times.

Section 6 Report of the Board of Directors (Continued)

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

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

2. Social activities and public benefit donations

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

In respect of poverty alleviation through industrial development

The Company assisted Hubei Province Huajian Stone Co., Ltd.* (湖北省華建石材股份有限公司) in completing the listing and trading of its new shares, with the proceeds raised amounting to RMB11.85 million.

Section 6 Report of the Board of Directors (Continued)

In respect of poverty alleviation through public welfare undertakings

The Company assisted the national poverty-stricken counties in Taipusi Banner of Xilin Gol League, Arxaan City, Siziwang Banner in Ulanqab City and Chayouzhong Banner in Ulanqab City, and actively implemented poverty alleviation in various forms of assistance, a total of RMB6.475 million was invested to help public welfare projects such as education, medical care, planting and breeding industry, tourism poverty alleviation industry, purchase of agricultural products, etc. in the above-mentioned impoverished areas.

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

In respect of fighting against the COVID-19 pandemic

Making concerted efforts to fight against the COVID-19 pandemic by way of donation of money and materials. The Company, together with its affiliated institutions, made a donation of RMB12.50 million to the front line of pandemic prevention in Hubei Province, which represented a practical action to assist Hubei Province in fighting against the COVID-19 pandemic.

Working together to conduct poverty alleviation and fight against the pandemic. While keeping its social responsibility for poverty alleviation in mind, the Company paid constant attention to the pandemic prevention and control in national poverty-stricken counties for which the Company provides partner assistance. After being aware of the shortage of materials for pandemic prevention and control in the front lines of five national poverty-stricken counties with partner assistance of the Company, i.e. Arxaan City, Chayouzhong Banner in Ulanqab City, Siziwang Banner in Ulanqab City, Wengniute Banner of Chifeng City and Taipusi Banner of Xilin Gol League, the Company instantly allocated a batch of materials for pandemic prevention and control, including 2,000 safety goggles and 5,000 medical gloves and successively delivered them to local offices of poverty alleviation of those five counties for united deployment and use by local healthcare commissions, making modest contributions to winning the battle in pandemic prevention and control.

Section 6 Report of the Board of Directors (Continued)

Making donations and warming hearts. The Party Committee of the Company organized the Party members to make donations on a voluntary basis in support for the fight against the COVID-19 pandemic, and each Party branch took prompt actions and Party members made active responses. A total of 267 Party members voluntarily donated RMB71,554.52, which was transferred to a designated account of the organization department of the higher-level Party Committee for united arrangement of use by the organization department of the Inner Mongolia Autonomous Region. The donations would be mainly used for consolation to the medical personnel, grassroots cadres and masses, police officers, community workers and other people fighting in the front line of the pandemic prevention and control, assistance to people who sunk into difficulties or died due to suffering from the COVID-19 pandemic, condolence to the family of the cadres and masses who sacrificed themselves in the fight of pandemic prevention and control, and other purposes.

Saluting to heroes and showing care for medical personnel. In order to implement the important instruction from General Secretary Xi Jinping in relation to showing care for the medical personnel participating in the pandemic prevention and control and to express gratitude to the broad medical workers who proceeded without hesitation and stood firm at their posts, healed the wounded and rescued the dying in the front line of the pandemic prevention and control day and night for their significant and selfless contribution, the Labor Union of the Company organized a voluntary donation themed “Concerning over the Pandemic and Blessings from Hengtai”. A total of 1,517 employees voluntarily donated RMB280,743.28, which, was used by the Company together with Tianfeng Securities, Dang Dai Gongyi* (當代公益) and Xinxin Charity* (欣鑫慈善) for purchase of relevant pandemic prevention and control supplies, daily necessities and medical facilities. On occasion of the Women’s Day, the Company delivered the supplies to the medical workers from the medical teams in support for Hubei Province for consolation. In the future, the Company will continue to pay attention to health protection for medical workers fighting in the front line of anti-pandemic and make modest contributions to the fight against the pandemic.

(X) Material Events after the Reporting Period

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

Section 6 Report of the Board of Directors (Continued)

(XI) Compliance of Laws and Regulations

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

(XII) Environmental Policies and Performance

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

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

For more details, please refer to the "2020 Environmental, Social and Governance Report" to be published separately.

(XIII) Business Review

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

Section 6 Report of the Board of Directors (Continued)

(XIV) Future Development

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

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

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

(XVI) Donations

During the Reporting Period, the Group made charitable donations amounting to RMB18,975,000 approximately. Please refer to (IX) “Fulfillment of Social Responsibilities” under XV. “Other Disclosures” in this section.

(XVII) Bonds

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

By order of the Board

Wu Yigang

Acting Chairman

Beijing, the PRC
26 March 2021

Section 7 Other Material Particulars

I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

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

1. On 24 June 2020, the CSRC issued the Notice of Rectification Measures on Hengtai Securities Co., Ltd. (Notice on Administrative Regulatory Measures [2020] No. 24) (《關於對恒泰證券股份有限公司採取責令改正措施的決定》(行政監管措施決定書[2020] 24號)), the Notice of Measures on Declaration of Yu Anyi, Chen Yijie and Chen Jiangong as Inappropriate Candidates (Notice on Administrative Regulatory Measures [2020] No. 25) (《關於對余安義、陳禕傑、陳建功採取認定為不適當人選措施的決定》(行政監管措施決定書[2020] 25號)) and the Notice of Public Censure Measures on Liu Quansheng (Notice on Administrative Regulatory Measures [2020] No. 26) (《關於對劉全勝採取公開譴責措施的決定》(行政監管措施決定書[2020]26號)), confirming that the Company has the following problems in the process of conducting margin financing and securities lending business in the first half of 2018: that it provided convenience and services for margin financing and securities lending activities between customers and customers, and between customers and third parties; provided customers' credit capital accounts and credit securities accounts for the use of third parties; and failed to effectively monitor the management of customers' evasion of margin financing and securities lending targets. The CSRC will take administrative supervision measures to order corrections thereof by the Company, declare Mr. Yu Anyi, Mr. Chen Yijie and Mr. Chen Jiangong as inappropriate candidates, and publicly censure Mr. Liu Quansheng.

The Company paid high attention to the problems revealed in the notice and conducted overall rectification. At present, the Company has dismissed some of the personnel involved, checked the margin financing and securities lending accounts, and sorted out and standardized related procedures. The Company will further strengthen personnel and business control, carry out compliance training and self-inspection, continue to improve employees' awareness of compliance and risk control, and will strictly implement relevant business procedures to resolutely prevent the occurrence of such problems.

2. On 31 December 2020, the Inner Mongolia Securities Regulatory Bureau of CSRC issued the Decision on Ordering to Take Corrective and Supervision Measures to Increase the Number of Internal Compliance Inspections of Hengtai Securities Co., Ltd" (Decision on Administrative Regulatory Measures [2020] No. 5) (《關於對恒泰證券股份有限公司採取責令增加內部合規檢查次數措施的決定》(行政監管措施決定書[2020]5號)), confirming that the Company has the following problems: failure to promptly report the external (part-time) positions of Directors of the Company; imperfect internal governance of the asset custody business, insufficient effectiveness in internal control, and inadequate implementation of compliance and risk control; shortcoming in management of customer transaction settlement funds, and the unreasonable specific arrangements of the relevant systems formulated by the Company resulting in the lack of strict control over the connection between formulation and execution. The CSRC ordered the Company to increase the number of internal compliance inspections.

Section 7 Other Material Particulars (Continued)

The Company attached great importance to the problems, and required the relevant responsible departments to implement rectification in strict accordance with the requirements of the regulatory letter, and carried out strict internal accountability for the involved departments and persons in charge. In the future, the Company will continue to increase the number of internal compliance inspections of departments in charge as required to make sure the implementation of rectification measures.

II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

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

None in the Reporting Period.

(2) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Years

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

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report and 2019 annual report of the Company.

(1) *The lawsuits filed by the Company against Hongyuan Petrochemical and Qinghui Leasing*

The case that the Company instituted a proceeding against the single lessee Xianyang Hongyuan Petrochemical Co., Ltd. (咸陽鴻元石油化工有限公司) (“Hongyuan Petrochemical”) and the equity originator Qinghui Leasing Co., Ltd. (慶匯租賃有限公司) (“Qinghui Leasing”) of the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) was heard at the Beijing Municipal Higher People’s Court on 19 August 2020. No judgment has been handed down in the case.

Section 7 Other Material Particulars (Continued)

(2) *The lawsuits filed by the preferential holders of the Special Scheme against the Company*

On 14 January 2020, 14 January 2020 and 24 February 2020, Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. refiled lawsuits to the Second Intermediate People's Court of Beijing against the Company, respectively, claiming for the repayment of the outstanding principals (i.e., RMB60 million, RMB130 million and RMB100 million, respectively), and the interest payable and relevant charges by the Company. On 7 May 2020, the above three lawsuits were heard at the Second Intermediate People's Court of Beijing in the first instance. On 1 December 2020, the above three cases were heard at the Second Intermediate People's Court of Beijing in the first instance for the second time.

On 7 May 2020, the Company received the civil claims brought by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., in which the above three companies refiled lawsuits to the People's Court of Xicheng District, Beijing against the Company, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. On 18 December 2020, the above three cases were heard at the People's Court of Xicheng District, Beijing in the first instance. No judgment has been handed down in the case.

On 26 February 2021, the Beijing Second Intermediate People's Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing Municipal Supreme People's Court on 15 March 2021.

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

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2019 annual report of the Company.

On 4 December 2019, the Intermediate People's Court of Hohhot issued the Civil Ruling Paper and ruled that the appeal be rejected and the original verdict by the People's Court of Xincheng District of Hohhot be upheld. On 2 November 2020, the case was heard at the People's Court of Shenhe District of Shenyang. No judgment has been handed down in the case.

Section 7 Other Material Particulars (Continued)

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

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2019 annual report of the Company.

An enforceable mediation agreement has been entered into between the Company and Dongguan Changjiu Venture Investment Bank (Limited Partnership) (東莞市長久創業投資行(有限合夥)). The Hohhot Intermediate People's Court made a first-instance judgment on the Company's lawsuit against Mr. He Lin, Mr. Jiang Dehu, Mr. Weng Huayin, Mr. Li Enping, and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業(有限合夥)), and the verdict supported the claims of the Company. As of February 2021, Mr. He Lin, Mr. Jiang Dehu, Mr. Weng Huayin, Mr. Li Enping, and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業(有限合夥)) have all appealed to the Inner Mongolia Higher People's Court. The Company is preparing to respond to the second instance.

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

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2019 annual report of the Company.

On 27 May 2019, Beijing Arbitration Commission issued a notice to the Company on its acceptance of the application in relation to three arbitration cases filed by Mr. Liu Chaoyang, an investor of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund, claiming joint repayment investment principal of RMB50 million and relevant income by Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership), as the first respondent, and the Company, as the second respondent. Beijing Arbitration Commission handed down the judgment on 10 November 2020, rejecting the arbitration claim of Mr. Liu Chaoyang on the Company.

Section 7 Other Material Particulars (Continued)

III. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Finance Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract is renewed from 1 March 2019, and for a term of 3 years commencing from 1 March 2019. The rental paid by the Company for the Reporting Period was RMB27,410,000.

IV. CONNECTED TRANSACTIONS

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

During the Reporting Period, the Company and Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司) ("Huarong Investment"), entered into a property leasing and related services framework agreement (the "Framework Agreement") on 16 May 2018 to regulate the properties leasing relationship and property management services between the Group and Huarong Investment. Please refer to the announcement published by the Company on 16 May 2018 for further details. The SASAC of Xicheng District, through Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure (collectively, the "Finance Street Group"), is interested in approximately 20.42% of the total issued share capital of the Company, and therefore it is a substantial shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, the SASAC of Xicheng District and its associates are connected persons of the Company. Huarong Investment is a subsidiary of SASAC of Xicheng District, and is therefore an associate of the SASAC of Xicheng District. Accordingly, Huarong Investment is a connected person of the Company and transactions that the Company enters into with Huarong Investment and its associate constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Framework Agreement became effective from 1 January 2018 and expired on 31 December 2020. Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the annual caps for the Framework Agreement exceeds 0.1% but is less than 5%, the Framework Agreement and the transactions contemplated under the Framework Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. For details of the principal terms and pricing basis of the Framework Agreement, please refer to the announcement in relation to continuing connected transactions of the Company dated 16 May 2018. The amount of the above continuing connected transactions during the Reporting Period was RMB7,679,914, not exceeding the 2019 annual caps of RMB12.5 million disclosed in the above announcement.

Section 7 Other Material Particulars (Continued)

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

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

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

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

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the 2020 annual cap as set by the Company in the Announcement.

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

Section 7 Other Material Particulars (Continued)

V. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

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

On 14 December 2020, the Company received the Termination Letter of the Chief Agency Broker Business (Gu Zhuan Xi Tong Han [2020] No. 3842) from the National Equities Exchange and Quotations Co., Ltd., which approved the termination of the recommendation business of the Company on the National Equities Exchange and Quotations.

On 14 December 2020, Hengtai Changcai received the Record Letter of the Chief Agency Broker Business (Gu Zhuan Xi Tong Han [2020] No. 3843) from the National Equities Exchange and Quotations Co., Ltd., which approved Hengtai Changcai to engage in the recommendation business on the National Equities Exchange and Quotations as the Chief Agency Broker.

VI. SHARE OPTION SCHEME AND EQUITY INCENTIVE SCHEME

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

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

In the classified evaluation of the PRC securities companies in 2020 carried out by the CSRC, the Company was assigned a A rating in Class A.

VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Grant Thornton Certified Public Accountants and Grant Thornton Hong Kong Limited as its external auditors for 2020 for providing correlated audit and review services, based on China's Accounting Standards for Business Enterprises and International Financial Reporting Standards, respectively.

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

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

Section 7 Other Material Particulars (Continued)

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

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

Grant Thornton Certified Public Accountants, Ms. Fan Xiaohong and Ms. Liu Lei, 1.5 year.

2. International accounting firms and service lengths:

Grant Thornton Hong Kong Limited, 1 year.

3. Remunerations for accounting firm

The Company paid RMB1.55 million to Grant Thornton Certified Public Accountants for annual audit fee in 2020.

The Company paid RMB0.70 million to Grant Thornton Hong Kong Limited for interim review fee in 2020, and RMB1.80 million for annual audit fee in 2020.

IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

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

Nil.

(II) Annual Profit Distribution Plan of the Company

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

Section 7 Other Material Particulars (Continued)

(III) Major Investment and Financing after the Reporting Period

1. Major investment of the Company

Nil.

2. Major financing of the Company

The issue of beneficiary certificates is as follows:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuangtaifu No. 26	4.00	4.58%	305	22 January 2021	22 November 2021
Hengchuangtaifu No. 27	3.00	4.20%	186	18 March 2021	20 September 2021
Hengchuangtaifu No. 28	1.00	4.30%	214	18 March 2021	18 October 2021
Hengchuangtaifu No. 29	3.00	4.35%	364	19 March 2021	18 March 2022

(IV) Significant Litigations and Arbitrations after the Reporting Period

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

On 26 February 2021, the Beijing Second Intermediate People's Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing Municipal Supreme People's Court on 15 March 2021.

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

Nil.

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

Nil.

Section 8 Equity (Capital) Changes and Substantial Shareholders

I. SHAREHOLDING STRUCTURE

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

II. CHANGES IN SHARES

None in the Reporting Period.

III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 48 registered shareholders, including 19 registered holders of Domestic Shares and 29 registered holders of H Shares.

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

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the Reporting Period	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status	
									Status of shares	Number
1	Tianfeng Securities Co., Ltd.	Social legal person	Domestic Shares	690,015,375	26.49%	690,015,375	690,015,375	0	-	-
2	HKSCC Nominees Limited ¹	Overseas legal person	H Shares	450,782,807	17.31%	-50	450,782,807	0	-	-
3	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.83%	0	308,000,000	0	-	-
4	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.12%	0	211,472,315	0	-	-
5	Beijing Finance Street Investment (Group) Co., Ltd.	State-own legal person	Domestic Shares	165,418,345	6.35%	0	165,418,345	0	-	-
6	Beijing Huarong Infrastructure Investment Co., Ltd.	State-own legal person	Domestic Shares	155,079,698	5.95%	0	155,079,698	0	-	-
7	Tibet Dazi Huifa Investment Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	0	154,000,000	0	-	-
8	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	123,500,000	4.74%	-30,500,000	123,500,000	0	Pledged	123,500,000
9	Jinan Bojie Narong Information Technology Co., Ltd.	Social legal person	Domestic Shares	68,980,000	2.65%	-12,020,000	68,980,000	0	Pledged	68,980,000
10	Tengye Holding Group Co., Ltd.	Social legal person	Domestic Shares	59,000,000	2.27%	0	59,000,000	0	Pledged	36,000,000

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

Note :

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

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

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

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

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

No.	Name of shareholders	Legal representative	Date of establishment	Registered capital (RMB'000)	Registered address (PRC)	Principal business
1.	Tianfeng Securities Co., Ltd.	Yu Lei (余磊)	29 March 2000	666,596.728	4/F, Gaoke Building, No.2 Guandongyuan Road, East Lake High-Tech Development Zone, Wuhan, Hubei	Provisions of intermediary business for futures companies; securities brokerage; securities investment and consultation; financial advisor related to securities transactions and securities investment activities; proxy sale of securities investment funds; securities underwriting and sponsorship; securities dealing; securities margin trading; proxy sale of financial products
2.	Baotou Huazi Industry Co., Ltd.	Song Weidong (宋卫东)	30 November 1998	48,493.20	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region	Production and sales of sugar, molasses; operation of export of products and relevant technologies manufactured and developed by itself; operation of importing of raw and auxiliary materials, machinery, equipment, instruments and spare parts required for production; conducting foreign co-production and compensated trade business

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

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

As at 31 December 2020, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (excluding the Directors, Supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which had to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded, pursuant to Section 336 of the SFO, in the register referred to therein:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Approximate percentage of	Approximate percentage of	Long positions/ short positions/ shares available for lending
				total number of Issued shares of the Company ¹ (%)	the Company's total issued Domestic Shares/ H Shares ¹ (%)	
Huarong Infrastructure ²	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Xihuan Properties ³	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long positions
Finance Street Investment ^{2, 3, 4}	Domestic Shares	Interests of controlled corporation	366,552,013	14.07	17.02	Long positions
	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long positions
	Domestic Shares	Total:	531,970,358	20.42	24.70	Long positions
Finance Street Capital ^{2, 3, 4}	Domestic Shares	Interest of controlled corporation	531,970,358	20.42	24.70	Long positions
SASAC Xicheng District ^{2, 3, 4}	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi ⁵	Domestic Shares	Beneficial owner	308,000,000	11.83	14.30	Long positions
Tomorrow Holding ⁵	Domestic Shares	Interests of controlled corporation	308,000,000	11.83	14.30	Long positions
Huifa Investment ⁶	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hongzhi Huitong ^{7, 9}	Domestic Shares	Beneficial owner	123,500,000	4.74	5.73	Long positions
Shaanxi Tianchen ^{7, 9}	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Hangzhou Ruisi ^{7, 9}	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Suzhou Bingtai ^{7, 9}	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Mr. Zhou Zhiqiang ^{7, 9}	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions

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

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held <i>(shares)</i>	Approximate percentage of total number of Issued shares of the Company ¹ <i>(%)</i>	Approximate	Long
					percentage of the Company's total issued Domestic Shares/ H Shares ¹ <i>(%)</i>	positions/ short positions/ shares available for lending
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.77	16.01	Long positions
Pohua JT Private Equity Fund L.P. ⁸	H Shares	Beneficial owner	67,880,000	2.61	15.05	Long positions
Pohua JT Capital Partners Limited ⁸	H Shares	Interests of controlled corporation	67,880,000	2.61	15.05	Long positions
Tianfeng Securities ⁹	Domestic Shares	Beneficial owner	781,365,375	29.99	36.28	Long positions

Notes :

- As at 31 December 2020, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- Huarong Infrastructure is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
- 90.00% of the equity interest in Finance Street Xihuan Properties is held by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
- 62.06% and 37.94% of the equity interest in Finance Street Investment is held by Finance Street Capital and SASAC Xicheng District, respectively, and 100% of the equity interest of Finance Street Capital is held by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held directly and 366,552,013 Domestic Shares held indirectly by Finance Street Investment.
- 54.32% of the equity interest in Baotou Huazi is held by Tomorrow Holding. Therefore, Tomorrow Holding is deemed to be interested in 308,000,000 Domestic Shares held by Baotou Huazi.
- 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.

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

7. 97.67% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 97.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhou Zhiqiang (周志強). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhou Zhiqiang (周志強) is deemed to be interested in 123,500,000 Domestic Shares held by Hongzhi Huitong.
8. Pohua JT Private Equity Fund L.P. is wholly-owned by Pohua JT Capital Partners Limited. Therefore, Pohua JT Capital Partners Limited is deemed to be interested in 67,880,000 H Shares held by Pohua JT Private Equity Fund L.P..
9. On 17 June 2019, Beijing Qingyun Intercontinental Technology Co., Ltd., Beijing Huijin Jiaye Investment Co., Ltd., Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd., Zhongchang Hengyuan Holdings Limited, Shanghai Yida Technology Investment Co., Ltd., Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International Investment Co., Ltd. (collectively, the “Domestic Shares Sellers”) entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Tianfeng Securities, pursuant to which the Domestic Shares Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. On 13 April 2020, the procedure of the lawful transfer to Tianfeng Securities of 690,015,375 Domestic Shares of the Company, accounting for approximately 26.49% of the total issued share capital of the Company, had been completed. For details, please refer to the Company’s announcements dated 29 May 2019, 17 June 2019, 9 March 2020, 12 March 2020 and 13 April 2020.

Save as disclosed above, as at 31 December 2020, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

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

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

VI. PRE-EMPTIVE RIGHTS

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

Section 9 Directors, Supervisors, Senior Management and Employees

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

(I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Wu Yigang (吳誼剛)	Male	61	Chairman (acting), vice chairman of the Board and executive Director	From 22 December 2017 to present	3,011	Served as the acting chairman of the Board since 7 January 2021
2	Yu Lei (余磊)	Male	43	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
3	Wang Linjing (王琳晶)	Male	46	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
4	Dong Hong (董紅)	Female	51	Non-executive Director	From 5 January 2018 to present	75	Obtained approval of qualification as a Director on 5 January 2018
5	Gao Liang (高靚)	Female	50	Non-executive Director	From 31 January 2018 to present	75	Obtained approval of qualification as a Director on 31 January 2018
6	Lam Sek Kong (林錫光)	Male	61	Independent non-executive Director	From 22 December 2017 to present	150	–
7	Xie Deren (謝德仁)	Male	49	Independent non-executive Director	From 21 January 2020 to present	142	Obtained approval of qualification as an independent Director on 21 January 2020

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

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period	Remarks
						(RMB in thousand)	
8	Dai Genyou (戴根有)	Male	71	Independent non-executive Director	From 21 January 2020 to present	142	Obtained approval of qualification as an independent Director on 21 January 2020
9	Pang Jiemin (龐介民)	Male	49	Chairman of the Board and executive Director	From 22 December 2017 to 22 December 2020	5,374	Resignation being effective on 22 December 2020
10	Zhou Jianjun (周建軍)	Female	51	Independent non-executive Director	From 22 December 2017 to 21 January 2020	8	Resignation being effective on 21 January 2020
11	Lv Wendong (呂文棟)	Male	53	Independent non-executive Director	From 5 January 2018 to 21 January 2020	8	Obtained approval of qualification as an independent Director on 5 January 2018 and resignation being effective on 21 January 2020

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

(II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Guo Liwen (郭力文)	Male	60	Chairman of Supervisory Committee	From 22 December 2017 to present	2,893	–
2	Chen Feng (陳風)	Male	41	Shareholder representative Supervisor	From 21 January 2020 to present	43	Obtained approval of qualification as a Supervisor on 21 January 2020
3	Wang Hui (王 慧)	Male	47	Employee representative Supervisor	From 22 December 2017 to present	998	–
4	Pei Jingjing (裴晶晶)	Female	37	Shareholder representative Supervisor	From 22 December 2017 to 21 January 2020	2	Resignation being effective on 21 January 2020

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

(III) Senior Management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Niu Zhuang (牛壯)	Male	48	President	From 22 December 2017 to present	5,126	–
2	Zhai Chenxi (翟晨曦)	Female	41	Co-president	From 22 November 2019 to present	3,021	Appointed on 22 November 2019
3	Zhang Wei (張偉)	Male	50	Vice president	From 22 December 2017 to present	2,941	Resigned as the secretary of the Board on 22 April 2020
4	Fu Lixin (付立新)	Female	54	Vice president	From 22 December 2017 to present	2,851	–
5	Wu Lihui (武麗輝)	Female	49	Vice president	From 22 December 2017 to present	2,984	–
6	Zhao Peiwu (趙培武)	Male	56	Vice president	From 22 December 2017 to present	2,945	–
7	Yang Shufei (楊淑飛)	Female	47	Vice president	From 22 April 2020 to present	3,013	Resigned as a Chief financial officer on 22 April 2020 and appointed as a vice president on the same day
8	Tang Jun (唐軍)	Male	51	Vice president	From 29 May 2020 to present	504	Appointed on 29 May 2020
9	Yu Fang (于芳)	Female	40	Chief risk officer	From 22 December 2017 to present	3,037	–
10	Sun Hang (孫航)	Male	55	Chief financial officer	From 22 April 2020 to present	607	Appointed on 22 April 2020
11	Liu Zhanjun (劉佔軍)	Male	44	Chief compliance officer	From 22 April 2020 to present	671	Appointed on 22 April 2020
12	Zhang Jingshun (張景順)	Male	37	Secretary of the Board	From 22 April 2020 to present	572	Appointed on 22 April 2020
13	Sun Jiafeng (孫嘉鋒)	Male	42	Chief information officer	From 29 May 2020 to present	1,886	Appointed on 29 May 2020

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

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

(I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in shareholders' company	Term of office
1	Wu Yigang (吳誼剛)	Executive Director	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)	Director	September 2019 to present
2	Dong Hong (董紅)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chief legal advisor	March 2015 to August 2020
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chairman of the labour union	April 2019 to present
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Director	July 2019 to present
			Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	Director	November 2016 to present
			Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	Member of and secretary to the Party Committee	February 2020 to present
3	Yu Lei (余磊)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Chairman of the board	November 2006 to present
4	Wang Linjing (王琳晶)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	President	December 2019 to present
5	Chen Feng (陳風)	Shareholder Representative Supervisor	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Administrative director	March 2019 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Assistant to the president	July 2020 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	General manager of the investment banking strategic customer department	September 2020 to present
6	Zhai Chenxi (翟晨曦)	Co-president	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Vice-president	April 2015 to present

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

(II) Appointment in other Units

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
1	Dong Hong (董紅)	Non-executive Director	Beijing Arbitration Commission) (北京仲裁委員會)	Arbitrator	January 2020 to present
2	Gao Liang (高靚)	Non-executive Director	Finance Street Holdings Co., Ltd. (金融街控股股份有限公司)	Chairman	January 2017 to present
			China Securities Pyrophosphate Copper Fund Management Co. Ltd. (中證焦桐基金管理有限公司)	Vice-chairman	February 2017 to present
			China Association for Public Companies (中國上市公司協會)	Deputy chairman	April 2017 to present
3	Yu Lei(余磊)	Non-executive Director	Wuhan Mingcheng Jinshi Technology Co., Ltd. (武漢明誠金石科技有限公司)	Director	November 2009 to present
			Wuhan Contemporary Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司)	Director	February 2012 to present
			Wuhan Contemporary Technology Investment Co., Ltd. (武漢當代科技投資有限公司)	Director	October 2014 to present
			Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司)	Director	June 2016 to present
			Wuhan Contemporary Qianyuan Technology Co., Ltd. (武漢當代乾源科技有限公司)	Director	April 2017 to present
4	Xie Deren (謝德仁)	Independent non-executive Director	Tsinghua University School of Economics and Management (清華大學經濟管理學院)	Professor	August 1998 to present
			Tsinghua Holdings Co., Ltd. (清華控股有限公司)	Chairman of the Supervisory Committee	June 2016 to present
			Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司)	Chairman of the Supervisory Committee	December 2018 to present
			The second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC (財政部第二屆企業會計準則諮詢委員會)	Committee member	May 2019 to May 2021
			Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	October 2020 to October 2023
			Xiamen Bank Co., Ltd. (廈門銀行股份有限公司)	Independent director	January 2021 to January 2024

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

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
5	Lam Sek Kong (林錫光)	Independent non-executive Director	Messrs. S.K. Lam, Alfred Chan & Co. (林錫光、陳啟鴻律師行)	Partner	June 1996 to December 2020
			APT Satellite Holdings Limited (亞太衛星控股有限公司)	Independent non-executive Director	July 2007 to present
			Guantao Law Firm (觀韜律師事務所) in Hong Kong	Partner	July 2020 to present
6	Zhai Chenxi (翟晨曦)	Co-president	TF International Securities Group Limited (天風國際證券集團有限公司)	Chairman of the board	May 2016 to present

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

(I) Directors

Mr. Wu Yigang (吳誼剛), aged 61, has been a Director and the vice chairman of our Board since October 2008 and June 2015, respectively, and has also acted as the chairman of the Board and a legal representative since 7 January 2021. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for the corporate governance matters. Mr. Wu served as the president of the Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

Mr. Yu Lei (余磊), aged 43, has been a Director since September 2019. Mr. Yu has been the chairman of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since November 2006, and he had been the secretary of the board of directors and vice general manager of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份有限公司) (the former Wuhan Renfu High-tech Industry Co., Ltd. (武漢人福高科技產業股份有限公司)) from November 2002 to January 2007, and was a director of CSI Quotation Southern Corporation Limited. (中證報價南方有限責任公司) (the former CSI Quotation Southern Co., Ltd. (中證報價南方股份有限公司)) from October 2015 to October 2019. He has served as a director of Wuhan Dangdai Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) since February 2012 and a director of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司) since June 2016. Mr. Yu graduated from Wuhan University Law School (武漢大學法學院) with a bachelor's degree in economic law in July 2000, and later he majored in criminal law at Wuhan University Law School, and obtained a master's degree and a doctorate degree in law.

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

Mr. Wang Linjing (王琳晶), aged 46, has been a Director since September 2019. Mr. Wang has been the president of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since December 2019, and the chairman and a legal representative of Hengtai Changcai since October 2020. Mr. Wang served as a member of National Development and Reform Commission from July 2000 to May 2005, assistant of the general manager of China Tongda Electronic Network System Company (中國通達電子網絡系統公司) from May 2005 to July 2007, and from July 2007 to November 2009, he served as a postdoctoral researcher of National Information Center postdoctoral science research station (國家信息中心博士後研究站). Mr. Wang served as the head of the department of Chengdu office of Tianfeng Securities Co., Ltd. (天風證券股份有限公司成都辦事處) from November 2009 to July 2011, the vice president of Tianfeng Securities Co., Ltd. from May 2013 to December 2019, a managing partner of Shanghai Tianhan Investment Partnership (上海天涵投資合夥企業) from February 2015 to November 2017, the chairman of Tianfeng Innovation Investment Co., Ltd. (天風創新投資有限公司) from December 2015 to November 2017 and an executive director and legal representative of Lhasa Tianfeng Tianyi Investment Co., Ltd. (拉薩天風天奕投資有限公司) from March 2016 to January 2018. Mr. Wang graduated from Department of World Economy of Fudan University with a bachelor's degree in July 1997, then obtained his master's degree of the Department in July 2000. From September 2002 to July 2005, he studied in Center for Public Policy Research, Chinese Academy of Social Sciences (中國社會科學院公共政策系) when he worked, later he obtained his doctorate degree.

Ms. Dong Hong (董紅), aged 51, has been a Director since January 2018. Ms. Dong successively served as an assistant judge and judge at the economic tribunal of Fengtai District People's Court of Beijing Municipality (北京市豐台區人民法院) from August 1989 to May 2000. She was then successively served as a judge of the commercial tribunal and a deputy chief judge and a chief judge of Nanmofang People's Tribunal (南磨房人民法庭) at Chaoyang District People's Court of Beijing Municipality (北京市朝陽區人民法院) from May 2000 to March 2015. She served as the general counsel in Finance Street Investment from March 2015 to August 2020. Ms. Dong has been the chairman of the labor union in Finance Street Investment since April 2019 and a director of Finance Street Investment since July 2019. Ms. Dong has served as a director of Huarong Infrastructure since November 2016, and a member of and secretary to the Party Committee of Huarong Infrastructure since February 2020. Ms. Dong graduated from Beijing College of Politics and Law (北京政法職業學院) formerly known as Beijing School of Justice (北京市司法學校) in Beijing, the PRC with a specialized secondary diploma majoring in law in July 1989; from Peking University (北京大學) in Beijing, the PRC with a college's diploma majoring in law in December 1991; from Correspondence Institute of Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in Beijing, the PRC with a bachelor diploma in politics and laws in December 1997 and from Peking University (北京大學) in Beijing, the PRC with a degree of Bachelor of Laws in January 2004.

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

Ms. Gao Liang (高韻), aged 50, has been a Director since January 2018. Ms. Gao served as a teacher of The Third People's Police School of Beijing (北京市第三人民警察學校) from July 1993 to July 1994. Ms. Gao successively served as an employee, the manager and the assistant to general manager of Beijing Finance Street Property Management Co., Ltd. (北京金融街物業管理有限責任公司) from July 1994 to December 1995, and the deputy general manager of Jinxiao Real Estate Advisory Co., Ltd. (金曉房地產諮詢有限公司) from January 1996 to March 1998. Ms. Gao served as the manager of Finance Street Construction & Development Co., Ltd. (金融街建設開發有限責任公司) from March 1998 to October 1999, the deputy general manager and deputy managing director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from October 1999 to June 2011. Ms. Gao serves as the deputy general manager of Finance Street Investment from July 2011 to July 2014, and has been a director of the company from December 2013 to July 2019. Furthermore, Ms. Gao served as the chairman and general manager of Beijing Finance Street Investment and Management Co., Ltd (北京金融街投資管理有限公司) from December 2011 to July 2014 and the deputy managing director of Beijing Finance Street Capital Management Centre (北京金融街資本運營中心) from March 2012 to July 2014. Ms. Gao is a director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since April 2013, and served as the general manager of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from August 2014 to January 2017, and served as the president of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since January 2017. Ms. Gao obtained the bachelor's degree in laws from China University of Political Science and Law (中國政法大學) in July 1993, graduated from the Graduate School of Chinese Academy of Social Science (中國社會科學院研究生院) in July 1998, majored in business management, and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology (香港科技大學) in November 2007.

Dr. Lam Sek Kong (林錫光), aged 61, has been an independent Director since April 2015. Concurrently, Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Guantao Law Firm (觀韜律師事務所) in Hong Kong. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

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

Mr. Xie Deren (謝德仁), aged 49, has been an independent Director since January 2020. Mr Xie has been teaching at the Department of Accounting of Tsinghua University School of Economics and Management since August 1998 and was hired as professor in 2005. He gives lectures on corporate finance and accounting to undergraduates, doctor of philosophy candidates in Tsinghua University School of Economics and Management and students who are directors and supervisors of enterprises. He is a fellow and council member of the Accounting Society of China and a reviewer of several academic journals in the field of economics and management. Mr. Xie has been working as a member of the second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, chairman of the board of supervisors of Tsinghua Holdings Co., Ltd. (清華控股有限公司) and Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司) and an independent director of Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司) and Xiamen Bank Co.,Ltd. (廈門銀行股份有限公司), respectively. Mr. Xie was a member of the 17th issuance vetting committee of CSRC, a member of the first consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, and an independent director of China Life Insurance Co., Ltd. (中華人壽保險股份有限公司), China Assets Management Co., Ltd. (華夏基金管理有限公司) and other companies. Mr. Xie graduated from Xiamen University in July 1998. and obtained his doctoral degree in management.

Mr. Dai Genyou (戴根有), aged 71, has been an independent Director since January 2020. Mr. Dai had successively served as the vice president of the Anqing City Central Branch of the People's Bank of China (中國人民銀行安慶市中心支行), the deputy director of the Investigation and Statistics Department of the People's Bank of China, the director of the Monetary Policy Department of the People's Bank of China (中國人民銀行貨幣政策司) and the chief of the Credit Information System Bureau (徵信管理局) of the People's Bank of China. He served as the director of the Credit Information Centre (徵信中心) of the People's Bank of China in April 2007, and retired in March 2010. Mr. Dai graduated from Anhui Labour University (predecessor of Anhui University), majoring in political economics. Mr. Dai is a senior economist and an expert enjoying the special allowances from the State Council.

(II) Supervisors

Mr. Guo Liwen (郭力文), aged 60, has been a Supervisor and the chairman of the Supervisory Committee since December 2010. Mr. Guo joined the Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of the Company from October 2008 to December 2010. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC in July 1984.

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

Mr. Chen Feng (陳風), aged 41, has been the Supervisor since January 2020. Mr. Chen worked at Law School of Wuhan University in the capacity as a student counselor, deputy secretary to the Youth League Committee, deputy director of undergraduate service office, secretary to Youth League Committee, director of undergraduate service office, secretary to the executive party branch and the assistant of the dean in succession from July 2002 to January 2014, the deputy director of platform construction office of Institute of Humanities and Social Science of Wuhan University from January 2014 to July 2016 and the administrative director of Wuhan Dangdai Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) from July 2016 to February 2019. Mr. Chen has been the administrative director, the assistant to the president and the general manager of the investment banking strategic customer department of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since March 2019, July 2020 and September 2020, respectively. Mr. Chen graduated from Wuhan University in July 2002, majoring in economic law, and obtained his bachelor's degree. He then continued his part-time study of economic law at Wuhan University and obtained his master's and doctoral degrees in law in July 2006 and December 2012, respectively.

Mr. Wanghui (王慧), aged 47, has been an employee representative Supervisor since September 2012, a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer, Hengtai Futures and Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) since October 2012, January 2013, June 2013 and April 2015, respectively. Before joining the Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

(III) Senior Management

Mr. Niu Zhuang (牛壯), aged 48, has been the president of the Company since June 2015 and is currently mainly responsible for formulating the Company's corporate and business strategies and making major corporate and operational decisions, being fully responsible for the Company's overall operation and management and execution of the Board resolutions. Mr. Niu served as the chief financial officer and an executive vice president of the Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively. Mr. Niu has served as an executive director and the legal representative of Hengtai Capital from December 2015, and the general manager thereof since January 2017. Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) in Beijing, the PRC with a bachelor's degree majoring in industrial management engineering in July 1993. Mr. Niu obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005. He obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018.

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

Ms. Zhai Chenxi (翟晨曦), aged 41, has been the co-president of the Company since November 2019 and is currently mainly responsible for matters related to the business integration and the daily operation and management of the Company. Ms. Zhai successively served as a project manager of the investment business bureau and appraisal third bureau of China Development Bank from April 2004 to March 2007 and successively served as a trader, deputy section chief and section chief of the capital trading department of China Development Bank from March 2007 to April 2014. Ms. Zhai joined Tianfeng Securities Co., Ltd. (天風證券股份有限公司) in April 2014 and successively served as the assistant to the president, general manager of the fixed income head office and director of the institutional client committee. She currently serves as the vice president and deputy director of the executive committee of Tianfeng Securities Co., Ltd. Ms. Zhai has served as the chairman of the board of directors of Tianfeng International Securities Group Co., Ltd. (天風國際證券集團有限公司) since May 2016 and the co-chairman of New China Fund since September 2020, and acted as the general manager of New China Fund since November 2020. Ms. Zhai was graduated from Central South University, majoring in technological economics, with a bachelor's degree in management in July 2001. Subsequently, she continued to major in finance at Central South University and obtained a master's degree in economics in 2004. She obtained a doctorate in economics from Chinese Academy of Fiscal Science in 2009.

Mr. Zhang Wei (張偉), aged 50, has been a vice president of the Company since September 2008. He is currently in charge of the management of the operation of Hengtai Changcai. Concurrently, Mr. Zhang has been a director in Hengtai Futures since December 2009 and the general manager and a director in Hengtai Changcai since June 2014 and October 2020, respectively. Mr. Zhang served as the president assistant and a vice president of the Company from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Mr. Zhang served as the secretary of the Board of the Company from November 2011 to April 2020, the legal representative and an executive director of Hengtai Changcai from June 2014 to October 2020, and one of the joint company secretaries of the Company from March 2015 to June 2020. Before joining the Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

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

Ms. Fu Lixin (付立新), aged 54, has been a vice president of the Company since May 2008. She is currently responsible for the operation of Hengtai Futures. She has also been assuming positions of the chairman of the board and legal representative of Hengtai Futures as well as executive director and legal representative of Hengtai Yingwo Asset Management Co. Ltd. (恒泰盈沃資產管理有限公司) since December 2009 and February 2016, respectively. Ms. Fu served as a president assistant of the Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining the Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd. (富友證券經紀有限責任公司) successively as a manager and a vice president from April 1993 to October 2003. Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. Ms. Fu obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.

Ms. Wu Lihui (武麗輝), aged 49, has been a vice president of the Company since July 2012. She is currently responsible for the financial market department, asset custody department and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of an executive director, the legal representative and the general manager in Hengtai Pioneer since January 2013, respectively. Ms. Wu served successively as a director of office of the Board and the assistant to the chairman of the Board of the Company from November 2009 to July 2012 and as an executive director and the legal representative of Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) from April 2015 to January 2018. Before joining the Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

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

Mr. Zhao Peiwu (趙培武), aged 56, has been a vice president of the Company since September 2009. He is currently responsible for the management of the new retail business headquarter, the institutional business headquarter, the credit business department, the private wealth headquarter and the operation centre and supervision of the operation of the Changchun branch office as well as the institutional investment consultant department. Mr. Zhao consecutively served as a deputy director of operating department of the Company from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of the Company from March 2008 to September 2009, respectively. Mr. Zhao also served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

Ms. Yang Shufei (楊淑飛), aged 47, has been the vice president of the Company since April 2020. She is currently responsible for the management of the Asset Management Department. Meanwhile, Ms. Yang has served as the chairman of the supervisor committee of New China Fund and a supervisor of Hengtai Capital since February 2017 and October 2017, respectively. Ms. Yang served as the chief financial officer of the Company from October 2016 to April 2020. Before joining the Group, Ms. Yang served as a staff member of the management department and fund department of Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司) from July 1995 to September 2001. After then, Ms. Yang worked in CASIC Finance Co., Ltd. (航天科工財務有限責任公司) and served as a staff member of the investment department from October 2001 to September 2002, the manager of the clearing department from October 2002 to March 2005, the manager of the risk management department from April 2005 to June 2008 and chief accountant, general counsel, board secretary and vice president consecutively during the period from July 2008 to November 2015. From November 2015 to June 2016, Ms. Yang served as the chief financial officer of Huahao Xinlian (Beijing) Kemao Co., Ltd. (華浩信聯(北京)科貿有限公司). Ms. Yang graduated from Renmin University of China (中國人民大學) with a bachelor degree in international finance in July 1995 and obtained a master degree in economics from Peking University (北京大學) in November 2005 and an executive master degree of business administration from Tsinghua University (清華大學) in July 2010.

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

Mr. Tang Jun (唐軍), aged 51, has been the vice president of the Company since May 2020. He is currently in charge of the management of the strategic customer department. Mr. Tang served successively as the director, chief economic manager and general manager of CNPC Xinjiang Petroleum Administration (中國石油新疆石油管理局) from June 1989 to November 2000. Mr. Tang served as the assistant dean of Research Institute of Chemical Industry in Beijing (北京市化學工業研究院) from December 2000 to August 2002, the assistant to the president of Mingtian Group (明天集團) from September 2002 to April 2004, the chief executive officer of Jian Tong Investment Co., Ltd. (建通投資有限公司) from May 2004 to August 2007, the vice president of Fortune Joint Investment Group Co., Ltd. (財富聯合投資集團有限公司) from September 2007 to October 2008, the manager of finance and insurance department of Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司) from November 2008 to March 2011, and the post-doctor of Institute of Industrial Economics of CASS (中國社會科學院工業經濟研究所) from July 2008 to July 2011. Mr. Tang served successively as the secretary of the board of directors and the deputy general manager of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) from March 2011 to April 2020. Mr. Tang graduated from Southwest Petroleum University (西南石油學院) in July 1989 with a bachelor's degree, and obtained a master's degree and a doctor's degree from China University of Petroleum (中國石油大學) in July 2000 and July 2007, respectively.

Ms. Yu Fang (于芳), aged 40, has been the chief risk officer of the Company since April 2014. She is currently in charge of our risk management department and audit department and risk management and internal audit. Concurrently, Ms. Yu also has been a director of New China Fund since August 2015. Ms. Yu was the chief compliance officer of the Company from January 2013 to November 2017. Before joining the Group, Ms. Yu served in New Times Securities Co. Ltd. (新時代證券有限責任公司) as the general manager assistant and a vice president, in charge of compliance management department, audit department and legal management department from June 2008 to June 2012 and from June 2012 to December 2012, respectively. Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003. She obtained an executive master degree of business administration from Hong Kong University of Science and Technology (香港科技大學) in November 2020.

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

Mr. Sun Hang (孫航), aged 55, has been the chief financial officer of the Company since April 2020. Mr. Sun served as an accountant in the Grain Bureau of Lixin County of Anhui Province (安徽省利辛縣糧食局) from July 1981 to September 1988. Mr. Sun successively served as the deputy manager of the finance and accounting department, the assistant to the general manager cum manager of the finance and accounting department of Hefei Import and Export Company (合肥市進出口公司) from December 1990 to August 1993. Mr. Sun had successively served as an accountant and the assistant to the general manager of the accounting and cashier department of the headquarters of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) from September 1996 to September 1998, and successively served as the deputy general manager of the accounting and cashier department, the deputy general manager of the finance and accounting department cum director of the fund clearing center of the headquarters of Shenzhen Development Bank Co., Ltd. from September 1998 to February 2003. He successively served as a member of the preparatory group and the vice president of Kunming Branch of Shenzhen Development Bank Co., Ltd. from February 2003 to September 2005. Mr. Sun served as the chief accountant of China Grains and Oils Group Co., Ltd. (中穀糧油集團有限公司) from September 2005 to April 2007, the chief accountant of China National Chemical Corporation Ltd. (中國化工集團有限公司) from April 2007 to February 2017, and a member of the preparatory group and the president of CCTEG Financial Leasing Co., Ltd. (中煤科工金融租賃股份有限公司) from March 2017 to May 2019, and worked for Tianfeng Securities Co., Ltd. (天風證券股份有限公司) from June 2019 to April 2020 and responsible for strategic customer service. Mr. Sun graduated from Anhui Finance and Trade College (安徽財貿學院) in December 1990, majoring in accounting, with a master's degree in economics, and he graduated from Xiamen University (廈門大學) in August 1996, majoring in accounting, with a doctor's degree in economics.

Mr. Liu Zhanjun (劉占軍), aged 44, has been the chief compliance officer president of the Company since April 2020. Mr. Liu served as an accountant in TCL Mobile Communication (Hohhot) Limited Company (TCL移動通信(呼和浩特)有限公司) from August 2001 to December 2003. Mr. Liu served as an officer, an associate chief officer, the chief officer and the deputy director of the listing department of Inner Mongolia Securities Regulatory Bureau of CSRC from January 2004 to December 2012, and the deputy director of the institutional supervision department of Inner Mongolia Securities Regulatory Bureau of the CSRC from December 2012 to June 2013. Mr. Liu served as a member of the communist party working group and the deputy banner chief (on secondment) of Alashan Zuoqi People's Government of Inner Mongolia from June 2013 to June 2014. Mr. Liu held positions at the Inner Mongolia Securities Regulatory Bureau of the CSRC from June 2014 to March 2020, and successively served as the deputy director of the institutional supervision department, the director of the office, the director of the institutional supervision department and the director of the inspection department. Mr. Liu graduated from Inner Mongolia University of Finance and Economics (內蒙古財經大學) in July 2001 with a bachelor's degree majoring in finance and taxation. He obtained a master's degree in business administration from the School of Economics and Management of Inner Mongolia University of Technology (內蒙古工業大學) in January 2011.

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

Mr. Zhang Jingshun (張景順), aged 37, has served as the secretary of the Board and one of the joint company secretaries of the Company since April 2020 and June 2020, respectively. Mr. Zhang served as the auditor of Shenzhen Global Jingwei Enterprise Management Consulting Co., Ltd. (深圳環球經緯企業管理諮詢有限公司) from July 2006 to August 2007. Mr. Zhang served as the deputy director of the department of political and legal affairs of the National Population and Family Planning Commission (國家人口計生委) from July 2009 to December 2012, the director of the general office of CSRC from January 2013 to February 2017, and the executive general manager of the investment banking department of Xinda Securities Co., Ltd. (信達證券股份有限公司) from February 2017 to April 2018. Mr. Zhang held positions in Tianfeng Securities Co., Ltd. from May 2018 to April 2020 and successively served as the deputy director of the secretariat of executive committee and the deputy general manager of the operation and management department. Mr. Zhang graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in economics in June 2006. He obtained a master's degree in economics from China University of Political Science and Law in June 2009, and obtained a doctorate degree in economics from the Chinese Academy of Social Sciences (中國社會科學院) in June 2013.

Mr. Sun Jiafeng (孫嘉鋒), aged 42, has been the chief information officer of the Company since May 2020. Mr. Sun served as the engineer of production and management of Foxconn (富士康科技集團) from September 2000 to December 2000, the software engineer of Heji Scientific Union Information Technology (Shenzhen) Co., Ltd. (和記科聯信息技術(深圳)有限公司) from January 2001 to December 2001, the technical manager of SYSTEC (尚陽科技股份有限公司) from January 2002 to December 2005, the technical manager of China InterActive Corp (千橡互動集團) from December 2005 to January 2007, the senior development engineer of Microsoft Advanced Technology Center (微軟亞洲工程院) from February 2007 to December 2009, the senior technical director of Dajie.com (大街網) from December 2009 to June 2012, the engineering director of GE Medical (China) Co., Ltd. (通用電氣醫療(中國)有限公司) from July 2012 to May 2015, and the dean and the general manager of Internet Financial Research and Engineering Institute of Founder Securities Co., Ltd. (方正證券股份有限公司互聯網金融研究與工程院) from June 2015 to March 2020. Mr. Sun graduated from Southeast University (東南大學) in June 2000 with a bachelor's degree majoring in industrial engineering.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

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

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

5. Mr. Pang Jiemin (龐介民) resigned as the chairman of the Board, an executive Director, the chairman and a member of the Risk Control and Supervisory Committee and the Strategy and Investment Committee, respectively, and a member of the Remuneration and Nomination Committee of the Company due to changes in work arrangement with effect from 22 December 2020.
6. On 7 January 2021, the Resolution on Recommending Mr. Wu Yigang, the Vice Chairman of the Board, to Perform the Duties of Chairman of the Board was considered and approved at the 39th extraordinary meeting of the fourth session of the Board, which agreed to recommend Mr. Wu Yigang, the vice chairman of the Board, to perform the duties of chairman of the Board and the legal representative of the Company with effect from 7 January 2021 to the date when a new chairman of the Board is elected by the Board in accordance with relevant provisions.

(II) Changes in Supervisors

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

(III) Changes in Senior Management

1. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the resignation of Mr. Zhang Wei as the secretary of the Board of the Company was considered and approved, Mr. Zhang Wei has resigned as the secretary of the Board of the Company due to the work re-arrangement of the Company.
2. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the resignation of Ms. Yang Shufei as the chief financial officer of the Company was considered and approved, Ms. Yang Shufei has resigned as the chief financial officer of the Company due to the work re-arrangement of the Company.

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

3. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the appointment of Ms. Yang Shufei as the vice president of the Company was considered and approved, Ms. Yang Shufei was appointed as the vice president of the Company, with term of office commencing from 22 April 2020.
4. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the appointment of Mr. Sun Hang as the chief financial officer of the Company was considered and approved, Mr. Sun Hang was appointed as the chief financial officer of the Company, with term of office commencing from 22 April 2020.
5. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the appointment of Mr. Liu Zhanjun as the chief compliance officer of the Company was considered and approved, Mr. Liu Zhanjun was appointed as the chief compliance officer of the Company, with term of office commencing from 22 April 2020.
6. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the appointment of Mr. Zhang Jingshun as the secretary of the Board of the Company was considered and approved, Mr. Zhang Jingshun was appointed as the secretary of the Board of the Company, with term of office commencing from 22 April 2020.
7. At the 30th extraordinary meeting of the fourth session of the Board on 22 April 2020, the resolution on the appointment of Mr. Zhao Peiwu as the chief information officer of the Company was considered and approved, Mr. Zhao Peiwu was appointed as the chief information officer of the Company, with term of office commencing from 22 April 2020.
8. At the 32nd extraordinary meeting of the fourth session of the Board on 29 May 2020, the resolution on the resignation of Mr. Zhao Peiwu as the chief information officer of the Company was considered and approved, Mr. Zhao Peiwu has resigned as the chief information officer of the Company due to the work re-arrangement of the Company.
9. At the 32nd extraordinary meeting of the fourth session of the Board on 29 May 2020, the resolution on the appointment of Mr. Tang Jun as the vice president of the Company was considered and approved, Mr. Tang Jun was appointed as the vice president of the Company, with term of office commencing from 29 May 2020.
10. At the 32nd extraordinary meeting of the fourth session of the Board on 29 May 2020, the resolution on the appointment of Mr. Sun Jiafeng as the chief information officer of the Company was considered and approved, Mr. Sun Jiafeng was appointed as the chief information officer of the Company, with term of office commencing from 29 May 2020.

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

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

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

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

During the Reporting Period, none of the Directors, Supervisors and senior management of the Company held any shares, share options or restricted shares of the Company.

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

(VI) Remuneration Payment of Directors, Supervisors and Senior Management

For remuneration payment of the Directors, Supervisors and senior management, please refer to “I. Basic Information about Incumbent Directors, Supervisors and Senior Management and those leaving office during the Reporting Period” in this section. Total remuneration for the Directors, Supervisors and senior management in 2020 is RMB43,229 thousand. The remuneration of the Directors and Supervisors is set out in Note 19 to the consolidated financial statements of this report.

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

VI. CHANGES IN JOINT COMPANY SECRETARY

Mr. Zhang Wei resigned from his position as a joint company secretary of the Company due to work arrangement with effect from 30 June 2020. Mr. Zhang Jingshun has been appointed as a joint company secretary of the Company by the Board with effect from 30 June 2020.

Ms. Leung Wing Han Sharon, another joint company secretary of the Company, will continue to serve as a joint company secretary of the Company.

VII. DETAILS AND REMUNERATION OF STAFF

(I) Number and Composition of Employees

As at the end of the Reporting Period, the Group had 2,674 employees in total, including 2,122 employed by the Company and 552 employed by its subsidiaries, the structure of which is as below:

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
30 or below	713	26.66%	551	25.97%
31–40	1,207	45.14%	929	43.78%
41 or above	754	28.20%	642	30.25%
Total	2,674	100.00%	2,122	100.00%

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

Specialty composition	Number	Percentage	Number	Percentage
Brokerage	1,847	69.07%	1,771	83.46%
Asset management	78	2.92%	28	1.32%
Proprietary trading	23	0.86%	23	1.08%
Investment banking	158	5.91%	0	0.00%
Compliance, risk control and audit	70	2.62%	46	2.17%
Research	26	0.97%	3	0.14%
Planning and accounting	43	1.61%	23	1.08%
Information technology	94	3.52%	73	3.44%
Transaction settlement	81	3.03%	37	1.74%
Administration	61	2.28%	22	1.04%
Other services	193	7.22%	96	4.52%
Total	2,674	100.00%	2,122	100.00%

Educational background	Number	Percentage	Number	Percentage
Postgraduate or above	556	20.79%	279	13.15%
College graduate	1,830	68.44%	1,585	74.69%
Junior college graduate or below	288	10.77%	258	12.16%
Total	2,674	100.00%	2,122	100.00%

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

(II) Remuneration of Employees

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

(III) Staff Training Plans

The Company highly values staff training. At the beginning of the year, the Company conducted interviews about training demand for the Company's middle and senior management, issued questionnaires about training demand to the staff, and prepared the 2020 Training Plan of Hengtai Securities Co., Ltd based on the strategic planning of the Company and the training demand of personnel at various levels.

During the Reporting Period, various trainings regarding compliance and risks management were organized and carried out, including 11 compliance and risks control courses being launched, 3 live broadcast trainings for risks management posts and one onsite training regarding compliance and risks control being carried out, with training coverage of 100%, which strengthened the compliance awareness of the staff and built the risks control culture of the Company. The "Gold Medal Wealth Consultant Training Camp (金牌財富顧問訓練營)", "Leadership Training for Commercial Leaders (商業領袖領導力培訓)", "Intensive Lecture for Major Businesses (主要業務精講會)" and other online courses of various subjects were organized and planned and the online training system has been continuously optimized and the online curriculum system has been improved. 111 online courses of "Hengtai College (恒泰學院)" were launched during the whole year. The "Learning Free (暢學)" service, which is the follow-up training system of the Securities Association of China, was opened for all staff so that the staff can learn all of the courses in the follow-up training system of the Securities Association of China for free and without limit to class hours. The selection and training of internal trainers were carried out, and the team of internal trainers and the honor system of internal trainers were established. 248 internal trainers in total were authorized across the year.

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

As at the end of the Reporting Period, the securities branches of the Company had 892 brokers distributed in each team, who were directly managed by the wealth management center of the securities branches. The securities practitioner qualifications of the brokers were under centralized management of the human resources department of the Company. Upon signing the entrustment contracts, the brokers will receive pre-job training provided by the Company on the training platform and follow-up training provided by the Company. The Company's management of its in-house brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company. Brokers could introduce the general information of the Company and the securities market; the basic information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations relating to securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report to the customers provided by the Company and information related to securities investments.

Section 10 Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

(I) Basic Information on Corporate Governance

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

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

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

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

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

Section 10 Corporate Governance Report (Continued)

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of General Meetings and Shareholders

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

(II) General Meetings

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

1. On 7 February 2020, the first extraordinary general meeting of the Company in 2020 was held, at which the resolutions of the Change of International Auditor of the Company for the year 2019, the Change of the Use of Proceeds of the Company, and the Proposed Amendments to the Articles of Association were considered and approved.
2. On 20 April 2020, the second extraordinary general meeting of the Company in 2020 was held, at which the resolutions of the Proposed Issue of Subordinated Bonds in the PRC and the Proposed Issue of Offshore Bonds Outside the PRC were considered and approved.
3. On 25 May 2020, the 2019 annual general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: the Report of the Board of Directors for the year 2019, the Report of the Supervisory Committee for the year 2019, the Annual Report for the year 2019, the Profit Distribution Plan for the year 2019, the Final Accounts Report for the year 2019, the Re-appointment of Domestic Auditor for the year 2020, and the Re-appointment of International Auditor for the year 2020. The Work Report of Independent Directors for the year 2019 was heard at the meeting.

Section 10 Corporate Governance Report (Continued)

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(I) Duties of the Board and the Management

Duties of the Board

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

Duties of the management

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

(II) Composition of the Board

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

Section 10 Corporate Governance Report (Continued)

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

(III) Meetings of the Board

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

The Board held 17 meetings during the Reporting Period, particulars of which are as follows:

1. On 16 January 2020, the 24th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Proposed Amendments to the Articles of Association, and Consent Given to Submit the Relevant Resolution to 2020 First Extraordinary General Meeting for Consideration.
2. On 4 March 2020, the 25th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Amendments to the Risk Preference of the Company, the Proposed Issue of Subordinated Bonds in the PRC, the Proposed Issue of the Offshore Bonds Outside the PRC and To Convene 2020 Second Extraordinary General Meeting.
3. On 20 March 2020, the 26th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Plan for Provision of Bonus for Senior Management for 2019 and the Plan for Bonus Distribution of Senior Management for 2019.
4. On 23 March 2020, the 27th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Election of Members of the Special Committees of the Board of Directors was considered and approved.

Section 10 Corporate Governance Report (Continued)

5. On 26 March 2020, the 28th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Work Report of the Strategy and Investment Committee of the Board of Directors for the year 2019, the Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the year 2019, the Work Report of the Audit Committee of the Board of Directors for the year 2019, and the Work Report of the Remuneration and Nomination Committee of the Board of Directors for the year 2019.
6. On 26 March 2020, the 29th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Board of Directors to Authorise the Management to Establish an Assessment Team for Assessment of the Effectiveness of the Compliance Management of the Company and the Adjustment to the Scale of Return Swap Business of the Company.
7. On 27 March 2020, the 6th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the 2019 Annual Work Report of the Management, the 2019 Annual Report of the Board, the 2019 Annual Work Report of the Independent Directors of the Company, the Annual Results Announcement of the Company for the year ended 31 December 2019, the 2019 Annual Report of the Company, the 2019 Self-Assessment Report of Internal Controls of the Company, the 2019 Profit Distribution Plan of the Company, the 2019 Compliance Report of the Company, the 2019 Risk Management Report of the Company, the Payment of External Auditors' Service Fees for 2019, the 2019 Annual Final Accounting Report of the Company, the 2020 Annual Budget Proposal of the Company, the 2020 Annual Business Plan of the Company, the 2020 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the year 2020, the Re-appointment of International Auditor for the year 2020, and the Convening of the 2019 Annual General Meeting of the Company. The 2019 Special Report of the Company on Net Capital and Other Risk Management Indicators was heard at the meeting.
8. On 22 April 2020, the 30th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Resignation of Mr. Zhang Wei as the Secretary of the Board of the Company, the Resignation of Ms. Yang Shufei as the Chief Financial Officer of the Company, the Appointment of Mr. Sun Hang as the Chief Financial Officer of the Company, the Appointment of Mr. Liu Zhanjun as the Chief Compliance Officer of the Company, the Appointment of Ms. Yang Shufei as the Vice President of the Company, the Appointment of Mr. Zhang Jingshun as the Secretary of the Board of the Company and the Appointment of Mr. Zhao Peiwu as the Chief Information Officer of the Company.

Section 10 Corporate Governance Report (Continued)

9. On 27 April 2020, the 31st extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Special Audit Report on the Management of Connected Transactions of Hengtai Securities and Hengtai Changcai for 2019, Relocation of the NEEQ Sponsor Recommendation Business to the Investment Banking Subsidiaries.
10. On 29 May 2020, the 32nd extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Resignation of Mr. Zhao Peiwu as the Chief Information Officer of the Company, the Appointment of Mr. Tang Jun as the Vice President of the Company, the Appointment of Mr. Sun Jiafeng as the Chief Information Officer of the Company and the Optimization of the Network of Branches of the Company.
11. On 30 June 2020, the 33rd extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Appointment of Mr. Zhang Jingshun as A Joint Company Secretary of the Company was considered and approved.
12. On 7 July 2020, the 34th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the 2019 Environmental, Social and Governance Report was considered and approved.
13. On 3 August 2020, the 35th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Establishment of C-type Brokerage Branch in Yinchuan by the Company was considered and approved.
14. On 13 August 2020, the 36th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Implementation of the Rectification Plan for the Transitional Arrangements of the New Regulations on Capital Management was considered and approved.
15. On 21 August 2020, the 7th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Interim Results Announcement of the Company for the Six Months Ended 30 June 2020, and the 2020 Interim Report.
16. On 23 October 2020, the 37th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Establishment of Strategic Account Headquarter as A First-level Department and Splitting the Former Brokerage Business Department into Eight First-level Departments.

Section 10 Corporate Governance Report (Continued)

17. On 1 December 2020, the 38th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Company's Acquisition of 6.07% Equity Interest in New China Fund Held by Hangzhou Yongyuan.

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

None in the Reporting Period.

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

Name of Directors	Position	Attendances at Board Meetings				Voting results	Attendances at general meetings		Remarks
		Number of Attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences		Number of required attendances at general meetings	Number of attendances at general meetings	
Wu Yigang (吳詒剛)	Executive Director	17	17	0	0	All agreed	3	3	-
Yu Lei (余磊)	Non-executive Director	17	17	0	0	All agreed	3	2	-
Wang Linjing (王琳晶)	Non-executive Director	17	17	0	0	All agreed	3	3	-
Dong Hong (董紅)	Non-executive Director	17	17	0	0	All agreed	3	3	-
Gao Liang (高靚)	Non-executive Director	17	17	0	0	All agreed	3	3	-
Lam Sek Kong (林錫光)	Independent Non-executive Director	17	17	0	0	All agreed	3	2	-
Xie Deren (謝德仁)	Independent Non-executive Director	16	16	0	0	All agreed	3	3	Obtained the qualification to serve as an independent director on 21 January 2020
Dai Genyou (戴根有)	Independent Non-executive Director	16	16	0	0	All agreed	3	2	Obtained the qualification to serve as an independent director on 21 January 2020
Pang Jiemin (龐介民)	Executive Director	17	17	0	0	All agreed	3	3	Resigned on 22 December 2020 with effect
Lv Wendong (呂文棟)	Independent Non-executive Director	1	1	0	0	All agreed	0	0	Resigned on 21 January 2020 with effect
Zhou Jianjun (周建軍)	Independent Non-executive Director	1	1	0	0	All agreed	0	0	Resigned on 21 January 2020 with effect

Section 10 Corporate Governance Report (Continued)

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

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

(VI) Trainings for Directors

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

The Company attached great importance to the continuous training for the Directors and Supervisors. During the Reporting Period, Directors and Supervisors read carefully the latest regulatory laws and regulations in the industry, and proactively participated in trainings and seminars organized by the regulatory authorities and the industrial associations so as to improve their capabilities to fulfill their duties. Details of the trainings are as follows:

Name	Position	Training content
Wu Yigang (吳誼剛)	Executive Director	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020
Gao Liang (高靚)	Non-executive Director	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020; Participated in the training of “Interpretation of the Essentials of the New Securities Law – Information Disclosure” organized by the Securities Association of China on 23 November 2020
Dong Hong (董紅)	Non-executive Director	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020; Participated in the training of “Interpretation of the Essentials of the New Securities Law – Information Disclosure” organized by the Securities Association of China on 23 November 2020

Section 10 Corporate Governance Report (Continued)

Name	Position	Training content
Xie Deren (謝德仁)	Independent non-executive Director	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020
Dai Genyou (戴根有)	Independent non-executive Director	<p>Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020;</p> <p>Participated in the training of “Interpretation of the Essentials of the New Securities Law – Information Disclosure” organized by the Securities Association of China on 23 November 2020</p>
Guo Liwen (郭力文)	Chairman of Supervisory Committee	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Information Disclosure” organized by the Securities Association of China on 23 November 2020
Chen Feng (陳風)	Shareholder representative Supervisor	Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020
Wang Hui (王慧)	Employee representative Supervisor	<p>Participated in the training of “Interpretation of the Essentials of the New Securities Law – Civil Liability for Illegal Acts in the Securities Market” organized by the Securities Association of China on 21 October 2020;</p> <p>Participated in the training of “Interpretation of the Essentials of the New Securities Law – Information Disclosure” organized by the Securities Association of China on 23 November 2020</p>

Section 10 Corporate Governance Report (Continued)

IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

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

Composition of the Current Special Committees of the Board:

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

As each of the number of members of the Risk Control and Supervisory Committee, the Strategy and Investment Committee, and the Remuneration and Nomination Committee is lower than the number of members required by their respective rules of procedures, the Board is looking for suitable candidates to fill the vacancies and will issue further announcements in due course.

(I) Strategy and Investment Committee

1. Duties of the Committee

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

Section 10 Corporate Governance Report (Continued)

The main work completed by the Strategy and Investment Committee in 2020 includes:

- studied and made suggestions on major investment plan of the Company;
- proposed reasonable suggestions on the Company's business plan for 2020 based on the status quo of the development of domestic securities industry and the actual operations of the Company, which facilitated the Company to proactively promoted various businesses and achieved the Company's strategic goals.

2. Meetings of the Committee

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

On 28 November 2020, the Strategy and Investment Committee of the fourth session of the Board held the 1st meeting in 2020, at which the resolution in relation to the Company's Acquisition of 6.07% Equity Interest in New China Fund Held by Hangzhou Yongyuan was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Pang Jiemin (龐介民) (Resigned on 22 December 2020)	1	1
Yu Lei (余磊)	1	1
Lam Sek Kong (林錫光)	1	1

(II) Risk Control and Supervisory Committee

1. Duties of the Committee

The main duties and responsibilities of the Risk Control and Supervisory Committee include: reviewing general goals and fundamental policies of the compliance management, risk management and internal control of the Company, and making suggestions on the same; reviewing the establishment and responsibilities of the compliance management, risk management and internal control, and making suggestions on the same; evaluating the risks of major decisions which shall be reviewed by the Board and making suggestions on the solutions to the major risks; reviewing the compliance report and risk assessment report which shall be reviewed by the Board and making suggestions; formulating regulation system of the Company, supervising its implementation status and making suggestions to the Board;

Section 10 Corporate Governance Report (Continued)

reviewing and supervising the training and continuing professional development of Directors and senior management officers; reviewing and supervising the policies of the Company in compliance with laws and regulations and the implementation status of such policies; formulating, reviewing and supervising the code of professional conduct and compliance manual of employees and Directors; reviewing the observance of Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as well as the information disclosure according to Corporate Governance Report by the Company; and other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Risk Control and Supervisory Committee, please refer to Rules of Procedure for the Risk Control and Supervisory Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

The main work completed by the Risk Control and Supervisory Committee in 2020 includes:

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

2. Meetings of the Committee

During the Reporting Period, 3 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

On 23 March 2020, the Risk Control and Supervisory Committee of the fourth session of the Board held the 1st meeting in 2020, at which the resolutions in relation to the 2019 Compliance Report of the Company, the 2019 Risk Management Report of the Company, the 2019 Self-assessment Report of Internal Control of the Company and the 2019 Special Report of the Company on Net Capital and Other Risk Management Indicators were considered and approved and submitted to the Board for consideration.

On 17 August 2020, the Risk Control and Supervisory Committee of the fourth session of the Board held the 2nd meeting in 2020, at which the resolution in relation to the Special Report of the Company on Net Capital and Other Risk Management Indicators for the First Half of 2020 was considered and approved and submitted to the Board for consideration.

Section 10 Corporate Governance Report (Continued)

On 9 October 2020, the Risk Control and Supervisory Committee of the fourth session of the Board held the 3rd meeting in 2020, at which the resolutions in relation to the Decision on Punishment for Zhao Peiwu, a Vice President of the Company, and the Decision on Punishment for Liu Quansheng, a Former Vice President of the Company, were considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Pang Jiemin (龐介民) (Resigned on 22 December 2020)	3	3
Wu Yigang (吳誼剛)	3	3
Dai Genyou (戴根有)	3	3

(III) Audit Committee

1. Duties of the Committee

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

Section 10 Corporate Governance Report (Continued)

The main work completed by the Audit Committee in 2020 includes:

- supervised and evaluated the audit on the Company's financial report, and listened to the special report of the Company's international auditor and domestic auditor on the audit on the 2019 financial report and 2020 mid-term review, discussed the relevant issues in the audit process, and evaluated the audit plan, procedures and report;
- made recommendations on the engagement of external auditors to the Board and considered the compensation and terms of engagement for external auditors;
- reviewed the effectiveness of the Company's internal control system and the adequacy of accounting and financial reporting functions, and proposed constructive comments on the Company's internal finance and audit work.

2. Meetings of the Committee

During the Reporting Period, 3 meetings were held by the Audit Committee, particulars of which are as follows:

On 23 March 2020, the Audit Committee of the fourth session of the Board held the 1st meeting in 2020, at which the resolution in relation to the Election of Mr. Xie Deren as the Chairman of the Audit Committee of the Fourth Session of the Board of the Company was considered and approved.

On 25 March 2020, the Audit Committee of the fourth session of the Board held the 2nd meeting in 2020, at which the resolutions in relation to the Payment of External Auditors' Service Fees for 2019, the 2020 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the year 2020, the Re-appointment of International Auditor for the year 2020, the 2019 Self-Assessment Report of Internal Controls of the Company, the Annual Results Announcement for the Year Ended 31 December 2019, the 2019 Annual Report and the 2019 Risk Management Report of the Company were considered and approved and submitted to the Board for consideration.

On 17 August 2020, the Audit Committee of the fourth session of the Board held the 3rd meeting in 2020, at which the resolutions in relation to the Interim Results Announcement of the Company for the Six Months Ended 30 June 2020 and the 2020 Interim Report of the Company were considered and approved and submitted to the Board for consideration.

Section 10 Corporate Governance Report (Continued)

Name of member	Number of required attendances	Number of actual attendances
Xie Deren (謝德仁)	3	3
Wang Linjing (王琳晶)	3	3
Lam Sek Kong (林錫光)	3	3

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, and comparing with the remuneration level of relevant companies, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration proposals of Directors and senior management officers in accordance with the Company's development strategy and goal set by the Board; reviewing the selection criteria and procedures of the Directors, senior management officers of the Company, and making recommendations to the Board; identifying candidates with suitable qualifications to become Board members, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard; assessing and making recommendations on the candidates of Directors and senior management officers, assessing the independence of independent Directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (especially Chairman of the Board and the president); ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

Section 10 Corporate Governance Report (Continued)

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

The main work completed by the Remuneration and Nomination Committee in 2020 includes:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, and made recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy;
- considered appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, compared with the remuneration level of relevant companies;
- identified candidates with suitable qualifications to become Board members, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard.

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

2. Meetings of the Committee

During the Reporting Period, 4 meetings were held by the Remuneration and Nomination Committee, the particulars of which are as follows:

On 17 March 2020, the Remuneration and Nomination Committee of the fourth session of the Board held the 1st meeting in 2020, at which the resolution in relation to the Bonus Distribution Plan for Senior Management for 2019 was considered and approved and submitted to the Board for consideration.

Section 10 Corporate Governance Report (Continued)

On 23 March 2020, the Remuneration and Nomination Committee of the fourth session of the Board held the 2nd meeting in 2020, at which the resolution in relation to the Election of Mr. Xie Deren as the Chairman of the Remuneration and Nomination Committee of the Fourth Session of the Board of the Company was considered and approved.

On 19 April 2020, the Remuneration and Nomination Committee of the fourth session of the Board held the 3rd meeting in 2020, at which the resolutions in relation to the Appointment of Mr. Sun Hang as the Chief Financial Officer of the Company, the Appointment of Mr. Liu Zhanjun as the Chief Compliance Officer of the Company, the Appointment of Ms. Yang Shufei as a Vice President of the Company, the Appointment of Mr. Zhang Jingshun as the Secretary of the Board of the Company and the Appointment of Mr. Zhao Peiwu as the Chief Information Officer of the Company were considered and approved and submitted to the Board for consideration.

On 26 May 2020, the Remuneration and Nomination Committee of the fourth session of the Board held the 4th meeting in 2020, at which the resolutions in relation to the Appointment of Mr. Tang Jun as a Vice President of the Company, the Appointment of Mr. Sun Jiafeng as the Chief Information Officer of the Company were considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Xie Deren (謝德仁)	3	3
Pang Jiemin (龐介民) (Resigned on 22 December 2020)	4	4
Lam Sek Kong (林錫光)	4	4

V. CHAIRMAN AND PRESIDENT

The positions of the Chairman of the Board and the president of the Company are taken by different persons. Mr. Wu Yigang (吳誼剛) serves as the acting chairman of the Board and Mr. Niu Zhuang (牛壯) serves as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

Section 10 Corporate Governance Report (Continued)

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

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

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

VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

(I) Duties of the Supervisory Committee

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

(II) Composition of the Supervisory Committee

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

Section 10 Corporate Governance Report (Continued)

(III) Meetings of the Supervisory Committee

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

1. On 27 March 2020, the 6th meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the following matters were considered and approved: the 2019 Report of the Supervisory Committee, the 2019 Annual Report, the 2019 Self-assessment Report of Internal Control, the 2019 Profit Distribution Plan, the 2019 Annual Final Accounting Report, the 2019 Risk Management Report and the 2020 Annual Budget Proposal.
2. On 23 April 2020, the 4th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the Audit on the Departure of Mr. Pang Jiemin (龐介民), Audit on the Departure of Mr. Zhang Wei (張偉) and the Audit on the Departure of Ms. Yang Shufei were considered and approved.
3. On 21 August 2020, the 7th meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the 2020 Interim Report was considered and approved.
4. On 31 December 2020, the 5th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Audit on the Departure of the Legal Representative Mr. Pang Jiemin (龐介民) was considered and approved.

(IV) Meeting Attendances of Supervisors

Name of Supervisor	Position	Number of Required attendances	Attendances in person	Attendances by proxy	Absences	Voting results
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	4	4	0	0	All agreed
Chen Feng (陳風)	Shareholder representative Supervisor	4	4	0	0	All agreed
Wang Hui (王慧)	Employee representative Supervisor	4	4	0	0	All agreed

Section 10 Corporate Governance Report (Continued)

VIII. OTHER RELATED ISSUES

(I) Shareholders' Rights

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

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

Section 10 Corporate Governance Report (Continued)

general meeting is held. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of such motion, and notify the shareholders of the contents of the provisional motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 77 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 87 of the Articles of Association, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his/her proxy to attend and vote at the meeting on his/her behalf.

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

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

(II) Compliance with Model Code

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

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

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

Section 10 Corporate Governance Report (Continued)

(IV) Responsibilities of Directors for Financial Statements

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

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

(V) Appointment and Remuneration of Auditors

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

(VI) Review of the Audit Committee

The Audit Committee has reviewed the Company's consolidated financial statements of 2020.

(VII) Joint Company Secretaries

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

(VIII) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as shareholders. In strict accordance with the Articles of Association, the Company operates orderly in the interest of the Company and shareholders.

Section 10 Corporate Governance Report (Continued)

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

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

(IX) Investor Relation Activities

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

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

(X) Board Diversity Policy

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

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

Section 10 Corporate Governance Report (Continued)

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

(XI) Amendments to the Articles of Association

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

On 7 February 2020, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at the 2020 first extraordinary general meeting of the Company, pursuant to which, amendments were permitted to be made to relevant articles under the Articles of Association in accordance with the requirements under the Measures for Management of Information Technology of Institutions Engaged in Securities and Funds Operations (《證券基金經營機構信息技術管理辦法》) issued by the CSRC. The amendments to the Articles of Association took effect upon the approval of the relevant regulatory authorities in China. According to the newly amended Securities Law of the People's Republic of China which has been implemented since 1 March 2020 and the Announcement on Various Issues in relation to the Cancellation or Adjustment of Certain Administrative Approval Items for Securities Companies (CSRC Announcement [2020] No. 18 (《關於取消或調整證券公司部分行政審批項目等事項的公告》(證監會公告[2020]18號)) issued by the CSRC on 3 March 2020, certain administrative approval items for securities companies shall be cancelled or adjusted, and changes in major articles under the Articles of Association of securities companies requires no consideration and approval of regulatory authorities. Accordingly, the amended Articles of Association has come into effect since 1 March 2020.

Section 10 Corporate Governance Report (Continued)

(XII) Risk Management and Internal Control

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

Responsibility statement of the Board on risk management and internal control

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

Section 10 Corporate Governance Report (Continued)

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

1. Building of risk management and internal control systems

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

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

During the Reporting Period, in order to adapt to the constantly changing regulatory requirements and ensure the guiding function of the internal control system for operation and management and business development, the Company timely organized all departments, branches, subsidiaries to sort out and establish internal control systems in strict compliance with related laws, regulations, rules and norms. Besides, the Company has formulated the Risk Limit Management Measures of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險限額管理辦法》), the Handbook of Risk Management Culture of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險管理文化手冊》) and other systems, and amended the Regulations on Credit Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司信用風險管理規定》), the Provisions on Client Trading Acts Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司客戶交易行為管理規定》), the Regulations on Stress Testing Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司壓力測試管理規定》) and other systems, further improving the risk management and internal control systems of the Company.

Section 10 Corporate Governance Report (Continued)

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

2. Risk management and internal control evaluation

There are inherent limitations in risk management and internal control, and macro environment, policies and regulations and the internal environment are constantly changing, which may lead to the deviation of previous management and control activities. As a result, the risk management and internal control can only provide reasonable guarantee to achieve the aforesaid objectives. The Company has established an independent and objective mechanism for internal review and audit to ensure timely identification and rectification of internal control deficiencies, timely update and improve the risk management and internal control systems through the formulation of annual audit work plans, preparation of audit notices, on-site performance of audit work and issuance of audit reports, and continuous follow-up on the rectification progress, which have been applied to all the business departments, branches and subsidiaries, in particular, to the functional management departments with focuses, providing effective ex post supervision and promoting the sustainable and stable development of the Company.

Pursuant to the Basic Standards for Enterprise Internal Control and relevant ancillary guidelines, the Guidance for the Internal Control of Securities Companies issued by the CSRC and the requirements of relevant standards, the Board has conducted an overall evaluation on the internal control for the period from 1 January 2020 to 31 December 2020. The evaluation scope comprises 35 first-tier processes of internal control, 218 second-tier business processes and 592 third-tier business processes, with a total of 1,216 risk control points.

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

Section 10 Corporate Governance Report (Continued)

On 26 March 2021, Grant Thornton Certified Public Accountants issued the Assurance Report on Internal Control of Hengtai Securities Co., Ltd. (Grant Thornton Zhuan Zi [2021] No. 110C003476) (《恒泰证券股份有限公司内部控制鑒證報告》(致同專字[2021]第110C003476號)) in respect of the Company's risk management and internal control, believing that the Company has maintained effective risk management and internal control over financial reporting in all material respects during the Reporting Period according to the Basic Standards for Enterprise Internal Control and relevant regulations.

3. Other matters

(1) *Building of compliance system*

- ① Strengthening the building of compliance system and complying with the compliance requirements in an all-round way

The Compliance Management Department kept pace with the times and made bold changes and innovations. It has rebuilt the compliance management system of the Company by strengthening the building of a compliance culture, improving compliance and accountability mechanisms, and enhancing compliance performance efficiency, and continued to build standard, service-oriented and technology-based compliance management. During the Reporting Period, firstly, the Company established the Professional Committee for Compliance and Risk Management to replace former Professional Committee for Risk Management, formulated the rules of procedure for the Professional Committee for Compliance and Risk Management, and improved the composition and job duties of the committee, which further enhanced the performance efficiency of the committee; secondly, the Company established a Professional Anti-money Laundering Management Committee, and formulated the rules of procedure for the Professional Anti-money Laundering Management Committee, which enhanced the professional level of the research and judgment for anti-money laundering matters; thirdly, it increased the number of work force of the Compliance Management Department for compliance inspection and anti-money laundering work, to maintain the professional level of compliance; fourthly, it streamlined the existing compliance management systems of the Company in a detailed basis and reformulated and revised more than 30 compliance management systems based on its actual situation and by learning from the excellent compliance management experience in the industry; fifthly, in order to effectively improve the technological level of compliance management, the Company comprehensively upgraded and optimized the compliance management system, and successfully launched the 4.0 system of compliance management, to empower the compliance through technology.

Section 10 Corporate Governance Report (Continued)

- ② Standardizing the review of internal control system of the Company to guarantee a foundation for the performance of compliance duties

In order to ensure that the various systems of the Company are in compliance with the requirements of the latest laws and regulations, regulatory rules, standards and norms, the Company required all departments (offices) and subsidiaries to streamline and improve their internal control systems in a timely manner, release and implement the same after strict internal audits. During the year, a total of 310 systems (including agreements entered into with investors and risk disclosure statements) were reviewed, 71 written system review opinions were issued, and 219 systems were submitted for release and implementation. The Company has strictly fulfilled the requirements for compliance management and risk prevention and control.

- ③ Deepening the inspection and internal audit of compliance, and controlling business compliance risks

Compliance inspection is an important part of front-end control of business risk. The Company carried out compliance inspection in the front-end and process of the business in strict compliance with the regulatory rules and the internal compliance management requirements to identify and control the occurrence of business risks. During the Reporting Period, the Company organized inspection over 263 special projects submitted by all the departments including the Asset Management Department, Asset Custody Department, New Retail Business Headquarter, Shenzhen Branch, etc., 3,471 agreements and contracts relating to the Company and issued 284 written compliance inspection opinions. It organized inspection over a total of 35 projects submitted by relevant departments and 419 disclosure materials, which has ensured the carrying out of businesses is in compliance with laws and regulations and guaranteed effective prevention of spread and expansion of business risks.

Section 10 Corporate Governance Report (Continued)

- ④ Strengthening compliance inspection and self-inspection to eliminate potential compliance risks

The Company continued to strengthen the supervision of the securities business department and business department, identified potential risks in a timely manner and promoted business compliance. During the Reporting Period, compliance inspection was completed for 28 securities business departments; and compliance inspection was completed for the Credit Business Department, the Institutional Business Headquarter and Hengtai Futures; comprehensive inspection was carried out for New China Fund by the inspection working group consisting of Risk Management Department and others and issued the corresponding compliance inspection reports.

Self-inspection of compliance is an important means for self-discipline of the Company. The Company has conducted relevant self-inspection in accordance with regulatory requirements and based on its actual management conditions, and submitted self-inspection reports in a timely manner. During the Reporting Period, self-inspection of suitability of investors of the Company was carried out for the second half of 2019 and the first half of 2020. The Company got comprehensive understanding of the status of implementation of suitability work by investors of the Company through summation and analysis of system building, system implementation, problems identification and rectification; in order to further implement the Internal Control Guidelines for Bond Investment and Trading Business of Securities Fund Operating Institutions (《證券基金經營機構債券投資交易業務內控指引》) and other regulatory requirements, the Company conducted self-inspection in relation to its bond investment and trading business in relevant departments; the Company also conducted the “self-inspection for OTC financing” and the “self-inspection and self-correction with reference to typical cases”. All securities branches and various functional departments and offices of the Company completed self-inspection according to the self-inspection requirements, and relevant departments of the Company made rectification for some violations in a timely manner.

For the purpose of self-improvement, the Company has effectively eliminated potential compliance risks by carrying out the compliance inspection and compliance self-inspection, significantly enhancing the anti-risk capabilities of various businesses and further forming a self-discipline mechanism.

Section 10 Corporate Governance Report (Continued)

- ⑤ Optimizing compliance training and promotion, and enhancing employees' awareness of compliance

By internal and external compliance trainings and various forms of promotion, the Company interpreted the laws and regulations, regulatory rules, internal control systems, etc., and explained its special businesses, realizing the switch from understanding rule to proactive self-restraint. During the Reporting Period, a total of 60 internal compliance trainings were organized, including interpretation of corporate systems, interpretation of laws and regulations, anti-money laundering training and various compliance promotion, etc. The audiences included the leaders of the Company, heads of the branches, and all employees, which have effectively enhanced the Company's employees' awareness of compliance; 9 external trainings were organized for the employees of the department, including the explanation of the key revision to the new Securities Law, and the training on matters relating to reporting and filing for securities business operators; 6 issues of Briefing on Laws and Regulations, 48 issues of Periodical on Industry Trends, and 12 issues of anti-money laundering promotional materials publication were prepared. Compliance trainings and promotion greatly enhanced the employees' awareness of compliance, which not only enabled the employees to learn more about laws, regulations and industry rules, but also indirectly heightened the compliance management level of the Company.

- ⑥ Improving complaints handling, and protecting the Company's brand image

Complaint handling work may influence the rights and interests of investors and the image of the Company in its operation. Resolving customer complaints in a timely manner can not only enhance the service level of the Company, safeguard the image and reputation of the Company, and more importantly, it can also protect the legitimate rights and interests of investors. Related department of the Company specially designates personnel to continuously monitor the complaints and whistle-blowings in all branches and departments, provide guidance on properly dealing with complaints and whistle-blowings for relevant departments, to resolve disputes and conflicts with clients, and collects information on complaints and whistle-blowings, and regularly reports the complaints of clients of the Company to regulatory authorities. During the Reporting Period, 4 issues of quarterly reports and 12 issues of monthly reports on clients' complaints were submitted and reported to the regulatory authorities, and 13 reports on complaints were delivered to the regulatory authorities for handling, which showcased the good corporate image of the Company to the market, being conducive to the brand building of the Company.

Section 10 Corporate Governance Report (Continued)

- ⑦ Effectively fulfilling obligations of anti-money laundering and responsibilities as a legal person institution

Under the guidance of the People's Bank of China and industrial regulatory authorities, the Company has showed determination to carry out and implement the work arrangements by the People's Bank of China in relation to anti-money laundering and financial stabilization, proactively fulfilled its obligations of anti-money laundering and financial stabilization as a legal person institution, and firmly fought against illegal criminal activities including money laundering which would undermine social justice and disturb social order.

During the Reporting Period, the Company received "A" for the 2019 anti-money laundering classification and rating, so did its 6 securities branches; organized and coordinated with relevant departments to complete customers' identity information, as a result of which, 230,251 accounts meeting the condition for internal dormancy were marked as internal dormant accounts and 385 accounts with incomplete identity information were imposed with relevant business limitations; organized and coordinated with relevant departments to carry out the special work for management of anti-money laundering data according to the relevant requirements of the People's Bank of China, leading to 21,366 managed accounts; organized and carried out the upgrading and innovation of the anti-money laundering system, and completed the assessment of the establishment of the anti-money laundering system and the monitoring standards for the year of 2019; organized and carried out the self-assessment of money laundering risks of the Company for the year of 2020; organized and coordinated with relevant departments to handle the date of 359 large transactions, with a total of 23,084 suspicious transactions excluded and 13 reports on general suspicious transactions confirmed, which were reported to the Anti-Money Laundering Monitoring and Analysis Center; a total of 107 documents were submitted to the People's Bank of China and other regulatory authorities; and conducted anti-money laundering on-site inspection on 4 securities branches including Shanghai Xujiahui Road Securities Branch and Xi'an Gaoxin Third Road Securities Branch.

Section 10 Corporate Governance Report (Continued)

- ⑧ Strengthening management of the information separation wall and effectively curbing insider trading

The Company gradually improved the management of the name lists and personnel involving sensitive information. It managed the conflict of interests among businesses through the establishment, management and maintenance of name lists for inspection and restriction. During the Reporting Period, the Company completed the personnel statistics involving sensitive information of the Company for 2019, and supervised the signature of 50 pieces of “Compliance Commitment of Insiders” by those who have not submitted information and signed the “Compliance Commitment for Sensitive Information Involved Personnel”; sent 115 notices of name lists for restriction and 20 name lists for inspection to relevant departments; modified the relevant system of the Company’s information separation wall in accordance with the contents of the “Regulations on the Administration of the Information Separation Wall of Securities Companies” (revised in 2019); purchased and launched 4.0 system of the information separation wall. The Company prevented insider trading and managed conflict of interests in an effective way, and curbed improper circulation and use of sensitive information to the most extend.

- ⑨ Conducting assessment of effectiveness of compliance management and preventing and controlling compliance risks

The ongoing assessment of effectiveness of compliance management serves as an important approach to assess the effectiveness of the Company’s compliance management. During the Reporting Period, the Company conducted the assessment of effectiveness of compliance management for the year of 2019 in accordance with relevant requirements under the “Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》), the “Guidelines of the Implementation on Compliance Management of Securities Companies” (《證券公司合規管理實施指引》) and the “Guidelines on Effectiveness Evaluation of Compliance Management of Securities Companies” (《證券公司合規管理有效性評估指引》).

The effectiveness of compliance management of the Company was assessed with respect to the environment of compliance management, fulfilment of duties of compliance management, establishment and operation of the system and mechanism of operation and management and other aspects, with the focus on the potential missing, omission or weak links in compliance management, which comprehensively and objectively reflected the Company’s issues in compliance management.

Section 10 Corporate Governance Report (Continued)

Upon assessment, during the Reporting Period, the Company established and effectively implemented corresponding management systems for the businesses and matters within the scope of assessment, and achieved its goal for compliance management, without any material compliance risks except for some weak links to be improved. The Company instructed relevant departments and subsidiaries to draft rectification measures against specific issues and implemented constant follow-ups, so as to improve the effectiveness of compliance management.

(2) *Inspection and audit completed by the audit department*

During the Reporting Period, with the goal of serving the Company's strategy and strengthening the Company's internal control system, the audit department actively explored big data audit thinking, technology and methods, adhered to risk orientation, strengthened the audit of the Company's key businesses and processes, gave full play to the role of the third line of defense, and promoted the Company's operation in compliance with laws and regulations. In 2020, the audit department completed 94 audits, produced 185 audit or review reports and 1 review opinion in accordance with regulatory and Company's requirements.

Through the above-mentioned audit work, the audit department evaluated the soundness and effectiveness of the internal control of the audited associates, revealed the principal risks, and played a positive role in improving the awareness of risk prevention and promoting the compliance operation of the Company.

(3) *Monitoring risk control indicators and building replenishment mechanism*

For the purpose of building a sound dynamic monitoring system of risk control indicators, a capital replenishment mechanism, and a risk control system centering on net capital and liquidity, carrying out business with measurable, controllable and manageable risks, the Company, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) of the CSRC, the Guidance for the Dynamic Monitoring System of the Risk Control Indicators of the Securities Companies (《證券公司風險控制指標動態監控系統指引》) of the Securities Association of China and other pertinent regulations, defined the Administrative Measures for Risk Control Indicators of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險控制指標管理辦法》) and other internal control rules.

Section 10 Corporate Governance Report (Continued)

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

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

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

(4) *Standardisation of accounts*

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

Section 10 Corporate Governance Report (Continued)

During the Reporting Period, the Company launched a paperless system, which enables individual investors to involve in the handling of paperless businesses. It further improved the existing centralized operation model and effectively avoided the occurrence of irregular account; it standardised and cleaned up the unqualified, dormant and risk disposal accounts and other unstandardised accounts and made these accounts turn into dormancy for several times. As at the end of Reporting Period, the Company logged 346,492 dormant accounts, 19,843 pure capital accounts, 159 frozen and lost capital accounts, 41 unqualified accounts, and no risk disposal account. The Company will continue to strengthen standardised management of accounts, and effectively implement various requirements of standardised management of accounts.

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

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

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

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

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the year of 2020, the Board, together with the Audit Committee and the Risk Control and Supervisory Committee, has reviewed the effectiveness of the risk management and internal control of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.

Appendix Particulars of Securities Branches

As at the end of the Reporting Period, the Company had established 122 securities branches, details of which are set out in the following table:

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
1	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch (恒泰证券股份有限公司长春东风大街证券营业部)	3/F, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省长春市汽车开发区东风大街711号三楼)	1990.5.12	Dong Xishen (董锡深)	0431-87626400
2	Hengtai Securities Co., Ltd. Changchun Dongnanhu Road Securities Branch (恒泰证券股份有限公司长春东南湖大路证券营业部)	Room 602, 6/F, Dianyueshangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省长春市经济开发區东南湖大路2221号典约商祺6楼602号房)	1990.5.12	Liu Di (劉迪)	0431-84947885
3	Hengtai Securities Co., Ltd. Hohhot Xincheng North Street Securities Branch (恒泰证券股份有限公司呼和浩特新城北街证券营业部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市新城北街62號)	1992.6.23	Lv Zhongkai (呂忠凱)	0471-3330759
4	Hengtai Securities Co., Ltd. Changchun Xi'an Blvd Securities Branch (恒泰证券股份有限公司长春西安大路证券营业部)	15/F, No. 1077 Xi'an Blvd, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区西安大路1077号15層)	1992.11.27	Fu Yanchun (付燕春)	0431-88497775
5	Hengtai Securities Co., Ltd. Changchun Beijing Avenue Securities Branch (恒泰证券股份有限公司长春北京大街证券营业部)	No. 1215 Beijing Avenue, Kuancheng District, Changchun, Jilin (吉林省长春市宽城区北京大街1215號)	1993.4.23	Zhu Qingguo (朱慶國)	0431-82703518
6	Hengtai Securities Co., Ltd. Changchun Gongnong Road Securities Branch (恒泰证券股份有限公司长春工农大路证券营业部)	No. 1055 Gongnong Road, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区工农大路1055號)	1993.4.24	Zhou Zheng (周正)	0431-85647591
7	Hengtai Securities Co., Ltd. Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特烏蘭察布東街證券營業部)	4/F, Building 102, Yuanyi Yujing Community, Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區烏蘭察布東街圓藝樂景小區102幢4層)	1993.6.4	Zhang Yu (張雨)	0471-4962351
8	Hengtai Securities Co., Ltd. Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包头鋼鐵大街證券營業部)	5/F, Commercial guild hall Office, No. 56 Kunqu Gangtie Avenue, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區鋼鐵大街56號工商會館寫字樓5樓)	1993.10.22	Yang Huilin (楊慧琳)	0472-6990128
9	Hengtai Securities Co., Ltd. Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大學西街證券營業部)	Rooms 1801-1804, 18/F, Mengxi Culture Square, Daxue West Street, Yuquan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市玉泉區大學西街蒙西文化廣場18層1801,1802,1803,1804號)	1993.10.22	Kang Cheng (康誠)	0471-6286962

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
10	Hengtai Securities Co., Ltd. Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	01021, Building 1, Jiushenmiao Neighborhood Committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓01021)	1996.8.20	Zhang Hongyun (張紅雲)	0476-8353933
11	Hengtai Securities Co., Ltd. Shanghai Quyang Road Securities Branch (恒泰证券股份有限公司上海曲陽路證券營業部)	17/F, Building 1, No.299 Quyang Road, Hongkou District, Shanghai (上海市虹口區曲陽路299號1幢17層)	1996.10.30	Lian Wanpeng (連萬鵬)	021-65085138
12	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)	1996.11.4	Liu Jianjun (劉建軍)	0755-83534805
13	Hengtai Securities Co., Ltd. Shanghai Zhangyang Road Securities Branch (恒泰证券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021-68533517
14	Hengtai Securities Co., Ltd. Hailar Hexi Development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Complex Office Building of Administration Commission, Hailar Economic and Technological Development Zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾區經濟技術開發區管委會辦公綜合樓)	1997.7.30	Zhu Shengwang (朱勝望)	0470-8352899
15	Hengtai Securities Co., Ltd. Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Luo Junfeng (羅俊峰)	0474-8222000
16	Hengtai Securities Co., Ltd. Hohhot Xilin South Road Securities Branch (恒泰证券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區錫林南路盈嘉國際C座601號)	1997.8.5	Li Sheng (李聖)	0471-6917051
17	Hengtai Securities Co., Ltd. Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477-8331678
18	Hengtai Securities Co., Ltd. Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈4層)	1997.8.13	Zhao Hengqiang (趙恒強)	0478-8226336

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
19	Hengtai Securities Co., Ltd. WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Haibowan District, Wuhai, Inner Mongolia (內蒙古自治區烏海市海勃灣區海拉南路26號)	2000.8.3	Wang zhiwei (王之偉)	0473-2017526
20	Hengtai Securities Co., Ltd. Changchun Shengtai Street Securities Branch (恒泰证券股份有限公司長春生態大街證券營業部)	Rooms 501 & 502 & 509, Office Building at the United Creative Centre, No. 7888 Shengtai Street, Jingyue Development Zone, Changchun, Jilin (吉林省長春市淨月開發區生態大街7888號聯合創意中心寫字樓501、502、509室)	2000.9.18	Liu Hong (劉宏)	0431-87989955
21	Hengtai Securities Co., Ltd. Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, 2nd Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)	2000.9.30	Gao Wa (高娃)	010-63431907
22	Hengtai Securities Co., Ltd. Changchun Renmin Street Redbuds Securities Branch (恒泰证券股份有限公司長春人民大街紫荊花證券營業部)	Southern Zone, 15/F, Redbuds Hotel, No. 5688 Renmin Street, Nanguan District, Changchun, Jilin (吉林省長春市南關區人民大街5688號紫荊花飯店十五層南區)	2002.2.27	Du jinhao (杜金浩)	0431-82982159
23	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟1、2、3、4號工商房)	2002.6.6	Su Xiorong (宿秀榮)	0432-62785999
24	Hengtai Securities Co., Ltd. Beijing Dongzhimennei North Alley Securities Branch (恒泰证券股份有限公司北京東直門內北小街證券營業部)	Rooms 101 & 201, Building No. 14 & No. 18, North Alley, Dongzhimennei, Dongcheng District, Beijing (北京市東城區東直門內北小街14、18號樓101、201號)	2003.3.28	Shi Min (史敏)	010-84128668
25	Hengtai Securities Co., Ltd. Shanghai Jiujiang Road Securities Branch (恒泰证券股份有限公司上海九江路證券營業部)	Rooms 2502 & 2503, 25/F, No. 288 Jiujiang Road, Huangpu District, Shanghai (上海市黃浦區九江路288號25層2502、2503室)	2003.5.16	Li Xiaoqin (李曉琴)	021-64433290
26	Hengtai Securities Co., Ltd. Nanjing Shuiximen Avenue Securities Branch (恒泰证券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建邺區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025-84780368
27	Hengtai Securities Co., Ltd. Hangzhou Qianjiang Road Securities Branch (恒泰证券股份有限公司杭州錢江路證券營業部)	Rooms 1301-02 & 03, Building 3, Pingan Finance Tower, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江干區平安金融中心3幢1301室-02、03)	2004.7.20	Chen Yiping (陳宜平)	0571-85802451
28	Hengtai Securities Co., Ltd. Shenyang Fengtian Street Securities Branch (恒泰证券股份有限公司瀋陽奉天街證券營業部)	Rooms 601-609, No.351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市瀋河區奉天街351號(601-609)	2004.7.25	Heng Jianwei (衡建偉)	024-86018088

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
29	Hengtai Securities Co., Ltd. Jinan West Road of Yanzi Mountain Securities Branch (恒泰证券股份有限公司济南燕子山西路證券營業部)	Room 207, 2/F, No.2 Public Building, No.50 West Road of Yanzi Mountain, Lixia District, Jinan, Shandong(山東省濟南市曆下區燕子山西路50號2號公建二層207室)	2006.11.29	Bai Rong (白榮)	0531-81853932
30	Hengtai Securities Co., Ltd. Chifeng Pingzhuanghahe Street Securities Branch (恒泰证券股份有限公司赤峰平莊哈河街證券營業部)	North of the East Section, Pingzhuanghahe Street, Yuanbaoshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市元寶山區平莊哈河街東段北側)	2009.1.20	Wang Yuelong (王躍龍)	0476-3517417
31	Hengtai Securities Co., Ltd. Tongliao Mingren Avenue Securities Branch (恒泰证券股份有限公司通遼明仁大街證券營業部)	(Room 2-/103, Wuwei Xinxin Gardern Area, Shijie Office) East Part, Mingren Avenue, Khorchin District, Tongliao, Inner Mongolia Autonomous Region (內蒙古自治區通遼市科爾沁區明仁大街東段(施介辦事處五委新新花園社區2-/103))	2009.1.20	Zhang Bin (張斌)	0475-6341017
32	Hengtai Securities Co., Ltd. Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Room 1201, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201室)	2009.3.10	Chen Yong (陳勇)	021-65617128
33	Hengtai Securities Co., Ltd. Beijing Dongsanhuan Securities Branch (恒泰证券股份有限公司北京東三環證券營業部)	Room 308, 3/F, Building 1 (East Ring 18 International Building), No. 18 Dongsanhuan Central Road, Chaoyang District, Beijing (北京市朝陽區東三環中路18號院1號樓(東環18國際大廈)3層308)	2009.3.10	Gao Jia (高佳)	010-87751985
34	Hengtai Securities Co., Ltd. Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	No. 270, Tuanjie Avenue, Xilinhot, Xilin Gol League, Inner Mongolia (內蒙古自治區錫林郭勒盟錫林浩特市團結大街270號)	2009.5.11	Xu Changfeng (徐長鋒)	0479-8248846
35	Hengtai Securities Co., Ltd. Baotou Wenhua Road Securities Branch (恒泰证券股份有限公司包頭文化路證券營業部)	10-103, Guanghui No.1 Community, Jiankang Xincheng, No. 4 Minzhu Road, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區民主路4號街坊健康新城光輝一區10-103)	2009.6.8	Du Hongwei (杜宏偉)	0472-2629188
36	Hengtai Securities Co., Ltd. Baotou High-tech District Securities Branch (恒泰证券股份有限公司包頭高新區證券營業部)	E02-101-4/F, Business Garden, Economic Park of Headquarters, No. 11 Zhaotan East Road, Rare Earth Development Zone, Baotou, Inner Mongolia (內蒙古自治區包頭市稀土開發區沼潭東路11號總部經濟園區商務花園E02-101-4樓)	2009.6.8	Jin Xuxia (金旭霞)	0472-2318629

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
37	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天义路證券營業部)	Unit 01012, No. B-16, Yulongjiayuan Community, Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城区八家組團全寧街北天義路西玉龍家園小區B-16號01012)	2009.6.22	Yang Linfeng (楊林峰)	0476-8828997
38	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Building 1, Re-employment Center of Junggar Banner, North Junggar Road, Yingze Avenue, Junggar Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市准格爾旗迎澤街道准格爾路北准格爾旗再就業中心1號樓2層)	2009.6.23	Huang Haikuan (黃海寬)	0477-4212298
39	Hengtai Securities Co., Ltd Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路證券營業部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處青松路東綜合樓一層門市1-8號)	2009.10.23	Yu Zhaojun (于兆君)	0470-7357266
40	Hengtai Securities Co., Ltd Zhalantun Fanrong Street Securities Branch (恒泰证券股份有限公司紮蘭屯繁榮街證券營業部)	Shops 01005 & 01007, Building 3, Shengda Jiayuan Community, Shengliju, Fanrongban, Zhalantun, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市扎蘭屯市繁榮辦勝利居盛達家園小區3號樓01005、01007號商舖)	2009.10.23	Yue Hailong (岳海龍)	0470-3218089
41	Hengtai Securities Co., Ltd Manchuria Wenming Road Securities Branch (恒泰证券股份有限公司滿洲里文明路證券營業部)	Shop-1 (Intersection of Wenming Road and Sidao Street), Xinmao Building, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市鑫貿樓門市-1(文明路與四道街交叉路口))	2009.10.23	Wang Chenxuan (王晨軒)	0470-6239595
42	Hengtai Securities Co., Ltd Erenhot Xinhua Avenue Securities Branch (恒泰证券股份有限公司二連浩特新華大街證券營業部)	No. 010110, Building 5, Xuefuxinyuan Community, Xinhua Avenue North Qianjin Road West, Erenhot, Xilin Gol League, Inner Mongolia (內蒙古自治區錫林郭勒盟二連浩特市新華大街北、前進路西學府馨苑社區5號樓010110號)	2009.11.4	Wang Xiaoting (王曉婷)	0479-7527100
43	Hengtai Securities Co., Ltd Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰证券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商舖)	2009.11.23	Zhang Mei (張玫)	0483-8351609
44	Hengtai Securities Co., Ltd Jilin Panshi Dongning Street Securities Branch (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Rooms 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Guo Bing (郭檣)	0432-65041516

Appendix Particulars of Securities Branches (Continued)

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

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
56	Hengtai Securities Co., Ltd Beijing Liuxiang Road Securities Branch (恒泰证券股份有限公司北京榴鄉路證券營業部)	Room 104, 1/F, Building 2, No. 88 Liuxiang Road, Fengtai District, Beijing (北京市豐台區榴鄉路88號院2號樓1層104)	2014.1.13	Zu Linlin (祖琳琳)	010-56762190
57	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	Room 701, Yangguang Gao'erfu Building, Shennan Avenue, Futian District, Shenzhen (廣東省深圳市福田區深南大道陽光高爾夫大廈701室)	2015.1.12	Shi Buren (施布仁)	0755-82828137
58	Hengtai Securities Co., Ltd Zhongshan Zhongshan Forth Road Securities Branch (恒泰证券股份有限公司中山中山四路證券營業部)	Block 20, Building 81/82/83/85, Shunjing Garden, East District, Zhongshan, Guangdong (廣東省中山市東區順景花園81/82/83/85幢20卡)	2015.1.22	Li Jianhua (李建華)	0760-88833653
59	Hengtai Securities Co., Ltd Liaocheng Dongchang Road Securities Branch (恒泰证券股份有限公司聊城東昌路證券營業部)	Room 1027, Fortune Center Building, No. 86 Dongchang Road, Economic and Technological Development Zone, Liaocheng, Shandong (山東省聊城市經濟技術開發區東昌路86號財富中心大廈1027室)	2015.1.26	Wang Peng (汪鵬)	0635-2110887
60	Hengtai Securities Co., Ltd Weifang Fushou East Street Securities Branch (恒泰证券股份有限公司濰坊福壽東街證券營業部)	Room 601, No. 1 Jinnuo Building, No.5603 Fushou East Street, Kuiwen District, Weifang, Shandong (山東省濰坊市奎文區福壽東街5603號1號樓金諾大廈601室)	2015.1.29	Li Lei (李雷)	0536-8986553
61	Hengtai Securities Co., Ltd. Qingdao Donghai Middle Road Securities Branch (恒泰证券股份有限公司青島東海中路證券營業部)	No.16 Jia Donghai Middle Road, Shinan District, Qingdao, Shandong (山東省青島市市南區東海中路16號甲)	2015.2.3	Zhao Wenyuan (趙文苑)	0532-85710711
62	Hengtai Securities Co., Ltd. Shanghai Henan North Road Securities Branch (恒泰证券股份有限公司上海河南南路證券營業部)	Room 15J, 13th Floor, No. 33 Henan South Road, Huangpu District, Shanghai (上海市黃浦區河南南路33號13層15J室)	2015.3.6	Meng Shuang (孟爽)	021-62030568
63	Hengtai Securities Co., Ltd. Shanghai Longhua Road Securities Branch (恒泰证券股份有限公司上海龍華路證券營業部)	Room 807, 858 Longhua East Road, Huangpu District, Shanghai (上海市黃浦區龍華東路858號807室)	2015.3.18	Yang Shifang (楊世芳)	021-63357216
64	Hengtai Securities Co., Ltd. Beijing Guanghua Road Securities Branch (恒泰证券股份有限公司北京光華路證券營業部)	Room B207A, 2nd Floor, Building 30, No.8 Guanghua Road, Chaoyang District, Beijing (北京市朝陽區光華路8號30幢二層B207A房間)	2015.6.18	Sun Jianing (孫佳寧)	010-65921230
65	Hengtai Securities Co., Ltd. Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大連西南路證券營業部)	No. 07, 19th Floor, Sanhe Building, No.929, Southwest Road, Shahekou District, Dalian, Liaoning (遼寧市大連市沙河口區西南路929號三合大廈19層07號)	2015.6.26	Zhang Lei (張磊)	0411-68837268
66	Hengtai Securities Co., Ltd. Beijing Zhichun Road Securities Branch (恒泰证券股份有限公司北京知春路證券營業部)	Room 1293, 12/F, Building 1, No.128 Zhichun Road, Haidian District, Beijing (北京市海淀区知春路128號1號樓12層1293)	2015.7.1	Zhao Yajing (趙亞晶)	010-62423585

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
67	Hengtai Securities Co., Ltd. Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No.7-105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區府西花園商鋪7-105號)	2015.7.2	Chen Le (陳樂)	0519-85551099
68	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重庆泰山大道證券營業部)	13-6, Building 3, No.40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路40號3幢13-6)	2015.7.8	Shen Jie (申傑)	023-63109978
69	Hengtai Securities Co., Ltd. Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, 13th Floor, Pudong Development Bank Building, 218 Xinhua Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)	2015.7.14	Fan Chunhua (范春華)	027-85898177
70	Hengtai Securities Co., Ltd. Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司上海蘭花路證券營業部)	Room 1207, No.333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)	2015.7.20	Wu song Xiaoan (吳宋笑安)	021-50802678
71	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No.778 Dongfang Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商鋪)	2015.7.21	Chen Lijun (陳麗軍)	021-80312737
72	Hengtai Securities Co., Ltd. Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huayuan Shiqiao Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021-61049892
73	Hengtai Securities Co., Ltd. Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司東莞大朗美景中路證券營業部)	No.1101, 1102, 1103 Finance Building, No. 568 Meijing Middle Road, Changtang Community, Dalang Town, Dongguan, Guangdong (廣東省東莞市大朗鎮長塘社區美景中路568號金融大廈1101、1102、1103號)	2015.8.12	Ruan Hai (阮海)	0769-81198561
74	Hengtai Securities Co., Ltd. Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	The second floor of Qumingxuan shop, Yujing City Garden, No.6 Foping Third Road, Guicheng, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城佛平三路6號御景城市花園趣鳴軒第二層商鋪)	2015.8.24	Xie Wen (謝文)	0757-86288102
75	Hengtai Securities Co., Ltd. Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部)	Rooms 1203 & 1205, 12/F, Main Building, No.588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區長河街道江南大道588號主樓12層1203室、1205室)	2015.8.25	Jin Zhenyao (金珍耀)	0571-86965997
76	Hengtai Securities Co., Ltd. Hangzhou Xixi Road Securities Branch (恒泰证券股份有限公司杭州西溪路證券營業部)	No.529-3 Xixi Road, Xihu District, Hangzhou, Zhejiang (浙江省杭州市西湖區西溪路529-3號)	2015.8.26	Wang Weifang (王偉芳)	0571-86538803

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
77	Hengtai Securities Co., Ltd. Shenzhen Yitian Road Zhuoyue Times Square Securities Branch (恒泰证券股份有限公司深圳益田路卓越时代广场证券营业部)	5007B-5008, 50/F, Zhuoyue Times Square, No.4068 Yitian Road, Futian Street, Futian District, Shenzhen, Guangdong (广东省深圳市福田区福田街道益田路4068号卓越时代广场50楼5007B-5008)	2015.8.27	Wu Rongrong (伍荣荣)	0755-82801189
78	Hengtai Securities Co., Ltd. Shanghai Yan'an West Road Securities Branch (恒泰证券股份有限公司上海延安西路证券营业部)	Room 2607, No.1116 Yan'an West Road, Changning District, Shanghai (上海市长宁区延安西路1116号2607室)	2015.9.6	Jin Kaihong (金凯红)	021-62379632
79	Hengtai Securities Co., Ltd. Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司温州古岸路证券营业部)	Rooms 001 and 014, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省温州市瓯海区德象商厦第一幢3层001、014)	2015.9.6	Chen Kai (陈恺)	0577-88709188
80	Hengtai Securities Co., Ltd. Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司上海江宁路证券营业部)	Units 2003B & 2004A, No. 1158 Jiangning Road, Putuo District, Shanghai (上海市普陀区江宁路1158号2003B、2004A单元)	2015.9.10	Hou Shaojun (侯少军)	021-62785699
81	Hengtai Securities Co., Ltd. Taizhou Baiyunshan West Road Securities Branch (恒泰证券股份有限公司台州白雲山西路证券营业部)	No.1306 Baiyunshan West Road, Jiaojiang District, Taizhou, Zhejiang (浙江省台州市椒江区白雲山西路1306号)	2015.9.16	Liu Liangping (刘良平)	0576-89039186
82	Hengtai Securities Co., Ltd. Guangzhou Zhujiang East Road Securities Branch (恒泰证券股份有限公司广州珠江东路证券营业部)	Room 2101 (Unit 01B, 06), No. 13 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong (广东省广州市天河区珠江东路13号2101室 (部位: 自编01B、06单元))	2015.9.18	Zeng Jianyuan (曾建元)	020-38479013
83	Hengtai Securities Co., Ltd. Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路证券营业部)	Room 19C, No.555 Xujiahui Road, Huangpu District, Shanghai (上海市黄浦区徐家匯路555号19C室)	2015.9.21	Li Jingjing (李晶晶)	021-63083060
84	Hengtai Securities Co., Ltd. Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九州大道富華里證券營業部)	No. 01, 7/F, Block A, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (广东省珠海市九州大道西2021号富華里中心寫字樓A座7層01號)	2015.9.30	Guo Lixuan (郭麗璇)	0756-8619168
85	Hengtai Securities Co., Ltd. Shijiazhuang Huai'an Road Securities Branch (恒泰证券股份有限公司石家庄槐安路證券營業部)	No.1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家庄市裕華區雅清街西美五洲大廈1805號)	2015.10.9	Lv Haijun (吕海军)	0311-66500778
86	Hengtai Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Unit 1208, Zhengzhong Times Building, No.89 Longcheng Avenue, Longcheng Street, Longgang District, Shenzhen, Guangdong (广东省深圳市龍崗區龍城街道龍城大道89號正中時代大廈1208單元)	2015.10.9	Long Xiaoling (龍小玲)	0755-89452231

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
87	Hengtai Securities Co., Ltd. Taiyuan Pingyang Road Securities Branch (恒泰证券股份有限公司太原平陽路證券營業部)	Shops 1001,1002 & 1003, 3/F, 14 #, No.65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店區平陽路65號14#三層1001、1002、1003號商鋪)	2015.10.13	He Xuguang (何旭光)	0351-3958073
88	Hengtai Securities Co., Ltd Liuzhou Tianshan Road Securities Branch (恒泰证券股份有限公司柳州天山路證券營業部)	2-2-9 Tianshangcheng Community, No.245 Shuinan Road, Liuzhou, Guangxi (廣西省柳州市水南路245號天山上城小區2-2-9號)	2015.10.21	Yu Jing (于婧)	0772-8807519
89	Hengtai Securities Co., Ltd. Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南寧民族大道證券營業部)	Rooms 2207 and 2208, 22/F, Bogongguoji, No. 127 Minzu Avenue, Qingxiu District, Nanning, Guangxi (廣西省南寧市青秀區民族大道127號鉅宮國際22樓2207、2208號房)	2015.10.27	Ou Chi (區馳)	0771-5535796
90	Hengtai Securities Co., Ltd Shanghai Xianxia Road Securities Branch (恒泰证券股份有限公司上海仙霞路證券營業部)	Room 19B, No. 137 Xianxia Road, Changning District, Shanghai (上海市長寧區仙霞路137號19B室)	2015.11.3	Zhao Jing (趙靜)	021-23560198
91	Hengtai Securities Co., Ltd. Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Rooms 1601, 1602 & 1603 Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1601、1602、1603室)	2015.11.3	Wang Bao (王寶)	0571-86979032
92	Hengtai Securities Co., Ltd. Rui'an Gongruishan Road Securities Branch (恒泰证券股份有限公司瑞安拱瑞山路證券營業部)	No.422, 424 Gongruishan Road, Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577-66889159
93	Hengtai Securities Co., Ltd. Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司北京新華大街證券營業部)	Room 2302, 23/F, Building 3, No. 58 Xinhua West Street, Tongzhou District, Beijing (北京市通州區新華西街58號院3號樓23層2302)	2015.11.11	Feng Zhaojin (封照金)	010-85772321
94	Hengtai Securities Co., Ltd. Wuhan Guanggu Valley International Square Securities Branch (恒泰证券股份有限公司武漢光谷國際廣場證券營業部)	Room 1706, 17/F, Rongzhong International Office Building, the north of Luoyu Road and the west of Lumo Road, East Lake High-TechDevelopment Zone, Wuhan City, Hubei (湖北省武漢市東湖新技術開發區珞瑜路以北、魯磨路以西融眾國際寫字樓17層1706號)	2015.11.18	Li Jing (李晶)	027-87680670
95	Hengtai Securities Co., Ltd. Shenzhen Liyuan Road Securities Branch (恒泰证券股份有限公司深圳梨園路證券營業部)	Unit 10, 6th Floor, Material Holdings Land Building, No. 6, Liyuan Road, Sunxi Community, Sungang Street, Luohu District, Shenzhen, Guangdong (廣東省深圳市羅湖區筍崗街道筍西社區梨園路6號物資控股置地大廈六層10單元)	2015.11.24	Zhu Ming (朱明)	0755-82529525
96	Hengtai Securities Co., Ltd Shanghai Yincheng Central Road Securities Branch (恒泰证券股份有限公司上海銀城中路證券營業部)	Room 1103B, No. 488 Yincheng Central Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路488號1103B室)	2015.12.9	Wang Yonghong (王勇宏)	021-50891663

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
97	Hengtai Securities Co., Ltd. Shenyang Hunnan Third Road Securities Branch (恒泰证券股份有限公司沈阳浑南三路證券營業部)	Room 902, Block A, Tongfang Building, No.1-8 Hunnan Third Road, Hunnan District, Shenyang, Liaoning (遼寧省沈陽市渾南區渾南三路1-8同方大廈A座902室)	2015.12.14	Gao Xiufeng (高秀峰)	024-82573500
98	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路證券營業部)	30A, Shidai-Caifu Building, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道福田區時代財富大廈30A)	2015.12.16	Li Na (李娜)	0755-23913045
99	Hengtai Securities Co., Ltd. Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區錢江國際時代廣場2幢2605室)	2015.12.16	Yan Yueping (嚴躍平)	0571-87899209
100	Hengtai Securities Co., Ltd. Shaoxing Shengli Road Securities Branch (恒泰证券股份有限公司紹興勝利路證券營業部)	Room 1301, Shimao Horizon Center, 379 Shengli East Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區勝利東路379號世茂天際中心1301室)	2016.1.18	Zhang Ye (章焯)	0575-88002391
101	Hengtai Securities Co., Ltd. Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 04, 9th Floor, Jinbilanwan Phase I Office Building, Shangyang Village, Danshui Kaicheng Avenue, Huiyang District, Huizhou, Guangdong (廣東省惠州市惠陽區淡水開城大道上陽村地段金碧藍灣一期寫字樓9層04號房)	2016.1.18	Liu Wei (劉威)	0752-7399009
102	Hengtai Securities Co., Ltd. Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部)	Room 602, Rongqiao Center Office Building, the intersection of Changjiang Avenue and Nankai Sixth Road, Nankai District, Tianjin (天津市南開區長江道與南開六馬路交口融橋中心寫字樓602室)	2016.1.19	Li Qiang (李強)	022-83698158
103	Hengtai Securities Co., Ltd. Shaoxing Zhongxing South Road Securities Branch (恒泰证券股份有限公司紹興中興南路證券營業部)	103 & 105, 1/F, Zhongxing South Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區中興南路103、105一層)	2016.1.27	Zheng Yi (鄭逸)	0575-85223533
104	Hengtai Securities Co., Ltd. Changsha Xiaoxiang North Road Securities Branch (恒泰证券股份有限公司長沙瀟湘北路證券營業部)	No. 2707, Block C, Kailin Business Center, 53 Binjiang Road, Yuelu District, Changsha, Hunan (湖南省長沙市嶽麓區濱江路53號楷林商務中心C座2707號)	2016.1.29	Hu Zhiyu (胡治宇)	0731-85562029
105	Hengtai Securities Co., Ltd. Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司上海中山西路證券營業部)	Room 904, No.1065 West Zhongshan Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)	2016.2.2	Feng Yuangang (馮元剛)	021-23560170

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
106	Hengtai Securities Co., Ltd. Zhengzhou Nanyang Road Securities Branch (恒泰证券股份有限公司鄭州南陽路證券營業部)	Room 1, East of 1/F and 2/F, Building 24, No. 206, Nanyang Road, Jinshui District, Zhengzhou, Henan (河南省鄭州市金水區南陽路206號24號樓1-2層東1號)	2016.2.15	Shi Jin (史進)	0371-55268382
107	Hengtai Securities Co., Ltd. Linyi Guangzhou Road Securities Branch (恒泰证券股份有限公司臨沂廣州路證券營業部)	North side of 3/F, Block A of Yanjie Building, Daguanyuan Community, Intersection of Guangzhou Road and Menghe Road, Liuqing Avenue, Lanshan District, Linyi, Shandong (山東省臨沂市蘭山區柳青街道廣州路與蒙河路交匯大官苑沿街樓A區三樓北側)	2016.3.17	Wang Jingbao (王京寶)	0539-8606369
108	Hengtai Securities Co., Ltd. Zibo Yanhe East Road Securities Branch (恒泰证券股份有限公司淄博沿河東路證券營業部)	No. 103, 1/F, Chuangfu Building, No. 3 Yanhe East Road, Chengdong Street, Boshan District, Zibo, Shandong (山東省淄博市博山區城東街道沿河東路3號創富大廈1層103號)	2016.3.17	Wang Kai (王凱)	0533-4913308
109	Hengtai Securities Co., Ltd. Xianyou Xuefu East Road Securities Branch (恒泰证券股份有限公司仙遊學府東路證券營業部)	No. 2068, 2072 Xuefu East Road, Residents' Committee, Balong Community, Licheng Street, Xianyou County, Putian, Fujian (福建省莆田市仙遊縣鯉城街道壩墘社區居委會學府東路2068號、2072號)	2016.3.25	Zheng Zhangwen (鄭章文)	0594-8097766
110	Hengtai Securities Co., Ltd. Xi'an Gaoxin Third Road Securities Branch (恒泰证券股份有限公司西安高新三路證券營業部)	Room 1803, PICC (Shaanxi) Financial Building, No. 12 Gaoxin Third Road, Zhangba Street Office, Gaoxin District, Xi'an, Shaanxi (陝西省西安市高新區丈八街辦高新三路12號中國人保大廈(陝西)金融大廈1803室)	2016.3.29	Wang Hao (王浩)	029-89132956
111	Hengtai Securities Co., Ltd. Shenzhen Xianglin Road Securities Branch (恒泰证券股份有限公司深圳香林路證券營業部)	11LMN, Building A, Haoming Fortune Plaza, 7002 Shennan Blvd, Xiangmihu Avenue, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區香蜜湖街道深南大道7002浩銘財富廣場A座11LMN)	2016.4.6	Wu Gang (吳剛)	0755-83980166
112	Hengtai Securities Co., Ltd. Dongguan Huangjiang Securities Branch (恒泰证券股份有限公司東莞黃江證券營業部)	No.1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong (廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)	2016.4.6	Li Sutao (李蘇濤)	0769-82226576
113	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch (恒泰证券股份有限公司溫州錦繡路證券營業部)	Room 515, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang (浙江省溫州市鹿城區錦繡路1067號置信中心1幢515室)	2016.4.8	Feng Xiao (馮笑)	0577-85228658

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
114	Hengtai Securities Co., Ltd. Guangzhou Tianhe North Road Securities Branch (恒泰证券股份有限公司廣州天河北路證券營業部)	Room 3011, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區天河北路233號3011室)	2016.4.13	Liu Haitao (劉海濤)	020-38909661
115	Hengtai Securities Co., Ltd. Fuzhou Software Avenue Securities Branch (恒泰证券股份有限公司福州軟體大道證券營業部)	Room B, 24/F, Building 3, Block F, Fuzhou Software Park, No. 89 Software Avenue, Gulou District, Fuzhou, Fujian (福建省福州市鼓樓區軟體大道89號福州軟體園F區3號樓24層B)	2016.4.14	Zhou Xin (周頌)	0591-83300507
116	Hengtai Securities Co., Ltd. Beijing Jiancaicheng West Road Securities Branch (恒泰证券股份有限公司北京建材城西路證券營業部)	Room 1005, Unit 2, 10/F, Building 2, No. 87 Jiancaicheng West Road, Huilongguan Town, Changping District, Beijing (北京市昌平區回龍觀鎮建材城西路87號2號樓10層2單元1005)	2016.4.15	Zhang Xiaoming (張曉明)	010-82916166
117	Hengtai Securities Co., Ltd. Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海開股路證券營業部)	Room 404, No. 1599 Zhayin Road, Yangpu District, Shanghai (上海市楊浦區開股路1599號404室)	2017.2.17	Xu Ming (徐明)	021-58358085
118	Hengtai Securities Co., Ltd. Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司寧波甬江大道證券營業部)	No. (2-2), Block 005, No. 48, Block 6, No. 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省寧波市鄞州區甬江大道168號6幢48號005幢(2-2)號)	2017.2.24	Chen Lin (陳麟)	0574-55337786
119	Hengtai Securities Co., Ltd. Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街19號中紡大廈0510室)	2017.2.27	Wu Xiaohui (伍小輝)	010-65262718
120	Hengtai Securities Co., Ltd. Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Room 1001, 10/F, Building 17, No. 17, 17A, 17B, and 17C Financial Street, Xicheng District, Beijing (北京市西城區金融大街17號、甲17號、乙17號、丙17號17號樓10層1001)	2017.3.6	Zi Wei (紫巍)	010-83270885
121	Hengtai Securities Co., Ltd. Chengdu Tianfu Avenue Securities Branch (恒泰证券股份有限公司成都天府大道證券營業部)	No. 2707 & 2708, 27/F, Building 3, No. 1199 North Section of Tianfu Avenue, High-tech District, Chengdu, China (Sichuan) Pilot Free Trade Zone (中國(四川)自由貿易試驗區成都市高新區天府大道北段1199號3棟27層2707、2708號)	2017.4.24	Wang Wei (王偉)	028-85011007
122	Hengtai Securities Co., Ltd. Shenzhen Tongluo Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Unit 34E1, Block E, Building 6, Dachong Business Center (Block E, CR Land Building), No. 9672 Shennan Blvd, Shahe Street, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區沙河街道深南大道9672號大沖商務中心6號樓E座(華潤置地大廈E座)34E1單元)	2017.5.10	Hao Ying (郝瑩)	0755-86713626

Independent Auditor's Report



To the shareholders of Hengtou Securities

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

OPINION

We have audited the consolidated financial statements of Hengtou Securities (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 195 to 320, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Assessment of control over structured entities

Refer to Notes 3.3, 4.1 and 55 to the consolidated financial statements.

The Group has interests in a number of structured entities. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over the structured entities by taking into consideration of power arising from rights, exposure of variable returns and the linkage between power and returns.

The assessment of the Group's control over structured entities involves significant judgement on factors, such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, remuneration and performance fee.

Due to the significance of the structured entities and the complexity of judgement exercised by the management, we identified consolidation assessment of structured entities as a key audit matter.

Our procedures in relation to assessment of control over structured entities included:

- Reviewing the key contractual provisions of the relevant legal documents including the management agreements of the structured entities;
- Evaluating the risk and reward structure of the structured entities including any return guarantee, commission basis and distribution of returns and assessing the management's judgement as to exposure and right to variable returns from the Group's involvement; and
- Evaluating the management's analysis of structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Fair value measurements of Level 3 financial instruments

Refer to Note 60 to the consolidated financial statements.

As at 31 December 2020, the Group's financial assets at fair value through profit or loss categorised as Level 3 amounted to approximately RMB243,811,000.

Due to the significance of the judgement and estimates made by the management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs, we identified the fair value measurements of Level 3 financial instruments as a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures in relation to the fair value measurements of Level 3 financial instruments included:

- Evaluating whether the valuation methodologies, inputs and assumptions adopted by management were appropriate;
- Evaluating the rationale of management's judgement on the significant unobservable inputs;
- Testing the evidence supporting the unobservable inputs used in the Level 3 fair value measurements;
- Involving our valuation specialists to perform independent valuations and comparing these valuations against the Group's valuations, on a sample basis; and
- Evaluating the adequacy of the Level 3 fair value measurement disclosures in the consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Impairment of financial assets

Refer to Notes 3.14, 4.4, 28, 29, 32, 33, 34, 36, 37 and 59(a) to the consolidated financial statements.

As at 31 December 2020, the Group has financial assets held under resale agreements, refundable deposits, margin account receivables, other current assets (excluding prepaid expenses and income tax recoverable), financial assets at fair value through other comprehensive income, debt investments measured at amortised cost and placements with a financial institution with carrying amounts of RMB1,003,845,000, RMB648,715,000, RMB5,086,791,000, RMB740,430,000, RMB1,523,820,000, RMB199,063,000 and RMB225,000,000, respectively.

The Group's impairment are estimated based on expected credit loss ("ECL") model. We identified impairment of financial assets as a key audit matter because the Group's measurement of ECL involves significant management estimates and judgements in consideration of various factors, include but not limited to the customers' payment history, credit rating and realisable value of securities or collaterals from customers.

How our audit addressed the Key Audit Matter

Our procedures in relation to the impairment assessment of financial assets included:

- Understanding management's impairment provision policy in respect of financial assets;
- Evaluating techniques and methodology used in the Group's ECL model;
- Evaluating management's assessment of significant increase in credit risk;
- Evaluating the parameters used by the management in estimating the ECL rate and testing the evidence supporting the parameters to the ECL model; and
- Evaluating the adequacy of the disclosures in respect of impairment of financial assets in the consolidated financial statements.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report (Continued)

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (Continued)

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

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

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

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

Independent Auditor's Report (Continued)

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

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

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

26 March 2021

Chiu Wing Ning

Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Fees and commission income	7	1,949,926	1,715,193
Interest income	8	725,895	649,882
Net investment income	9	913,325	757,351
Other income and gains	10	91,689	724,678
Total operating income		3,680,835	3,847,104
Fees and commission expenses	11	(222,807)	(177,679)
Interest expenses	12	(449,229)	(467,939)
Staff costs	13	(1,196,399)	(1,090,724)
Depreciation and amortisation	14	(193,224)	(170,939)
Taxes and surcharges		(18,719)	(16,412)
Other operating expenses	15	(613,785)	(610,322)
Impairment losses	16	(185,162)	(339,201)
Unrealised fair value losses from financial assets at fair value through profit or loss		(202,975)	(1,606)
Total operating expenses		(3,082,300)	(2,874,822)
Operating profit		598,535	972,282
Share of profits of associates		–	2,668
Profit before tax		598,535	974,950
Income tax expenses	17	(116,181)	(212,104)
Profit for the year		482,354	762,846

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

For the year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Debt investments at fair value through other comprehensive income			
– Net change in fair value		(21,066)	–
– Income tax impact		5,266	–
Other comprehensive expense for the year, net of tax		(15,800)	–
Total comprehensive income for the year		466,554	762,846
Profit for the year attributable to:			
Ordinary shareholders of the Company		474,086	740,538
Non-controlling interests		8,268	22,308
		482,354	762,846
Total comprehensive income for the year attributable to:			
Ordinary shareholders of the Company		458,286	740,538
Non-controlling interests		8,268	22,308
		466,554	762,846
Earnings per share			
Basic and diluted	18	RMB0.16	RMB0.25

The notes on pages 203 to 320 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current assets			
Property and equipment	22	375,780	536,041
Right-of-use assets	23	145,765	157,857
Investment properties	24	38,811	40,784
Goodwill	25	43,739	43,739
Intangible assets	26	147,909	129,696
Refundable deposits	29	648,715	448,059
Debt investments measured at amortised cost	36	199,063	–
Deferred tax assets	30	267,371	205,287
Other non-current assets	31	47,848	46,237
Total non-current assets		1,915,001	1,607,700
Current assets			
Margin account receivables	32	5,086,791	3,969,330
Other current assets	33	748,762	716,325
Placements with a financial institution	37	225,000	–
Financial assets held under resale agreements	28	1,003,845	760,800
Financial assets at fair value through other comprehensive income	34	1,523,820	–
Financial assets at fair value through profit or loss	35	9,771,480	10,726,761
Cash held on behalf of brokerage clients	38	10,935,722	8,824,504
Clearing settlement funds	39	671,838	800,821
Cash and bank balances	40	1,713,772	2,108,972
		31,681,030	27,907,513
Assets classified as held for sale	41	–	11,768
Total current assets		31,681,030	27,919,281
Total assets		33,596,031	29,526,981

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Current liabilities			
Debt instruments	42	2,060,000	1,609,985
Placements from a financial institution	43	1,000,000	1,500,000
Account payables to brokerage clients	44	11,392,900	9,071,688
Employee benefit payables	45	622,660	466,913
Contract liabilities	46	12,106	34,322
Lease liabilities	47	66,710	67,106
Other current liabilities	48	1,179,071	1,270,105
Current tax liabilities		68,098	19,578
Financial assets sold under repurchase agreements	49	4,130,449	3,189,085
Total current liabilities		20,531,994	17,228,782
Net current assets		11,149,036	10,690,499
Total assets less current liabilities		13,064,037	12,298,199
Non-current liabilities			
Debt instruments	42	3,487,697	1,500,000
Lease liabilities	47	78,931	87,718
Deferred tax liabilities	30	61,644	132,068
Total non-current liabilities		3,628,272	1,719,786
Net assets		9,435,765	10,578,413

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Equity			
Share capital	50(a)	2,604,567	2,604,567
Share premium	50(b)	1,665,236	1,665,236
Perpetual capital securities	51	–	1,500,000
Reserves	52	4,761,430	4,405,144
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		9,031,233	10,174,947
Non-controlling interests		404,532	403,466
Total equity		9,435,765	10,578,413

Approved by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Wu Yigang

Acting Chairman of the Board of Directors

Sun Hang

Chief Financial Officer

The notes on pages 203 to 320 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										
	Share capital	Share premium	Perpetual capital securities	Surplus reserve*	General risk reserve*	Transaction risk reserve*	Investment revaluation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	Note 50(a)	Note 50(b)	Note 51	Note 52(a)	Note 52(b)	Note 52(c)	Note 52(d)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	2,604,567	1,665,236	1,500,000	509,130	734,385	611,124	-	1,911,967	9,536,409	408,412	9,944,821
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	740,538	740,538	22,308	762,846
Disposal of a subsidiary (Note 61(a))	-	-	-	-	-	-	-	-	-	(7,706)	(7,706)
Dividends paid to holders of perpetual capital securities (Note 21)	-	-	-	-	-	-	-	(102,000)	(102,000)	-	(102,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,548)	(19,548)
Appropriation to surplus reserve	-	-	-	48,088	-	-	-	(48,088)	-	-	-
Appropriation to general risk reserve	-	-	-	-	84,641	-	-	(84,641)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	-	53,755	-	(53,755)	-	-	-
Changes in equity for the year	-	-	-	48,088	84,641	53,755	-	(288,484)	(102,000)	(27,254)	(129,254)
Balance at 31 December 2019	2,604,567	1,665,236	1,500,000	557,218	819,026	664,879	-	2,364,021	10,174,947	403,466	10,578,413
Balance at 1 January 2020	2,604,567	1,665,236	1,500,000	557,218	819,026	664,879	-	2,364,021	10,174,947	403,466	10,578,413
Profit for the year	-	-	-	-	-	-	-	474,086	474,086	8,268	482,354
Other comprehensive expense for the year	-	-	-	-	-	-	(15,800)	-	(15,800)	-	(15,800)
Total comprehensive income for the year	-	-	-	-	-	-	(15,800)	474,086	458,286	8,268	466,554
Dividends paid to holders of perpetual capital securities (Note 21)	-	-	-	-	-	-	-	(102,000)	(102,000)	-	(102,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,202)	(7,202)
Redemption of perpetual capital securities (Note 51)	-	-	(1,500,000)	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Appropriation to surplus reserve	-	-	-	53,323	-	-	-	(53,323)	-	-	-
Appropriation to general risk reserve	-	-	-	-	85,914	-	-	(85,914)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	-	56,360	-	(56,360)	-	-	-
Change in equity for the year	-	-	(1,500,000)	53,323	85,914	56,360	-	(297,597)	(1,602,000)	(7,202)	(1,609,202)
Balance at 31 December 2020	2,604,567	1,665,236	-	610,541	904,940	721,239	(15,800)	2,540,510	9,031,233	404,532	9,435,765

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

The notes on pages 203 to 320 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash flows from operating activities			
Profit before tax		598,535	974,950
Adjustments for:			
Interest expenses		449,229	467,939
Share of profits of associates		–	(2,668)
Depreciation and amortisation		193,224	170,939
Impairment losses		185,162	339,201
Loss/(Gain) on disposal of property and equipment and intangible assets		155	(671)
Compensation income		(56,303)	–
Net changes in unrealised fair value of financial instruments at fair value through profit or loss and derivative financial instruments		196,359	(709,509)
Gain on disposal of an associate		(12,232)	(6,543)
Loss on disposal of a subsidiary	61(a)	–	277
Operating profit before working capital changes		1,554,129	1,233,915
Change in working capital:			
Refundable deposits		(200,656)	32,443
Receivables and prepayments		44,639	(308,047)
Margin account receivables		(1,124,198)	(741,553)
Financial assets held under resale agreements		–	193,992
Financial assets at fair value through other comprehensive income		–	55,124
Financial assets at fair value through profit or loss		783,840	1,731,703
Cash held on behalf of brokerage clients		(2,111,218)	(1,348,873)
Restricted bank deposits		(39,615)	(56,639)
Placements from a financial institution		(500,000)	1,000,000
Account payables to brokerage clients		2,321,212	1,380,191
Employee benefit payables		155,747	179,224
Other payables and accruals		(171,181)	(183,970)
Contract liabilities		(22,216)	(9)
Financial assets sold under repurchase agreements		941,364	(553,240)
Cash generated from operations		1,631,847	2,614,261
Income tax paid		(176,045)	(27,604)
Interest paid for operating activities		(235,671)	(277,892)
Net cash from operating activities		1,220,131	2,308,765

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Cash flows from investing activities			
Proceeds from disposal of property and equipment and intangible assets		176	1,569
Proceeds from compensation income		56,303	–
Purchases of property and equipment, intangible assets and other non-current assets		(124,081)	(136,782)
Purchases of financial assets at fair value through other comprehensive income		(1,547,623)	–
Purchases of debt investments measured at amortised cost		(200,013)	–
Net cash outflow from the disposal of a subsidiary	61(a)	–	(2,539)
(Increase)/Decrease in time deposits with original maturities exceeding three months		(261,300)	84,000
Net cash used in investing activities		(2,076,538)	(53,752)
Cash flows from financing activities			
Proceeds from issuance of debt instruments	61(b)	5,467,201	916,620
Repayment of debt instruments	61(b)	(2,942,220)	(3,921,030)
Interest paid for financing activities	61(b)	(211,862)	(281,894)
Redemption of perpetual capital securities	51	(1,500,000)	–
Dividends paid to perpetual capital securities		(102,000)	(102,000)
Dividends paid to non-controlling interests		(7,202)	(19,548)
Payment of lease liabilities	61(b)	(86,700)	(64,340)
Other net cash flows from financing activities		–	(1,714)
Net cash from/(used in) financing activities		617,217	(3,473,906)
Net decrease in cash and cash equivalents		(239,190)	(1,218,893)
Cash and cash equivalents at beginning of the year		2,780,256	3,998,650
Effect of foreign exchange rate changes		(1,855)	499
Cash and cash equivalents at end of the year	40	2,539,211	2,780,256

The notes on pages 203 to 320 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Hengtou Securities (a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)) (the “Company”) was set up in Inner Mongolia autonomous Region by Inner Mongolia Branch of People's Bank of China (“PBOC”) in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the China Securities Regulatory Commission (“CSRC”) in 2008. The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region. As at 31 December 2020, the share capital of the Company is RMB2,604,567,412.

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

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

The consolidated financial statements are presented in thousands of Renminbi (“RMB'000”), unless otherwise stated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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

(a) New and amended IFRSs that are effective for the financial year beginning on 1 January 2020

In the current year, the Group has adopted for the first time the following the new and amended IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”), and Interpretations issued by the International Accounting Standards Board (the “IASB”), that are relevant to the Group’s operations and effective for its financial year beginning on 1 January 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

The adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

The Group has not early applied new and amended IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2020. These new and amended IFRSs include the following which may be relevant to the Group.

IFRS 17	Insurance Contracts and related amendments ⁴
Amendments to IFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ⁶
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IAS 1	Classification of Liabilities As Current or Non-current ⁴
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective date not yet determined

⁶ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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

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

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

Amendments to IAS1 – Classification of Liabilities as Current or Non-current

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at that date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under IAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities is current or non-current.

Amendments to IAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. Based on the related terms and condition stipulated in the agreement between the Group and the relevant creditors as at 31 December 2020, the Group expects the application of the amendments will not have significant impacts on the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation and statement of compliance

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

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

3.2 Use of estimates and judgements

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

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (Continued)

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

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

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

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

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

3.4 Associates

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill

Goodwill represents the excess of:

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

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

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

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

3.6 Foreign currency

Functional and presentation currency

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

Transactions and balances in each entity's financial statements

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency (Continued)

Transactions and balances in each entity's financial statements (Continued)

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

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

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

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

3.8 Financial instruments

Recognition and derecognition of financial instruments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Debt investments

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

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

Equity investments

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

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

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

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

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

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

3.9 Margin financing and securities lending

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3.11 Property and equipment and construction in progress

Recognition and measurement

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Property and equipment and construction in progress (Continued)

Recognition and measurement (Continued)

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Investment properties

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

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

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

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

3.13 Intangible assets

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

The respective amortisation periods for intangible assets are as follows:

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment

i) Impairment of non-financial assets

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

- property and equipment
- investment properties
- intangible assets
- right-of-use assets
- investment in subsidiaries
- goodwill
- leasehold improvements, long-term prepaid expenses and other foreclosed assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

i) Impairment of non-financial assets (Continued)

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

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

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

ii) Impairment of financial assets

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

The Group always recognises lifetime ECL for accounts receivable. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitisation, which may result in ability decrease of relevant subordinated interest to absorb the loss.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (a) The financial instrument has a low risk of default,
- (b) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- the financial assets is 90 days past due.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVTOCI.

For debt investments that are measured at FVTOCI, the impairment loss is recognised in profit or loss and the loss allowance is accumulated in the "Investment revaluation reserve" without reducing the carrying amounts of these debt investments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under IFRS 9 “Financial Instruments” (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lessor accounting

Properties leased out under operating leases are depreciated in accordance with the Group’s depreciation policies described in Note 3.12. Impairment losses are recognised in accordance with the accounting policies described in Note 3.14(i). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

3.18 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use and a sale is considered highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

3.20 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

3.21 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at the transaction price, being the amount of consideration which the Group expects to be entitled to in exchange for transferring the promised goods or services to the customer, net of taxes. The transaction price is allocated to each performance obligation of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Commission income from brokerage business

Brokerage commission income is recognised at a single point in time, i.e. on a trade date when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Revenue recognition (Continued)

Underwriting and sponsor fees

Underwriting and sponsor fees are recognised at a single point in time when the performance obligation is satisfied, that is, the economic benefits may flow into the Group and the relevant revenue and costs may be calculated reliably.

Assets management, advisory and custody fees

Assets management, advisory and custody fees are recognised over time as services rendered.

Rental income

Rental income is recognised on a straight-line basis over the lease terms.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.22 Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

3.23 Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the reporting date, are not recognised as a liability at the end of the year but disclosed in the notes to the consolidated financial statements separately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

3.25 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's senior management, being the chief operating decision-makers, to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statement regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3.26 Events after reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting judgements

4.1 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For assets management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes that is of such significance indicating that the Group is a principal. The assets management schemes shall be consolidated if the Group acts in the role of principal.

Details of interests in assets management schemes is disclosed in Note 55 to the consolidated financial statements.

4.2 Business model assessment

Classification and measurement of financial assets depends on the results of whether the contractual cash flow represents the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties

4.3 Fair value of financial instruments

Financial instruments at FVTPL and at FVTOCI are measured at fair value at the reporting date. For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets for which there is no observable market price, requires the use of valuation technique. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of fair value measurements are disclosed in Note 60 to the consolidated financial statements.

4.4 Impairment of financial assets

The measurement of impairment losses of financial assets under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The impairment is sensitive to changes in these estimates. Changes in these estimates could result in material adjustments to the impairment amount of financial assets.

Details of impairment of financial assets are disclosed in Notes 28, 29, 32, 33, 34, 36, 37 and 59(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

4.5 Impairment of goodwill

Determining whether goodwill (Note 25) is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The calculations requires the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. No impairment loss on goodwill is made for the year ended 31 December 2020 (2019: Nil).

4.6 Current and deferred income taxes

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Group evaluates carefully tax implication of transaction and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax assets and liabilities in the period in which such determination is made. The amount of income tax recognised in profit or loss based on the estimated profit from operations and the carrying amount of the deferred tax assets were disclosed in Note 17 and Note 30, respectively, to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

4.7 Depreciation, amortisation and impairment of non-financial assets

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation expense in each reporting date. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised. The depreciation and amortisation charged for the year were disclosed in Note 14 to the consolidated financial statements.

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. Changes in assumptions and estimates, could materially affect the recoverable amount used in the impairment test. Please refer to Notes 22, 23, 24, 26 and 31 for the carrying amounts of these non-financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets		
Property and equipment	340,463	498,894
Right-of-use assets	122,359	123,636
Investment properties	10,401	10,966
Intangible assets	129,457	111,568
Investments in subsidiaries	1,596,583	1,726,583
Refundable deposits	153,352	170,711
Debt investments measured at amortised cost	199,063	–
Deferred tax assets	217,378	164,480
Other non-current assets	31,804	28,814
Total non-current assets	2,800,860	2,835,652
Current assets		
Margin account receivables	5,086,791	3,969,330
Other current assets	670,046	372,437
Placements with a financial institution	225,000	–
Financial assets held under resale agreements	818,088	749,410
Financial assets at fair value through other comprehensive income	1,523,820	–
Financial assets at fair value through profit or loss	6,916,873	7,668,273
Cash held on behalf of brokerage clients	9,893,021	8,285,509
Clearing settlement funds	638,229	772,337
Cash and bank balances	568,114	858,384
Total current assets	26,339,982	22,675,680

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current liabilities		
Debt instruments	2,060,000	1,609,985
Placements from a financial institution	1,000,000	1,500,000
Account payables to brokerage clients	9,901,496	8,288,060
Employee benefit payables	363,610	289,468
Contract liabilities	1,778	1,965
Lease liabilities	58,877	6,328
Other current liabilities	222,269	109,691
Current tax liabilities	425	–
Financial assets sold under repurchase agreements	3,805,950	2,848,360
Total current liabilities	17,414,405	14,653,857
Net current assets	8,925,577	8,021,823
Total assets less current liabilities	11,726,437	10,857,475
Non-current liabilities		
Debt instruments	3,504,697	1,500,000
Lease liabilities	63,191	114,358
	3,567,888	1,614,358
Net assets	8,158,549	9,243,117

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Equity		
Share capital	2,604,567	2,604,567
Share premium	1,665,236	1,665,236
Perpetual capital securities	–	1,500,000
Reserves (Note 53)	3,888,746	3,473,314
Total equity	8,158,549	9,243,117

Approved by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Wu Yigang

Acting Chairman of the Board of Directors

Sun Hang

Chief Financial Officer

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

6. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax rate
Corporate income tax	25%
Value-added tax ("VAT")	2%–11%
City maintenance and construction tax	7%
Education surcharge and local education surcharge	2%–3%

7. FEES AND COMMISSION INCOME

	2020	2019
	RMB'000	RMB'000
Fees and commission income arising from:		
– Securities brokerage business	1,040,885	802,978
– Assets management business	420,840	441,315
– Underwriting and sponsoring business	223,781	290,737
– Financial advisory business	107,636	45,734
– Futures brokerage business	97,478	47,850
– Investment advisory business	8,288	37,928
– Custody business	51,018	48,651
Revenue from contracts with customers within the scope of IFRS 15	1,949,926	1,715,193

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

7. FEES AND COMMISSION INCOME (CONTINUED)

(a) The following table shows revenue disaggregation by timing of revenue recognition:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
For year ended 31 December 2020					
– Over time	-	536,764	-	51,018	587,782
– Point in time	1,138,363	-	223,781	-	1,362,144
For year ended 31 December 2019					
– Over time	-	524,977	-	48,651	573,628
– Point in time	850,828	-	290,737	-	1,141,565

(b) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 and the expected timing of recognising revenue as follows:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020					
Within one year	-	10,328	-	1,778	12,106
As at 31 December 2019					
Within one year	-	32,356	-	1,966	34,322

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

8. INTEREST INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income arising from:		
– Margin financing	345,186	305,967
– Deposits in financial institutions	300,854	286,908
– Financial assets held under resale agreements	35,100	57,007
– Financial assets at FVTOCI	39,926	–
– Debt investments measured at amortised cost	2,517	–
– Placements with a financial institution	2,312	–
	725,895	649,882

9. NET INVESTMENT INCOME

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net loss on disposal of financial assets at FVTOCI		–	(85)
Dividend and interest income from financial assets at FVTPL		263,310	348,932
Net realised gains from disposal of financial assets at FVTPL and derivative financial instruments	(a)	637,783	402,238
Loss on disposal of a subsidiary (Note 61(a))		–	(277)
Gain on disposal of an associate	(b)	12,232	6,543
		913,325	757,351

Notes:

- (a) Unrealised fair value gain and unrealised fair value loss of financial assets at FVTPL were recorded under “Other income and gains” and “Unrealised fair value losses from financial assets at fair value through profit or loss” in the consolidated statement of profit or loss and other comprehensive income, respectively.
- (b) In December 2019, the Group disposed an associate with carrying amount of approximately RMB3,457,000 to an independent third party in exchange of an unlisted equity investment with an initial fair value of approximately RMB10,000,000. Accordingly, the Group recorded a gain on disposal of an associate of approximately RMB6,543,000 in profit or loss for the year ended 31 December 2019. This also constituted a non-cash transaction during the year ended 31 December 2019.

During the year ended 31 December 2020, the Group disposed an associate with carrying amount of approximately RMB11,768,000 to an independent third party in exchange of a listed equity investment with an initial fair value of approximately RMB24,000,000 (Note 41). Accordingly, the Group recorded a gain on disposal of an associate of approximately RMB12,232,000 in profit or loss for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

10. OTHER INCOME AND GAINS

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Foreign exchange (loss)/gains, net		(1,855)	499
Rental income		3,358	2,657
Government grants	(a)	9,364	9,430
(Loss)/Gain on disposal of property and equipment and intangible assets		(155)	671
Compensation income	(c)	56,303	–
Reversal of accruals		17,783	–
Unrealised fair value gain from financial assets at FVTPL and derivative financial instruments	(b)	6,616	711,115
Others		275	306
		91,689	724,678

Notes:

- (a) Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.
- (b) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury futures contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" (Note 39) as at 31 December 2020 and 2019. Accordingly, the net position of the stock index futures and treasury future contracts in derivative instruments was nil at the end of reporting period. For the year ended 31 December 2020, the fair value loss from derivative financial instruments was RMB918,000 (2019: gain of RMB31,069,000).
- (c) During the year ended 31 December 2020, the Group was refunded by the constructor of the Group's construction in progress for termination of the development contract. The carrying amount of the construction in progress and the consideration of the refund were amounted to RMB152,550,000 and RMB208,853,000, respectively. Accordingly, the Group recorded a RMB56,303,000 as compensation income during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

11. FEES AND COMMISSION EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Expenses arising from:		
– Securities brokerage business	204,636	157,538
– Underwriting and sponsoring business	18,171	20,141
	222,807	177,679

12. INTEREST EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses arising from:		
– Account payables to brokerage clients	38,127	34,118
– Placements from a financial institution	41,957	25,882
– Financial assets sold under repurchase agreements	100,550	94,282
– Finance charges on lease liabilities	8,818	8,234
– Debt instruments	205,547	221,562
– Other investors of consolidated asset management schemes	48,925	80,273
– Limited partners under limited partnerships	5,305	2,804
– Others	–	784
	449,229	467,939

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

13. STAFF COSTS

	2020	2019
	RMB'000	<i>RMB'000</i>
Short-term benefits	1,176,901	1,015,460
Severance payment	3,753	893
Defined contribution plan (note)	15,745	74,371
	1,196,399	1,090,724

Note: The Group is required to participate in pension schemes in the PRC whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

14. DEPRECIATION AND AMORTISATION

	2020	2019
	RMB'000	<i>RMB'000</i>
Depreciation of:		
– property and equipment (Note 22)	49,555	46,948
– right-of-use assets (Note 23)	80,791	63,048
– investment properties (Note 24)	1,973	1,974
Amortisation of:		
– intangible assets (Note 26)	48,679	44,092
– leasehold improvements, long-term prepaid expenses and other foreclosed assets (Note 31)	12,226	14,877
	193,224	170,939

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

15. OTHER OPERATING EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditors' remuneration	5,568	5,942
Business entertainment expenses	26,866	26,679
Business travel expenses	22,343	32,995
Consulting fees	77,573	50,038
Donations	19,469	10,320
Electronic equipment operating expenses	130,623	97,495
Lease charges for short-term leases (2019: Lease charges for short-term leases and those with lease term shorter than 12 months as at initial application of IFRS 16)	25,645	41,424
Miscellaneous office expenses	8,355	8,223
Other commission expenses	76,682	92,922
Outsourcing fee	67,865	72,572
Postal and communication expenses	20,343	17,452
Securities investor protection funds	11,147	15,531
Utilities and building management fees	15,760	15,189
Others (Note)	105,546	123,540
	613,785	610,322

Note: Others mainly consist of marketing expenses, membership fee and other daily operating expenses.

16. IMPAIRMENT LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses on:		
– margin financing (Note 32)	6,737	10,147
– financial assets at FVTOCI (Note 34)	2,737	–
– financial assets held under resale agreements (Note 28)	116,008	147,179
– debt investments measured at amortised cost (Note 36)	950	–
– other current assets (Note 33)	58,730	181,875
	185,162	339,201

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

17. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – PRC corporate income tax		
Current year	252,470	70,566
(Over)/Under-provision in respect of prior years	(9,047)	676
	243,423	71,242
Deferred tax (Note 30)	(127,242)	140,862
	116,181	212,104

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2019: 25%). Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax	598,535	974,950
Tax at the PRC statutory income tax rate of 25% (2019: 25%)	149,634	243,737
Tax effect of non-deductible expenses	4,219	5,014
Tax effect of non-taxable income	(3,125)	(2,386)
Tax deduction for dividends paid on perpetual capital securities	(25,500)	(25,500)
(Over)/Under-provision in respect of prior years	(9,047)	676
Others	–	(9,437)
Income tax expense	116,181	212,104

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

18. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to ordinary shareholders of the Company	474,086	740,538
Less: Dividends for cumulative perpetual capital securities	(50,022)	(102,000)
	424,064	638,538
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation (<i>in thousands</i>)	2,604,567	2,604,567

For the years ended 31 December 2020 and 2019, there were no dilutive potential ordinary shares, hence the diluted earnings per share equals to the basic earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

19. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' remuneration

	Fees <i>RMB'000</i>	Salaries, bonus, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
2020					
Executive directors					
Pang Jiemin ⁶	-	1,878	3,409	87	5,374
Wu Yigang	-	864	2,132	15	3,011
Non-executive directors					
Yu Lei ¹	75	-	-	-	75
Wang Linjing ¹	75	-	-	-	75
Dong Hong	75	-	-	-	75
Gao Liang	75	-	-	-	75
Independent non-executive directors					
Zhou Jianjun ³	8	-	-	-	8
Lam Sek Kong	150	-	-	-	150
Lv Wendong ³	8	-	-	-	8
Dai Gen You ⁴	142	-	-	-	142
Xie De Ren ⁴	142	-	-	-	142
Supervisors					
Guo Liwen	-	739	2,132	22	2,893
Wang Hui	-	542	369	87	998
Pei Jingjing ⁵	2	-	-	-	2
Chen Feng ⁵	43	-	-	-	43
	795	4,023	8,042	211	13,071

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

	Fees <i>RMB'000</i>	Salaries, bonus, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
<u>2019</u>					
Executive directors					
Pang Jiemin ⁶	-	1,877	1,033	50	2,960
Wu Yigang	-	863	812	45	1,720
Non-executive directors					
Yu Lei ¹	19	-	-	-	19
Wang Linjing ¹	19	-	-	-	19
Zhang Tao ²	56	-	-	-	56
Sun Chao ²	56	-	-	-	56
Dong Hong	75	-	-	-	75
Gao Liang	75	-	-	-	75
Independent non-executive directors					
Zhou Jianjun ³	150	-	-	-	150
Lam Sek Kong	150	-	-	-	150
Lv Wendong ³	150	-	-	-	150
Supervisors					
Guo Liwen	-	743	812	45	1,600
Wang Hui	-	517	68	50	635
Pei Jingjing ⁵	45	-	-	-	45
	795	4,000	2,725	190	7,710

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

- ¹ On 20 September 2019, Mr. Yu Lei and Ms. Wang Linjing were appointed to be non-executive director.
- ² On 20 September 2019, Mr. Zhang Tao and Mr. Sun Chao ceased to be non-executive director.
- ³ On 21 January 2020, Mr. Zhou Jianjun and Mr. Lv Wendong ceased to be independent non-executive directors.
- ⁴ On 21 January 2020, Mr. Dai Gen You and Mr. Xie Deren were appointed to be independent non-executive directors.
- ⁵ On 21 January 2020, Ms. Pei Jingjing ceased to be supervisor and Mr. Chen Feng was appointed to be supervisor.
- ⁶ On 22 December 2020, Mr. Pang Jiemin ceased to be executive director.

The total emoluments before tax for the directors and supervisors of the Company as listed above includes fees, salaries, bonus, allowances and benefits in kind, discretionary bonuses (including deferred bonuses paid in 2020 and 2019) and contributions to social pension schemes.

There were no arrangements under which a director of the Company waived or agreed to waive any emolument during the years ended 31 December 2020 and 2019.

(b) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company and the director's or supervisor's connected party had a material interest, whether directly or indirectly, subsisted at the reporting date or at any time during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, excluding amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid individuals include one director (2019: two directors), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and allowances	6,281	3,189
Discretionary bonuses	7,665	2,293
Employer's contribution to pension schemes	251	150
	14,197	5,632

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	2020 <i>Number of individuals</i>	2019
HKD1,500,001 to HKD2,000,000	–	2
HKD2,500,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD3,500,000	3	–
HKD5,500,001 to HKD6,000,000	1	–

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

21. DIVIDENDS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend paid to holders of perpetual capital securities	102,000	102,000

The dividend paid for the year ended 31 December 2020 was approximately RMB102,000,000 (2019: RMB102,000,000) being dividend calculated at 6.8% per annum on the nominal value of perpetual capital securities.

The directors do not recommend the payment of dividend for the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

22. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2019	325,193	23,499	214,666	27,840	166,184	757,382
Additions	-	2,290	46,768	1,563	16,189	66,810
Transfer	-	-	6,142	522	(11,368)	(4,704)
Disposals	-	(5,185)	(35,050)	(4,262)	-	(44,497)
At 31 December 2019 and 1 January 2020	325,193	20,604	232,526	25,663	171,005	774,991
Additions	385	734	42,474	1,359	2,440	47,392
Transfer	-	-	1,749	-	(6,862)	(5,113)
Disposals	-	(797)	(16,968)	(1,491)	-	(19,256)
Others (note)	-	-	-	-	(152,550)	(152,550)
At 31 December 2020	325,578	20,541	259,781	25,531	14,033	645,464
Accumulated depreciation						
At 1 January 2019	(45,406)	(19,862)	(150,196)	(18,751)	-	(234,215)
Charge for the year	(9,588)	(1,282)	(32,953)	(3,125)	-	(46,948)
Disposals	-	4,734	34,843	4,000	-	43,577
At 31 December 2019 and 1 January 2020	(54,994)	(16,410)	(148,306)	(17,876)	-	(237,586)
Charge for the year	(9,590)	(1,296)	(36,013)	(2,656)	-	(49,555)
Disposals	-	797	16,382	1,459	-	18,638
At 31 December 2020	(64,584)	(16,909)	(167,937)	(19,073)	-	(268,503)
Accumulated impairment						
As at 1 January 2019	(719)	-	(610)	(57)	-	(1,386)
Disposals	-	-	4	18	-	22
At 31 December 2019 and 1 January 2020	(719)	-	(606)	(39)	-	(1,364)
Disposals	-	-	160	23	-	183
At 31 December 2020	(719)	-	(446)	(16)	-	(1,181)
Carrying amount						
At 31 December 2020	260,275	3,632	91,398	6,442	14,033	375,780
At 31 December 2019	269,480	4,194	83,614	7,748	171,005	536,041

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

22. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2020, the carrying amount of buildings without title deeds is amounted to RMB17,148,000 (2019: RMB22,466,000). The Group is still in the midst of applying for the outstanding title deeds of these premises. The management of the Group expected that there would be no significant cost in obtaining the title deeds.

Note: As detailed in note 10(c), the Group was refunded by the constructor of the Group's construction in progress for termination of the development contract during the year ended 31 December 2020 and accordingly, the construction in progress of RMB152,550,000 was derecognised.

23. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
Year ended 31 December 2019	
Opening net book amount	166,000
Additions	59,658
Lease modification	(4,753)
Depreciation	(63,048)
Closing net book amount	157,857
As 31 December 2019	
Cost	219,102
Accumulated depreciation	(61,245)
Net book amount	157,857
Year ended 31 December 2020	
Opening net book amount	157,857
Additions	76,678
Lease modification	(7,979)
Depreciation	(80,791)
Closing net book amount	145,765
As 31 December 2020	
Cost	281,935
Accumulated depreciation	(136,170)
Net book amount	145,765

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

23. RIGHT-OF-USE ASSETS (CONTINUED)

The Group has obtained the right to use premises through tenancy agreements. The leases typically run on an initial period of one to ten years (2019: one to six years).

The total additions to right-of-use assets amounted to RMB76,678,000 (2019: RMB59,658,000) for the year ended 31 December 2020. The details in relations to these leases are set out in Note 47.

24. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
Cost		
As at 1 January and 31 December	70,220	70,220
Accumulated depreciation		
As at 1 January	(29,436)	(27,462)
Charge for the year	(1,973)	(1,974)
As at 31 December	(31,409)	(29,436)
Carrying amount		
As at 31 December	38,811	40,784

The fair value of the Group's investment properties as at 31 December 2020 amounted to RMB294,570,000 (2019: RMB294,648,000). The fair value was derived using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition. The higher the market price per square metre, the higher the fair value. This is categorised as Level 2 fair value measurement.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

25. GOODWILL

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
As at 1 January and 31 December		43,739	43,739
Funds management	(a)	30,604	30,604
Futures brokerage	(b)	13,135	13,135
		43,739	43,739

Notes:

- (a) In 2015, the Group further acquired equity interest in New China Fund Management Co., Ltd. ("New China Fund"), and accordingly obtained control of New China Fund. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of funds management CGU.
- (b) In 2009, the Group acquired the entire equity interest in Hengtai Futures Co., Ltd ("Hengtai Futures"). The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group performed goodwill impairment assessment at each reporting date. The recoverable amount for the CGUs was determined based on value-in-use calculations covering a detailed five-year budget plan of each CGU followed by an extrapolation of expected cash flows at nil (2019: nil) growth rate. Discount rate of futures brokerage CGU and funds management CGU is 15.86% (2019: 12.15%) and 16.92% (2019: 12.26%), respectively, which is pre-tax and reflect specific risks relating to the relevant CGUs.

No impairment losses were recognised for the goodwill related to futures brokerage CGU and funds management CGU as the recoverable amount exceeded their carrying amount. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

26. INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
As at 1 January 2019	9,589	296,115	5,288	310,992
Additions	–	58,520	–	58,520
As at 31 December 2019 and 1 January 2020	9,589	354,635	5,288	369,512
Additions	–	66,892	–	66,892
Write-off	–	(6,942)	–	(6,942)
As at 31 December 2020	9,589	414,585	5,288	429,462
Accumulated amortisation				
As at 1 January 2019	(9,289)	(181,147)	(5,288)	(195,724)
Charge for the year	–	(44,092)	–	(44,092)
As at 31 December 2019 and 1 January 2020	(9,289)	(225,239)	(5,288)	(239,816)
Charge for the year	–	(48,679)	–	(48,679)
Write-off	–	6,942	–	6,942
As at 31 December 2020	(9,289)	(266,976)	(5,288)	(281,553)
Carrying amount				
As at 31 December 2020	300	147,609	–	147,909
As at 31 December 2019	300	129,396	–	129,696

The remaining amortisation period of trading rights and software ranged from 1 to 5 years (2019: 1 to 5 years).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

27. INVESTMENTS IN SUBSIDIARIES

	2020	2019
	RMB'000	RMB'000
Unlisted shares, at cost	1,596,583	1,726,583

Details of principal subsidiaries are as follows:

Name of company	Place of establishment	Registered capital	Equity interest directly held by the Company		Principal activities
			2020	2019	
Hengtai Changcai Securities Co., Ltd.* 恒泰長財證券有限責任公司 ("Hengtai Changcai")	Changchun, PRC	RMB200 million (2019: RMB200 million)	100%	100%	Securities underwriting and sponsoring business and securities investment fund marketing, in the PRC
Hengtai Futures** 恒泰期貨股份有限公司	Shanghai, PRC	RMB125 million (2019: RMB125 million)	80%	80%	Futures brokerage business, in the PRC
New China Fund** 新華基金管理股份有限公司	Chongqing, PRC	RMB217.5 million (2019: RMB217.5 million)	58.62%	58.62%	Funds management, in the PRC
Hengtai Pioneer Investments Co., Ltd.* 恒泰先鋒投資有限公司 ("Hengtai Pioneer")	Beijing, PRC	RMB100 million (2019: RMB100 million)	100%	100%	Investment, advisory and business management, in the PRC
Hengtai Capital Investment Co., Ltd.* 恒泰資本投資有限責任公司 ("Hengtai Capital")	Shenzhen, PRC	RMB800 million (2019: RMB800 million)	100%	100%	Equity investment, and funds management, in the PRC

* Registered as a limited liability company under the PRC law

** Registered as Company limited by shares under PRC law

Apart from the above subsidiaries, the Company has consolidated certain structured entities which are controlled by the Company (Note 55(a)).

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese name of those companies as no English names have been registered or available.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

28. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysis by collateral type:		
– Equity securities	559,008	559,008
– Debt securities	742,293	383,240
Less: Accumulated impairment losses	(297,456)	(181,448)
	1,003,845	760,800
Analysis by market:		
– Shenzhen Stock Exchange	809,105	208,600
– Shanghai Stock Exchange	440,396	634,148
– Interbank	49,800	95,000
– Others	2,000	4,500
Less: Accumulated impairment losses	(297,456)	(181,448)
	1,003,845	760,800

The resale agreements are those agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the Group's consolidated statement of financial position but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises as collateralised lending asset for the price paid to purchase the assets. As at 31 December 2020 and 2019, the maturities of these resale agreements are all within one year.

As at 31 December 2020, the fair values of the collaterals were amounted to RMB1,015,393,000 (2019: RMB886,315,000).

As at 31 December 2020, the financial assets held under resale agreements carried interests at 4.1% to 8.0% (2019: 1.0% to 8.0%) per annum.

An impairment loss on financial assets held under resale agreements of approximately RMB116,008,000 (2019: RMB147,179,000) was made for the year ended 31 December 2020 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

29. REFUNDABLE DEPOSITS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	35,689	32,875
– Shenzhen Branch	38,338	31,181
– Beijing Branch	1,009	898
	75,036	64,954
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	10,886	25,175
– Shanghai Futures Exchange	113,123	72,395
– Shanghai International Energy Exchange	182,784	100,065
– Dalian Commodity Exchange	136,516	57,126
– Zhengzhou Commodity Exchange	59,431	20,896
	502,740	275,657
Deposits with other institutions		
– China Securities Finance Corporation Limited	68,935	107,448
– Industrial Bank Co., Ltd.	2,004	–
	70,939	107,448
	648,715	448,059

As at 31 December 2020, the Group's long-term refundable deposits of RMB68,935,000 (2019: RMB107,488,000) were pledged to China Securities Finance Corporation Limited ("CSFC") as collateral for the placements (Note 43).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

30. DEFERRED TAXATION

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred taxation arising from:	<i>Notes</i>	Impairment losses <i>RMB'000</i>	Employee benefit payables <i>RMB'000</i>	Changes in fair value of financial assets at FVTPL and FVTOCI <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019		51,614	60,279	9,733	92,749	214,375
Recognised in profit or loss	17	84,795	46,739	(164,755)	(107,641)	(140,862)
Disposal of a subsidiary	61(a)	-	-	-	(294)	(294)
At 31 December 2019 and 1 January 2020		136,409	107,018	(155,022)	(15,186)	73,219
Credited to profit or loss	17	31,386	27,016	48,424	20,416	127,242
Credited to other comprehensive income		-	-	5,266	-	5,266
At 31 December 2020		167,795	134,034	(101,332)	5,230	205,727

(a) Reconciliation to the consolidated statement of financial position

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	267,371	205,287
Net deferred tax liabilities recognised in the consolidated statement of financial position	(61,644)	(132,068)
	205,727	73,219

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

30. DEFERRED TAXATION (CONTINUED)

(b) Deferred tax assets not recognised

As at 31 December 2020, the Group had unused tax losses of approximately RMB25,190,000 (2019: RMB65,697,000) to carry forward against future taxable income of the group entities, all of which are recognised as deferred assets.

The Group has no material unrecognised deferred tax assets or liabilities as at 31 December 2020 (2019: Nil).

31. OTHER NON-CURRENT ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Leasehold improvements, long-term prepaid expenses and other foreclosed assets (note)	41,804	40,266
Prepayments	6,044	5,971
	47,848	46,237

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	40,266	32,710
Transfer	5,113	4,704
Additions	8,651	17,729
Amortisation	(12,226)	(14,877)
At end of the year	41,804	40,266

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

32. MARGIN ACCOUNT RECEIVABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Individual receivables	5,097,401	3,851,795
Institution receivables	17,030	138,438
Less: Accumulated impairment losses	(27,640)	(20,903)
	5,086,791	3,969,330

The fair value of collaterals for margin financing business is analysed as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Equity securities	14,656,848	11,672,014
Cash	965,341	530,414
	15,622,189	12,202,428

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables and has a credit risk management team to monitor credit risks.

As at 31 December 2020, the margin account receivables carried interests at 6.0% to 8.6% (2019: 7.0% to 8.6%) per annum.

The concentration of credit risk of margin account receivables is limited due to the size and uncorrelated nature of the customer base.

An impairment loss on margin account receivables of RMB6,737,000 (2019: RMB10,147,000) was made for the year ended 31 December 2020 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

33. OTHER CURRENT ASSETS

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Accounts receivable	(a)	252,177	387,021
Interest receivables	(b)	232,180	230,878
Prepaid expenses		8,033	10,312
Income tax recoverable		299	19,157
Other receivables	(c)	256,073	68,957
		748,762	716,325

Notes:

(a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Within one year	286,044	602,538
Over one year	167,597	733
Less: Accumulated impairment losses	(201,464)	(216,250)
	252,177	387,021

During the year ended 31 December 2019, accounts receivable of RMB6,060,000 were settled by the debtor by certain foreclosed assets. The settlement constituted a non-cash transaction during year ended 31 December 2019. The foreclosed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding receivables. The foreclosed assets will be used by the Group for its ordinary course of business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

33. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(b) Interest receivables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest receivables arising from:		
Financial assets at FVTOCI	42,550	–
Financial assets at FVTPL	131,728	179,880
Margin financing	68,430	60,953
Bank deposits	4,076	6,552
Financial assets held under resale agreements	58,537	39,033
Placements with a financial institution	210	–
Less: Accumulated impairment losses	(73,351)	(55,540)
	232,180	230,878

Movements in the ECL allowance account in respect of interest receivables during the year are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	55,540	23,699
ECL allowance recognised for the year	24,509	31,841
Write-off	(6,698)	–
At 31 December	73,351	55,540

(c) Other receivables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables	330,110	143,987
Less: Accumulated impairment losses	(74,037)	(75,030)
	256,073	68,957

As at 31 December 2020, included in other receivables was the unpaid refund of RMB152,550,000 (2019: Nil) from termination of the Group's construction in progress during the year (Note 10(c)). According to the termination agreement, the unpaid refund will be settled by 31 March 2021.

A total impairment loss on other current assets of RMB58,730,000 (2019: RMB181,875,000) were made for the year ended 31 December 2020 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysis by collateral type:		
– Debt securities	1,523,820	–
Analysis into:		
– Listed outside Hong Kong	284,904	–
– Unlisted	1,238,916	–
	1,523,820	–
Accumulated impairment losses	2,737	–

Financial assets at FVTOCI comprise debt securities which are not held for trading.

As at 31 December 2020, the financial assets at FVTOCI carried interests at 3.0% to 6.35% (2019: Nil) per annum.

A total impairment loss on financial assets at FVTOCI of RMB2,737,000 (2019: Nil) were made for the year ended 31 December 2020 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Held for trading:		
– Debt securities	5,035,757	5,728,934
– Equity securities	2,603,001	3,106,255
– Investment funds	1,795,669	1,530,226
– Assets management schemes	144,719	361,346
– Collective trust schemes	192,334	–
	9,771,480	10,726,761
Analysis into:		
– Listed in Hong Kong	122,791	120,841
– Listed outside Hong Kong	5,601,626	6,241,190
– Unlisted	4,047,063	4,364,730
	9,771,480	10,726,761

During the year ended 31 December 2019, financial assets at FVTPL of RMB60,572,000 were derecognised upon the Group de-invested the investments following the occurrence of default events by the debt issuers. The debt issuers will compensate the Group with agreed bases or amounts, and accordingly, the Group has recognised the relevant compensations under “Other current assets” as at 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

36. DEBT INVESTMENTS MEASURED AT AMORTISED COST

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost	200,013	–
Less: Accumulated impairment losses	(950)	–
	199,063	–
Analysis by market:		
– Listed outside Hong Kong	100,013	–
– Unlisted (note)	100,000	–
Less: Accumulated impairment losses	(950)	–
	199,063	–

Note: The unlisted debt securities were traded on inter-bank market.

As at 31 December 2020, the debt investments measured at amortised cost carried interests at 4.7% to 6.0% (2019: Nil) per annum.

A total impairment loss on debt investment measured at amortised cost of RMB950,000 (2019: Nil) were made for the year ended 31 December 2020 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

37. PLACEMENTS WITH A FINANCIAL INSTITUTION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
A non-bank financial institution	225,000	–

As at 31 December 2020, the placements with a financial institution carried interests at 4.8% per annum with remaining maturity within 1 month.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

38. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with CSRC regulations.

39. CLEARING SETTLEMENT FUNDS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	391,279	488,245
– Shenzhen Branch	229,232	300,529
– Beijing Branch	28,129	2,047
Deposits with futures and commodity exchanges	23,198	10,000
	671,838	800,821

As at 31 December 2020, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB29,121,000 (2019: RMB27,520,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

40. CASH AND CASH EQUIVALENTS

	2020	2019
	RMB'000	RMB'000
Cash in hand	44	51
Bank balances	1,713,728	2,108,921
Cash and bank balances per the consolidated statement of financial position	1,713,772	2,108,972
Add: Clearing settlement funds (Note 39)	671,838	800,821
Add: Financial assets held under resale agreements with original maturities within three months	742,293	383,240
Add: Placements with a financial institution with original maturities within three months	225,000	–
Less: Time deposits with original maturities exceeding three months	(493,000)	(231,700)
Less: Restricted bank deposits	(320,692)	(281,077)
Cash and cash equivalents per the consolidated statement of cash flows	2,539,211	2,780,256

As at 31 December 2020, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB23,218,000 (2019: RMB18,800,000).

Bank balances comprise time and demand deposits which bear interests at the prevailing market rates.

As at 31 December 2020, included in bank balances and cash of RMB320,692,000 (2019: RMB281,077,000) are restricted for general risk reserve purpose.

41. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2019, interest in an associate with a carrying amount of RMB11,768,000 was reclassified to assets classified held for sale as the Group intends to dispose of the investment in 2020. During the year ended 31 December 2020, the Group disposed the associate to an independent third party in exchange of a listed equity security with an initial fair value of approximately RMB24,000,000. The listed equity security was classified by the Group as financial assets at FVTPL. This also constituted a non-cash transaction during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Beneficiary certificates	2,060,000	1,609,985
Subordinated bonds	1,574,554	1,500,000
Long-term corporate bonds	1,913,143	–
	5,547,697	3,109,985
Analysis by remaining maturity:		
Current		
Within one year	2,060,000	1,609,985
Non-current		
Between two years and five years	3,487,697	1,500,000
	5,547,697	3,109,985

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	2020									
	Par value									
	Par value RMB'000	Issuance date	Due date	Interest rate	As at	Issuance		As at	Accrued	Book value
					1 January 2020 RMB'000	Issuance RMB'000	Redemption RMB'000	31 December 2020 RMB'000	Interest RMB'000	31 December 2020 RMB'000
恒創泰富No.19	300,000	16.11.2018	16.11.2020	5.75%	319,424	-	(319,424)	-	-	-
恒富No.16	140,140	11.04.2018	13.04.2020	6.20%	155,137	-	(155,137)	-	-	-
恒富No.18	148,350	11.07.2018	08.01.2020	5.80%	161,056	-	(161,056)	-	-	-
恒富No.20	85,090	26.12.2018	21.12.2020	5.00%	89,414	-	(89,414)	-	-	-
恒富No.21	31,980	27.12.2018	22.12.2020	5.00%	33,600	-	(33,600)	-	-	-
恒創泰富No.20	200,000	01.03.2019	28.02.2020	5.00%	200,000	-	(200,000)	-	-	-
恒創泰富No.21	200,000	19.04.2019	21.10.2020	5.20%	207,323	-	(207,323)	-	-	-
恒富No.24	160,420	12.06.2019	15.06.2020	4.80%	164,703	-	(164,703)	-	-	-
恒富No.25	116,240	13.06.2019	16.06.2020	4.80%	119,328	-	(119,328)	-	-	-
恒富No.26	160,000	15.08.2019	10.08.2020	4.90%	160,000	-	(160,000)	-	-	-
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	-	100,000	-	100,000	-	100,000
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	-	1,000,000	-	1,000,000	-	1,000,000
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	-	100,000	-	100,000	-	100,000
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	-	160,000	-	160,000	-	160,000
恒創泰富No.24	500,000	24.12.2020	23.12.2021	5.00%	-	500,000	-	500,000	-	500,000
恒創泰富No.25	200,000	24.12.2020	23.12.2021	5.00%	-	200,000	-	200,000	-	200,000
					1,609,985	2,060,000	(1,609,985)	2,060,000	-	2,060,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

Name	2019									
	Par value									
	Par value	Issuance date	Due date	Interest rate	As at 1 January 2019	Issuance	Redemption	As at 31 December 2019	Accrued Interest	Book value as at 31 December 2019
RMB'000				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
恒創泰富No.6	100,000	24.02.2017	22.02.2019	5.70%	110,557	-	(110,557)	-	-	-
恒創泰富No.13	500,000	14.03.2018	14.03.2019	6.20%	500,000	-	(500,000)	-	-	-
恒創泰富No.14	500,000	04.07.2018	04.07.2019	5.85%	500,000	-	(500,000)	-	-	-
恒創泰富No.15	500,000	25.07.2018	25.07.2019	5.50%	500,000	-	(500,000)	-	-	-
恒創泰富No.16	80,000	31.08.2018	28.11.2019	5.40%	81,456	-	(81,456)	-	-	-
恒創泰富No.17	300,000	27.09.2018	26.09.2019	5.40%	300,000	-	(300,000)	-	-	-
恒創泰富No.19	300,000	16.11.2018	16.11.2020	5.75%	302,174	-	-	302,174	17,250	319,424
恒富No.14	60,130	18.01.2018	17.01.2019	5.50%	60,130	-	(60,130)	-	-	-
恒富No.16	140,140	11.04.2018	13.04.2020	6.20%	146,448	-	-	146,448	8,689	155,137
恒富No.17	140,940	27.06.2018	26.06.2019	5.60%	140,940	-	(140,940)	-	-	-
恒富No.18	148,350	11.07.2018	08.01.2020	5.80%	152,452	-	-	152,452	8,604	161,056
恒富No.19	160,000	25.07.2018	24.07.2019	5.60%	160,000	-	(160,000)	-	-	-
恒富No.20	85,090	26.12.2018	21.12.2020	5.00%	85,160	-	-	85,160	4,254	89,414
恒富No.21	31,980	27.12.2018	22.12.2020	5.00%	32,001	-	-	32,001	1,599	33,600
恒創泰富No.20	200,000	01.03.2019	28.02.2020	5.00%	-	200,000	-	200,000	-	200,000
恒創泰富No.21	200,000	19.04.2019	21.10.2020	5.20%	-	200,000	-	200,000	7,323	207,323
恒富No.22	39,990	29.05.2019	27.08.2019	4.40%	-	39,990	(39,990)	-	-	-
恒富No.23	39,990	30.05.2019	26.11.2019	4.60%	-	39,970	(39,970)	-	-	-
恒富No.24	160,420	12.06.2019	15.06.2020	4.80%	-	160,420	-	160,420	4,283	164,703
恒富No.25	116,240	13.06.2019	16.06.2020	4.80%	-	116,240	-	116,240	3,088	119,328
恒富No.26	160,000	15.08.2019	10.08.2020	4.90%	-	160,000	-	160,000	-	160,000
					3,071,318	916,620	(2,433,043)	1,554,895	55,090	1,609,985

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

Name	Issuance date	Due date	Nominal interest rate	2020			
				As at 1 January 2020	Issuance	Redemption	As at 31 December 2020
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰證券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	1,500,000	-	(1,400,000)	100,000
20恒泰C1次級債(167799)**	28.09.2020	28.09.2023	5.80%	-	1,483,000	-	1,483,000
Total				1,500,000	1,483,000	(1,400,000)	1,583,000
Amortised cost				1,500,000			1,574,554

Name	Issuance date	Due date	Nominal interest rate	2019			
				As at 1 January 2019	Issuance	Redemption	As at 31 December 2019
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰證券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	1,500,000	-	-	1,500,000
Amortised cost				1,500,000			1,500,000

* with early redemption option on 1 November 2020

** On 28 September 2020, the Company issued a 3-year subordinated bond with a par value of RMB1,500,000,000. The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds: (Continued)

The movements of the subordinated bonds are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	1,500,000	1,500,000
Redemption	(1,400,000)	-
Issuance	1,483,000	-
Transactions costs	(9,198)	-
Accrued interests	752	-
At end of the year	1,574,554	1,500,000

Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	2020			
				As at 1 January 2020	Issuance	Redemption	As at 31 December 2020
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
20恒泰G1公司债 (175144)*	18.09.2020	18.09.2023	4.39%	-	950,000	-	950,000
20恒泰F1私募债 (167957)**	27.10.2020	27.10.2023	5.40%	-	1,000,000	-	1,000,000
Total				-	1,950,000	-	1,950,000
Amortised cost				-			1,913,143

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

42. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bond: (Continued)

Name	Issuance date	Due date	Nominal interest rate	2019			
				As at 1 January 2019		As at 31 December 2019	
				Issuance	Redemption	Issuance	Redemption
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
14恒泰05 (136215)	29.01.2016	29.01.2019	3.42%	1,500,000	-	(1,500,000)	-
Amortised cost				1,500,000			-

On 18 September 2020, the Company issued 3-year long-term corporate bond with a par value of RMB950,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange and guaranteed by China Securities Credit Investment Co., Ltd.

On 27 October 2020, the Company issued 3-year long-term corporate bond with a par value of RMB1,000,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange.

The movements of the long-term corporate bonds are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	-	1,500,000
Redemption	-	(1,500,000)
Issuance	1,950,000	-
Transactions costs	(40,402)	-
Accrued interests	3,545	-
At end of the year	1,913,143	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

43. PLACEMENTS FROM A FINANCIAL INSTITUTION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Placements from CSFC	1,000,000	1,500,000

As at 31 December 2020, the placements from CSFC bear interests at 2.80% (2019: ranging from 3.25% to 3.65%) per annum, with remaining maturities within 1 and 3 months (2019: 1 and 6 months).

As at 31 December 2020, the Group's long-term refundable deposits of RMB68,935,000 (2019: RMB107,488,000) were pledged to CSFC as collateral for the placements (Note 29).

44. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Clients' deposits for:		
– margin financing business	619,032	551,801
– other brokerage business	10,773,868	8,519,887
	11,392,900	9,071,688

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

45. EMPLOYEE BENEFIT PAYABLES

	2020			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits and severance payment	466,601	1,180,654	(1,024,699)	622,556
Defined contribution plans	312	15,745	(15,953)	104
	466,913	1,196,399	(1,040,652)	622,660

	2019			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits and severance payment	287,365	1,016,353	(837,117)	466,601
Defined contribution plans	324	74,371	(74,383)	312
	287,689	1,090,724	(911,500)	466,913

46. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers and deferred revenue in relation to assets management, financial, investment advisory businesses and custody business.

During the year ended 31 December 2020, the Group has recognised revenue of RMB34,322,000 (2019: RMB34,331,000) that was included in the contract liabilities balance at the beginning of the year. The Group does not have any contract that contains significant financing component as all of the contract liabilities are expected to be recognised as revenue within 1 year.

The significant decrease of contract liabilities as at 31 December 2020 is mainly due to decrease in the advance payment from the assets management business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

47. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total minimum lease payments:		
– Due within one year	72,240	73,092
– Due over one year but less than two years	38,046	56,458
– Due over two years but less than five years	43,537	36,553
– Due over five years	3,892	2,533
	157,715	168,636
Future finance charges on leases liabilities	(12,074)	(13,812)
Present value of leases liabilities	145,641	154,824
Present value of minimum lease payments:		
– Due within one year	66,710	67,106
– Due over one year but less than two years	35,133	51,834
– Due over two years but less than five years	40,204	33,558
– Due over five years	3,594	2,326
	145,641	154,824
Less: Portion due within one year included under current liabilities	(66,710)	(67,106)
Portion due after one year included under non-current liabilities	78,931	87,718

During the year ended 31 December 2020, the total cash outflows for the leases (including short-term leases) are RMB112,345,000 (2019: RMB105,764,000).

As at 31 December 2020, the Group has entered into 82 (2019: 125) leases for with range of remaining lease term of one to ten (2019: one to six) years. These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

48. OTHER CURRENT LIABILITIES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Third-party interests in consolidated asset management schemes (note a)	810,784	1,040,886
Third-party interests in consolidated partnership	12,876	9,524
Future risk reserve	25,767	20,890
Other payables (note b)	191,385	127,023
Interest payables	88,441	32,095
Taxes and surcharges payables	29,403	14,907
Provision of compensation	20,415	24,780
	1,179,071	1,270,105

Notes:

- a) Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.
- b) Other payables mainly consist of accrued professional fees, securities investor protection funds and other daily operating expenses and deposits received.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysis by collateral type:		
– Debt securities	4,130,449	3,189,085
Analysis by market:		
– Inter-bank market	2,505,950	1,772,460
– Shanghai Stock Exchange	1,432,340	1,291,380
– Shenzhen Stock Exchange	124,250	100,000
– Bank and other financial institutions	67,909	25,245
	4,130,449	3,189,085
Analysis by transaction type:		
– Pledged	4,130,449	3,189,085

Repurchase agreements are transactions in which the Group sells or places a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold.

As at 31 December 2020, the financial assets sold under repurchase agreements carried interests at 2.6% to 5.0% (2019: 3.0% to 5.0%) per annum.

As at 31 December 2020 and 2019, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets at FVTPL	3,238,266	3,730,458
Financial assets at FVTOCI	1,450,826	–
	4,689,092	3,730,458

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

50. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2020		2019	
	Number of shares		Number of shares	
	<i>(in thousands)</i>	<i>RMB'000</i>	<i>(in thousands)</i>	<i>RMB'000</i>
At 1 January and 31 December	2,604,567	2,604,567	2,604,567	2,604,567

(b) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

51. PERPETUAL CAPITAL SECURITIES

The Group issued a perpetual subordinated debt (the "Debt") with nominal value of RMB1,500,000,000 on 29 June 2015. The Debt is undated and bears a 6.80% coupon rate until the first redemption date on 29 June 2020. The coupon rate will be reset every five years if the Debt are not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

During the year ended 31 December 2020, the Debt of RMB1,500,000,000 (2019: Nil) were fully redeemed by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

52. RESERVES

(a) Surplus reserve

Under the relevant PRC Laws, the Company and its subsidiaries in PRC are required to appropriate 10% of its net profit, as determined under the PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to offset prior year losses, if any, and may convert into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(b) General risk reserve

- (i) In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (ii) In accordance with the requirements of the CSRC Interim Measures for Supervision and Administration on Risk Reserve for Public Securities Investment Fund Raising (Zhengjianhui Ling [No. 94]), the Group's subsidiary, New China Fund, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (iii) In accordance with the requirements of the Ministry of Finance Circular regarding the Issuance of Implementation Guidance on Financial Planning of Financial Institutions (Caijin [2007] No. 23) issued on 30 March 2007, the Group's subsidiary, Hengtai Futures, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(c) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

52. RESERVES (CONTINUED)

(d) Investment revaluation reserve

Investment revaluation reserve represents the fair value change of financial assets at FVTOCI. The movements of the investment revaluation reserve of the Group are set out below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	–	–
Net fair value changes	(21,066)	–
Income tax related to net fair value changes	5,266	–
At end of the year	(15,800)	–

53. MOVEMENT IN THE COMPANY'S RESERVES

	Surplus reserve <i>RMB'000</i>	General risk reserve <i>RMB'000</i>	Transaction risk reserve <i>RMB'000</i>	Investment Revaluation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	509,130	575,396	563,189	–	1,446,714	3,094,429
Profit and total comprehensive income for the year	–	–	–	–	480,885	480,885
Appropriation to surplus reserve	48,088	–	–	–	(48,088)	–
Appropriation to general risk reserve	–	49,059	–	–	(49,059)	–
Appropriation to transaction risk reserve	–	–	48,088	–	(48,088)	–
Dividend paid (Note 21)	–	–	–	–	(102,000)	(102,000)
At 31 December 2019 and 1 January 2020	557,218	624,455	611,277	–	1,680,364	3,473,314
Profit for the year	–	–	–	–	533,232	533,232
Other comprehensive expenses for the year	–	–	–	(15,800)	–	(15,800)
Appropriation to surplus reserve	53,323	–	–	–	(53,323)	–
Appropriation to general risk reserve	–	53,837	–	–	(53,837)	–
Appropriation to transaction risk reserve	–	–	53,323	–	(53,323)	–
Dividend paid (Note 21)	–	–	–	–	(102,000)	(102,000)
At 31 December 2020	610,541	678,292	664,600	(15,800)	1,951,113	3,888,746

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

54. COMMITMENTS

Capital commitments

At the reporting date, the capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Acquisition of property and equipment, intangible assets and other non-current assets	191,925	567,260

Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Properties	6,929	8,076

The Group as lessor

At the reporting date, the total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year (inclusive)	3,893	3,250
Later than 1 year and not later than 2 years	3,892	3,280
Later than 2 year and not later than 3 years	3,912	3,280
Later than 3 year and not later than 4 years	2,970	3,300
Later than 4 year and not later than 5 years	3,836	2,358
After 5 years	8,708	11,324
	27,211	26,792

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

54. COMMITMENTS (CONTINUED)

Underwriting commitments

As at 31 December 2020, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB83,030,000,000 (2019: RMB60,580,000,000).

55. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the assets management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2020, the total assets of the consolidated assets management schemes are RMB1,146,481,000 (2019: RMB1,395,137,000), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB301,966,000 (2019: RMB9,738,000), which are accounted for as financial assets at FVTPL in respective financial statements of the entities.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include assets management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issuance of investment units to investors.

As at 31 December 2020 and 2019, the amount of financial assets in the consolidated statement of financial position which represent the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions, are listed as below:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at FVTPL	23,753	9,949

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

55. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are assets management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 55(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. Accordingly, the Group did not consolidate these structured entities.

At the reporting date, the details of these unconsolidated structured entities managed by the Group are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total assets of unconsolidated structured entities	5,451,364	5,559,328
Carrying amount of the investments held by the Group	194,887	131,187
Fees receivables by the Group	2,476	3,077

56. CONTINGENT LIABILITIES

As at 31 December 2020, the Group involved in the following legal, arbitration or administrative proceedings:

(a) Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme")

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

56. CONTINGENT LIABILITIES (CONTINUED)

(a) Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) (Continued)

The Beijing Second Intermediate People’s Court ruled and rejected the lawsuit filed by Galaxy Jinhui Securities Asset Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. On 29 December 2018, the three companies have filed an appeal to the People’s High Court of Beijing. All three companies above have withdrawn their lawsuits in 2019.

In 2018, the lawsuit against the Company filed by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. was heard at the Finance Street People’s Court of the People’s Court of the Xicheng District in Beijing. All three companies above have withdrawn their lawsuits in 2019.

In addition, on 1 March 2019, the Company received a lawsuit brought by China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), another holder of the Special Scheme, claiming for the repayment of the outstanding principals of RMB30.0 million and the interest payable and relevant charges from the Company. The Company has filed a jurisdictional objection to the People’s Court of Futian District of Shenzhen. The People’s Court of Futian District of Shenzhen has ruled that the case will be transferred to the People’s Court of Xicheng District, Beijing for handling. On 31 May 2019, China Resources SZITIC Trust Co., Ltd. has filed an appeal to the Intermediate People’s Court of Shenzhen. On 25 July 2019, the Intermediate People’s Court of Shenzhen ruled that the case was under the jurisdiction of the People’s Court of Futian District of Shenzhen. On 12 October 2019, the People’s Court of Futian District of Shenzhen ruled and rejected the lawsuit filed by the plaintiff.

During the year ended 31 December 2020, Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. have respectively filed their appeals to the Beijing Second Intermediate People’s Court claiming for the repayment of the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively), and the interest payable and relevant charges from the Company. On 7 May 2020 and 1 December 2020, the above three cases were heard at the Beijing Second Intermediate People’s Court, respectively. As at 31 December 2020, no judgement has been made for the cases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

56. CONTINGENT LIABILITIES (CONTINUED)

(a) Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) (Continued)

On 7 May 2020, the Company received the civil claims brought by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., in which the above three companies refiled lawsuits to the People’s Court of Xicheng District, Beijing against the Company, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. On 18 December 2020, the above three cases were heard at the People’s Court of Xicheng District, Beijing in the first instance. No judgement has been made in these cases.

On 26 February 2021, the Beijing Second Intermediate People’s Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and the interest payable (i.e. RMB1.32 million, RMB2.87 million and RMB2.2 million, respectively) and rejected the other appeals requested by the above three companies. Subsequently, the Company has filed an appeal to the Beijing High People’s Court.

The Company, based on the opinion of the legal advisors, considers it is probable that the above cases will be in its favour and has therefore not recognised a provision in relation to these lawsuits.

(b) Lawsuits with regard to the asset custody business in which the Company was involved as the second respondent

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

On 27 May 2019, Beijing Arbitration Commission issued a notice to the Company on its acceptance of the application in relation to three arbitration cases filed by Mr. Liu Chaoyang, an investor of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund, claiming joint repayment investment principal of RMB50 million and relevant income by Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership), as the first respondent, and the Company, as the second respondent. On 28 August 2019, Beijing Arbitration Commission opened a court session for the three arbitration cases mentioned above on. On 10 November 2020 Beijing Arbitration Commission ruled and rejected the lawsuit filed by Mr. Liu Chaoyang.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	2020	2019
Tianfeng Securities Co., Ltd.	26.49%	–
Baotou Huazi Industry Co., Ltd (“Baotou Huazi”)*	11.83%	11.83%
Beijing Financial Street Xihuan Properties Co., Ltd	8.12%	8.12%
Beijing Financial Street Investment (Group) Co., Ltd	6.35%	6.35%
Beijing Huarong Infrastructure Investment Co., Ltd	5.95%	5.95%
Tibet Dazi Huifa Investment Co., Ltd	5.91%	5.91%
Beijing Hongzhi Huitong Industrial Co., Ltd	4.74%	5.91%
Beijing Qingyun Intercontinental Technology Co., Ltd	0.52%	8.71%
Beijing Huijin Jiaye Investment Ltd	–	7.92%
Zhongchang Hengyuan Holding Co., Ltd (“Zhongchang Hengyuan”)*	–	2.88%
Shanghai Yida Technology Investment Co., Ltd (“Shanghai Yida”)*	–	2.33%

* Baotou Huazi is held by Tomorrow Holding Limited Company (“Tomorrow Holding”) as to approximately 54.32%. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of the Company, entered into an acting-in-concert agreement. As at 31 December 2019, Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida aggregately are interested in approximately 17.04% of the Company’s share capital.

(ii) Subsidiaries of the Company

The details of the Company’s principal subsidiaries is set out in Note 27.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the board of supervisors and senior management, and close family members of such individuals.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances

The Group has following transactions/balances with the related parties:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balances as at reporting date:		
– Account payables to brokerage clients	2,418	24,802
– Other payables	40,472	–
Transactions during the year:		
– Fees and commission income	357	115
– Interest expenses	243	63
– Lease expenses*	7,680	8,543
– Fees and commission expenses	849	–
– Consulting fees	6,496	–

* These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 19 and certain of the highest paid employees as disclosed in Note 20, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fees, salaries, allowance and bonus	42,176	20,303
Contribution to pension schemes	1,054	578
	43,230	20,881

Total remuneration is included in "staff costs" as disclosed in Note 13.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

58. SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, being the senior management of the Group, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- (a) Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products and margin financing;
- (b) Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as over-the-counter services to institutional clients. Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations for share quotation and transfer;
- (c) Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;
- (d) Investment management segment includes businesses on assets management, private equity investments and alternative investments; and
- (e) Other segment mainly represents other operations of head office, including interest income and interest expenses arising from general working capital.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expense and the share of profits of its associates. Segment assets and liabilities are allocated to each segment, excluding deferred tax assets or liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Investment management RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2020						
Revenue						
– External	1,756,731	345,504	724,690	714,861	47,360	3,589,146
– Inter-segment	(10)	–	10	–	–	–
Other income and gains	3,502	232	317	9,453	78,185	91,689
Segment revenue and other income	1,760,223	345,736	725,017	724,314	125,545	3,680,835
Segment expenses	(1,568,287)	(278,721)	(247,727)	(722,219)	(265,346)	(3,082,300)
Segment operating profit/(loss)	191,936	67,015	477,290	2,095	(139,801)	598,535
Share of profits of associates	–	–	–	–	–	–
Profit/(Loss) before tax	191,936	67,015	477,290	2,095	(139,801)	598,535
Other segment information:						
Interest income	605,302	14,087	56,787	14,698	35,021	725,895
Interest expenses	(194,644)	(607)	(184,642)	(69,068)	(268)	(449,229)
Depreciation and amortisation	(118,992)	(3,528)	(3,030)	(27,288)	(40,386)	(193,224)
Impairment losses	(144,918)	830	(10,544)	(31,074)	544	(185,162)
Capital expenditure	61,474	2,162	2,983	14,072	42,244	122,935
Right-of-use assets additions	52,834	–	17,434	6,410	–	76,678
At 31 December 2020						
Segment assets	19,379,659	680,033	8,403,949	3,738,740	1,126,279	33,328,660
Deferred tax assets						267,371
Total assets						33,596,031
Segment liabilities	15,531,568	205,525	6,511,627	1,451,479	398,423	24,098,622
Deferred tax liabilities						61,644
Total liabilities						24,160,266

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019						
Revenue						
– External	1,417,126	351,508	514,641	771,947	67,204	3,122,426
– Inter-segment	(4)	–	4	–	–	–
Other income and gains	5,519	(495)	533,149	176,069	10,436	724,678
Segment revenue and other income	1,422,641	351,013	1,047,794	948,016	77,640	3,847,104
Segment expenses	(1,337,370)	(292,924)	(362,614)	(606,197)	(275,717)	(2,874,822)
Segment operating profit/(loss)	85,271	58,089	685,180	341,819	(198,077)	972,282
Share of profits of associates	–	–	–	–	2,668	2,668
Profit/(Loss) before tax	85,271	58,089	685,180	341,819	(195,409)	974,950
Other segment information:						
Interest income	565,771	14,594	13,255	18,715	37,547	649,882
Interest expenses	(168,850)	(796)	(198,054)	(97,239)	(3,000)	(467,939)
Depreciation and amortisation	(103,385)	(3,788)	(1,786)	(26,798)	(35,182)	(170,939)
Impairment losses	(175,827)	(1,542)	(101,947)	(12,895)	(46,990)	(339,201)
Capital expenditure	42,853	1,209	55	26,702	72,240	143,059
Right-of-use assets additions	40,758	–	7,694	11,206	–	59,658
At 31 December 2019						
Segment assets	15,947,895	602,555	2,847,614	4,107,803	5,815,827	29,321,694
Deferred tax assets						205,287
Total assets						29,526,981
Segment liabilities	12,141,840	167,058	4,487,051	1,679,350	341,201	18,816,500
Deferred tax liabilities						132,068
Total liabilities						18,948,568

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

58. SEGMENT REPORTING (CONTINUED)

The Company and its subsidiaries mainly operate in the PRC. The Group's operating assets are substantially situated in the PRC. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the year, the Group was exposed to three types of credit risk:

- (i) default risk of the issuer or counterparty in debt securities trading and investment;
- (ii) risk of losses arising from default of customers in credit business such as margin financing and stock repurchases; and
- (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the year. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determines the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

- (i) The maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Refundable deposits	648,715	448,059
Other current assets	740,430	686,856
Margin account receivables	5,086,791	3,969,330
Debt securities*	6,758,640	5,728,934
Financial assets held under resale agreements	1,003,845	760,800
Placements with a financial institution	225,000	–
Clearing settlement funds	671,838	800,821
Cash held on behalf of brokerage clients	10,935,722	8,824,504
Bank balances	1,713,772	2,108,972
	27,784,753	23,328,276

* Debt securities comprise all debt securities held as "Financial assets at FVTOCI", "Financial assets at FVTPL" and "Debt investments measured at amortised cost".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as at 31 December 2020 and 2019.

(iii) Credit rating analysis of debt securities

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amount of debt securities (including debt securities classified as financial assets at FVTPL, financial assets at FVTOCI and debt investments measured at amortised costs) at the reporting date are categorised by rating distribution as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Rating		
– AAA	3,269,440	1,322,440
– From AA- to AA+	2,342,185	3,585,196
– A-1	39,928	20,410
	5,651,553	4,928,046
– B	99,384	3,310
– C	7,292	22,307
Non-rating	1,000,411	775,271
	6,758,640	5,728,934

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement

Accounts receivable

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL, which is calculated using a provision matrix. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required. The ECL allowance amount of the credit-impaired accounts receivable is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECL allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for accounts receivable:

	2020		
	Weighted-average ECL rate	Gross carrying amount <i>RMB'000</i>	ECL allowance <i>RMB'000</i>
– Within one year	14.91%	286,044	42,640
– Over one year	94.77%	167,597	158,824
		453,641	201,464
	2019		
	Weighted-average ECL rate	Gross carrying amount <i>RMB'000</i>	ECL allowance <i>RMB'000</i>
– Within one year	35.84%	602,538	215,936
– Over one year	42.84%	733	314
		603,271	216,250

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Accounts receivable (Continued)

ECL rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the ECL allowance account in respect of accounts receivable during the year are as follows:

	2020	2019
	RMB'000	RMB'000
At 1 January	216,250	116,470
ECL allowance recognised for the year	35,214	99,780
Write-off	(50,000)	–
At 31 December	201,464	216,250

Other financial assets at amortised cost and debt securities measured at FVTOCI

The Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost (except for accounts receivable) and debt securities measured at FVTOCI.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Other financial assets at amortised cost and debt securities measured at FVTOCI (Continued)

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- Stage 1** – For exposures where there has not been a significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL;
- Stage 2** – For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised; and
- Stage 3** – For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

The ECL are measured based on the probability weighted results of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.
- LGD is an estimate of the loss arising on default.

During the year ended 31 December 2020, no significant changes were made in the estimation techniques or key assumptions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Debt securities

As at 31 December 2020 and 2019, all of the Group's debt securities are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month ECL (i.e. Stage 1). Management considers 'low credit risk' for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Movement in the ECL allowance account in respect of the debt securities measured at FVTOCI and amortised cost during the year is as follows:

	Debit securities	
	At FVTOCI	At amortised cost
At 1 January 2019, 31 December 2019 and 1 January 2020	–	–
ECL allowance recognised for the year	2,737	950
At 31 December 2020	2,737	950

Financial assets held under resale agreements

The credit risk on financial assets held under resale agreements and its relevant interest receivables are managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral. Apart from the exposures to the concentration of credit risk from 4 (2019: 4) independent counterparties with aggregate amount of RMB329,207,000 (2019: RMB386,240,000) as at 31 December 2020, the Group does not have any other significant concentration of credit risk on financial assets held under resale agreements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Financial assets held under resale agreements (Continued)

For financial assets held under resale agreements, the Group considers the credit risk to be increased significantly when the collateral coverage ratio reaches the warning line and transfers the corresponding balances to "Stage 2". When the collateral coverage ratios fall below pre-determined force liquidation thresholds or it is expected that the Group would incur a loss after closing the position mandatorily, it will be transferred to "Stage 3".

The movements in the gross amount of financial assets held under resale agreements are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2019	578,257	618,000	–	1,196,257
Net changes on the gross amount	(195,009)	(59,000)	–	(254,009)
Transfer between stages				
– Increase	–	–	559,000	559,000
– Decrease	–	(559,000)	–	(559,000)
At 31 December 2019 and 1 January 2020	383,248	–	559,000	942,248
Net changes on the gross amount	359,053	–	–	359,053
At 31 December 2020	742,301	–	559,000	1,301,301

During the year ended 31 December 2020, there were no transfers (2019: RMB559,000,000 transferred from Stage 2 to Stage 3) between stages in the ECL assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Financial assets held under resale agreements (Continued)

The movements in the ECL allowance of financial assets under resale agreements are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2019	347	33,922	–	34,269
ECL allowance (reversed)/recognised during the year	(347)	(3,507)	151,033	147,179
Transfer between stages				
– Increase	–	–	30,415	30,415
– Decrease	–	(30,415)	–	(30,415)
At 31 December 2019 and 1 January 2020	–	–	181,448	181,448
ECL allowance recognised during the year	–	–	116,008	116,008
At 31 December 2020	–	–	297,456	297,456

Margin account receivables

To minimise the Group's exposure to credit risk on margin account receivables and the relevant interest receivables, the credit risk management team is responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management of the Group has set up the credit limits for each individual customer which could be changed at the Group's discretion. Any further extension of credit beyond these approval limits has to be first approved by the credit risk management team and then by the senior management of the Group on individual basis. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Margin account receivables (Continued)

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of margin account receivables outstanding exceeds the value of securities placed. The Group considers the credit risk to be increased significantly when the collateral to loan ratio falls below the specified ratio and transfers the corresponding balances to “Stage 2”. When the collateral to loan ratio falls below 1 or it is expected that the Group would incur a loss after closing the position mandatorily, the margin account receivables will be transferred to “Stage 3”.

As at 31 December 2020, margin account receivables were secured by the customers’ securities and cash collateral with undiscounted market value of approximately RMB15,622,189,000 (2019: RMB12,202,428,000).

The movements in the gross amount of margin account receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2019	3,031,531	184,551	32,598	3,248,680
Net changes on the gross amount	756,537	(14,898)	(86)	741,553
Transfer between stages				
– Increase	131,466	–	641	132,107
– Decrease	–	(132,107)	–	(132,107)
At 31 December 2019 and 1 January 2020	3,919,534	37,546	33,153	3,990,233
Net changes on the gross amount	1,139,471	(14,895)	(378)	1,124,198
Transfer between stages				
– Increase	–	27,587	536	28,123
– Decrease	(28,123)	–	–	(28,123)
At 31 December 2020	5,030,882	50,238	33,311	5,114,431

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Margin account receivables (Continued)

The movement in the ECL allowance of margin account receivables, are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2019	152	270	10,334	10,756
ECL allowance (reversed)/recognised during the year	(173)	299	10,021	10,147
Transfer between stages				
– Increase	200	–	–	200
– Decrease	–	(171)	(29)	(200)
At 31 December 2019 and 1 January 2020	179	398	20,326	20,903
ECL allowance (reversed)/recognised during the year	(21)	(75)	6,833	6,737
Transfer between stages				
– Increase	–	–	358	358
– Decrease	(83)	(275)	–	(358)
At 31 December 2020	75	48	27,517	27,640

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Other receivables

In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. As at 31 December 2020, based on the collective and individual assessment, provision for ECL of RMB72,078,000 (2019: RMB72,828,000) was made for the gross other receivables of RMB72,078,000 (2019: RMB72,828,000) which were classified as Stage 3. The remaining balances of other receivables were classified as Stage 1. In the opinion of the management, those borrowers have a strong capacity to meet their contractual cash flow obligations in the near term. For the years ended 31 December 2020 and 2019, ECL allowance of RMB993,000 and RMB50,254,000 were reversed and recognised, respectively, on the Group's other receivables. There were no significant transfers between stages during the years ended 31 December 2020 and 2019.

Liquid funds

The credit risk on liquid funds including bank balances, clearing settlement funds, placements with a financial institution, cash held on behalf of brokerage clients and deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or financial institutions with high credit ratings. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds, placements with a financial institution and deposits with exchanges and financial institutions, as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes:

- (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small;
- (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the reporting date of the Group's financial liabilities. Analysis of liquidity are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) of the financial liabilities and the earliest date the Group can be required to pay:

	2020							Total contractual undiscounted amount
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities								
Debt instruments	5,547,697	-	-	108,544	2,277,013	3,898,153	-	6,283,710
Placements from a financial institution	1,000,000	-	202,427	807,179	-	-	-	1,009,606
Account payables to brokerage clients	11,392,900	11,392,900	-	-	-	-	-	11,392,900
Other current liabilities	1,129,253	795,087	5,254	75,678	253,234	-	-	1,129,253
Financial assets sold under repurchase agreements	4,130,449	-	4,133,050	-	-	-	-	4,133,050
Lease liabilities	145,641	-	8,292	12,081	51,867	81,583	3,892	157,715
Employee benefit payables	622,660	-	622,660	-	-	-	-	622,660
	23,968,600	12,187,987	4,971,683	1,003,482	2,582,114	3,979,736	3,892	24,728,894

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	2019							Total contractual undiscounted amount RMB'000
	Carrying amount RMB'000	Repayable on demand RMB'000	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	
	Financial liabilities							
Debt instruments	3,109,985	-	161,235	201,589	1,381,901	1,662,452	-	3,407,177
Placements from a financial institution	1,500,000	-	199,932	804,552	506,663	-	-	1,511,147
Account payables to brokerage clients	9,071,688	9,071,688	-	-	-	-	-	9,071,688
Other current liabilities	1,230,418	1,059,191	29,082	77,821	47,486	7,306	9,532	1,230,418
Financial assets sold under repurchase agreements	3,189,085	-	3,190,205	-	-	-	-	3,190,205
Lease liabilities	154,824	-	8,313	12,417	52,362	93,011	2,533	168,636
Employee benefit payables	466,913	-	466,913	-	-	-	-	466,913
	18,722,913	10,130,879	4,055,680	1,096,379	1,988,412	1,762,769	12,065	19,046,184

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices and foreign exchange rates, etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

The cash held on behalf of brokerage clients and account payables to brokerage clients are not included in the analysis because the management considered the net impact arising from change of interest rate will not be significant to the Group. Other financial assets and liabilities, which carried at fixed interest rate, are also not included in the analysis, including financial assets held under resale agreement, fixed bank deposits, clearing settlement funds, placements with a financial institution, debt instruments, lease liabilities, placements from a financial institution and financial assets sold under repurchase agreements. For those financial instruments held by the Group under proprietary trading portfolios and variable rate bank deposits which expose the Group to fair value and cash flows interest rate risk at the reporting date, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	2020		2019	
	Decrease/ (Increase) in profit after tax RMB'000	Decrease/ (Increase) in equity RMB'000	Decrease/ (Increase) in profit after tax RMB'000	Decrease/ (Increase) in equity RMB'000
Interest rate:				
Increase 100 basis points	87,532	112,006	108,300	108,300
Decrease 100 basis points	(92,964)	(118,424)	(115,554)	(115,554)

(ii) Foreign currency risk

Foreign currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's foreign currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the respective group entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In addition, majority of the Group's revenue are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that the foreign currency risk is immaterial.

(iii) Price risk

The Group is exposed to market price changes arising from equity investments, investment funds, assets management schemes and collective trust schemes concluded in financial assets at FVTPL. Price risk facing by the Group is mainly the fluctuation in the Group's net profit due to the price fluctuation of the investments.

The analysis below shows the impact in the Group's net profit after tax and equity due to change in the price of securities by 10% with all other variables held constant.

	2020		2019	
	Increase/ (Decrease) in profit after tax <i>RMB'000</i>	Increase/ (Decrease) in equity <i>RMB'000</i>	Increase/ (Decrease) in profit after tax <i>RMB'000</i>	Increase/ (Decrease) in equity <i>RMB'000</i>
Securities' price				
Increase by 10%	355,178	355,178	374,836	374,836
Decrease by 10%	(355,178)	(355,178)	(374,836)	(374,836)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's and the Company's objectives of capital management are:

- (i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's and the Company's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk coverage ratio (the ratio of net capital divided by the sum of its various risk capital provisions) shall be no less than 100% ("Ratio 1");
- (ii) Capital leverage ratio (the ratio of net core capital divided by total assets on and off statement of financial position) shall be no less than 8% ("Ratio 2");
- (iii) Liquidity coverage ratio (the ratio of high quality liquid assets divided by net cash outflows in the coming 30 days) shall be no less than 100% ("Ratio 3");
- (iv) Net stable funding ratio (the ratio of stable funds available divided by stable funds required) shall be no less than 100% ("Ratio 4");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
- (viii) The ratio of the value of proprietary equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and
- (ix) The ratio of the value of proprietary non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management (Continued)

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

According to the relevant requirements under Administrative Measures, the CSRC formulated the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies, which took effect since 1 June 2020. The Company made retrospective adjustment to the relevant ratios as at 31 December 2019 in accordance with the provisions.

As at 31 December 2020 and 2019, the Company maintained the above ratios as follows:

	2020	2019
Ratio 1	225.40%	157.51%
Ratio 2	30.34%	31.10%
Ratio 3	1,181.45%	771.08%
Ratio 4	194.63%	176.37%
Ratio 5	84.88%	58.40%
Ratio 6	63.12%	67.67%
Ratio 7	74.37%	115.87%
Ratio 8	22.13%	33.04%
Ratio 9	101.67%	108.20%
Net Capital (RMB'000)	7,120,928	5,506,325

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements set by the CSRC, and they have complied with the capital requirements as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets:		
Financial assets at FVTPL	9,771,480	10,726,761
Financial assets at FVTOCI	1,523,820	–
Financial assets at amortised cost:		
– Refundable deposits	648,715	448,059
– Margin account receivables	5,086,791	3,969,330
– Other current assets	740,430	686,856
– Financial assets under resale agreements	1,003,845	760,800
– Debt investments measured at amortised cost	199,063	–
– Placements with a financial institution	225,000	–
– Cash held on behalf of brokerage clients	10,935,722	8,824,504
– Clearing settlement funds	671,838	800,821
– Cash and bank balances	1,713,772	2,108,972
	32,520,476	28,326,103
Financial liabilities:		
Financial liabilities at amortised cost:		
– Debt instruments	5,547,697	3,109,985
– Placements from a financial institution	1,000,000	1,500,000
– Employee benefit payables	622,660	466,913
– Account payables to brokerage clients	11,392,900	9,071,688
– Other current liabilities	1,129,253	1,230,418
– Financial assets sold under repurchase agreements	4,130,449	3,189,085
Lease liabilities	145,641	154,824
	23,968,600	18,722,913

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy:

	2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
<u>Financial assets at FVTPL</u>				
Debt securities	1,592,943	3,371,772	71,042	5,035,757
Equity securities	1,823,354	633,428	146,219	2,603,001
Investment funds	1,532,295	236,824	26,550	1,795,669
Assets management schemes	–	144,719	–	144,719
Collective trust schemes	–	192,334	–	192,334
	4,948,592	4,579,077	243,811	9,771,480
<u>Financial assets at FVTOCI</u>				
Debt securities	82,370	1,441,450	–	1,523,820
	5,030,962	6,020,527	243,811	11,295,300

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy: (Continued)

	2019			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
<u>Financial assets at FVTPL</u>				
Debt securities	1,021,617	4,646,850	60,467	5,728,934
Equity securities	2,111,516	868,558	126,181	3,106,255
Investment funds	423,260	1,052,014	54,952	1,530,226
Assets management schemes	–	361,346	–	361,346
	3,556,393	6,928,768	241,600	10,726,761

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

2020

One equity security with fair value of RMB174,222,000 were transferred from Level 2 to Level 1 upon the expiry of lock-up period.

The unlisted investment fund with fair value of RMB25,400,000 was determined with reference to the market comparable company in the previous year. During the year, the fair value of the unlisted investment fund was determined by the recent transactions price. Thus, the investment was transferred from Level 3 to Level 2 category.

2019

Ten equity securities with fair value of RMB240,595,000 were transferred from Level 3 to Level 1 due to resumption of public trading.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Fair value of the financial instruments that are not presented at fair value

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	2020		2019	
	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>
Financial assets:				
– Debt investments measured at amortised cost	199,063	192,458	–	–
Financial liabilities:				
– Subordinated bonds	1,574,554	1,575,378	1,500,000	1,516,590
– Long-term corporate bond	1,913,143	1,951,143	–	–
	3,487,697	3,526,521	1,500,000	1,516,590

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

Level 1 fair value measurements

Fair value of financial instruments under level 1 fair value measurement is based on quoted prices (unadjusted) reflected in active markets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

Level 2 fair value measurements

As at 31 December 2020, the Group's financial assets at FVTPL and FVTOCI under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB4,813,222,000 (2019: RMB4,646,850,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB633,428,000 (2019: RMB868,558,000), fair values are determined by using the latest valuation results published by the relevant pricing systems.

For investment funds, assets management schemes and collective trust schemes of RMB236,824,000 (2019: RMB1,052,014,000), RMB144,719,000 (2019: RMB361,346,000) and RMB192,334,000 (2019: Nil), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the years ended 31 December 2020 and 2019, there were no significant changes of valuation techniques for level 2 fair value measurements.

Level 3 fair value measurements

For financial instruments under level 3 fair value measurements, prices are determined using valuation methodologies such as market comparable method, discounted cash flow models or other similar techniques. The fair value measurements of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. The financial market department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3 fair value measurements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

Level 3 fair value measurements (Continued)

The quantitative information of fair value measurements for level 3 is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable input(s) to fair value
	2020 RMB'000	2019 RMB'000			
Unlisted equity investments	146,219	126,181	Market comparable companies	Discount rate for lack of marketability – 40% (2019: 40%)	The higher the discount rate, the lower the fair value
Unlisted investment fund	26,550	54,952	Market comparable companies	Discount rate for lack of marketability – 40% (2019: 40%)	The higher the discount rate, the lower the fair value
Debt securities	71,042	60,467	Discounted cash flow	Risk adjusted discount rate – 1.15% - 7.5% (2019: 5.0% - 7.5%)	The higher the discount rate, the lower the fair value
	243,811	241,600			

There were no changes in the valuation techniques used during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Reconciliation of financial assets measured at fair value under level 3 fair value measurements:

	Financial assets at FVTPL <i>RMB'000</i>
At 1 January 2020	241,600
Changes in fair value recognised in profit or loss	(36,697)
Purchases	88,089
Transfer	(25,400)
Sales and settlements	(23,781)
At 31 December 2020	243,811
Total loss included in profit or loss for financial assets during the year	(36,697)

	Financial assets at FVTPL <i>RMB'000</i>
At 1 January 2019	363,674
Changes in fair value recognised in profit or loss	99,927
Purchases	78,359
Transfer	(240,595)
Sales and settlements	(59,765)
At 31 December 2019	241,600
Total gains included in profit or loss for financial assets during the year	99,927

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

In 2019, a subsidiary of the Company, Hengtai Capital, entered into an agreement to dispose 51% equity interests of its subsidiary, Inner Mongolia Hengtai Sengta Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司, "Hengtai Sengta"), at a cash consideration of RMB7,744,000. The disposal was completed on 30 December 2019, and accordingly the Group recorded a loss on disposal of a subsidiary amounted to RMB277,000 for the year ended 31 December 2019 (Note 9).

As of the disposal date, the net assets of Hengtai Sengta were as follows:

	<i>RMB'000</i>
Deferred tax assets	294
Other current assets	94
Financial assets at FVTPL	5,060
Cash and bank balances	10,283
Other current liabilities	(4)
Non-controlling interests	(7,706)
Net assets disposed of	8,021
Loss on disposal of a subsidiary (Note 9)	(277)
Total consideration	7,744
Consideration satisfied by:	
– Cash consideration	7,744
Net cash outflow arising on disposal:	
Cash consideration received	7,744
Cash and cash equivalents disposed of	(10,283)
	(2,539)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

61. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt instruments <i>RMB'000</i>	Interest payables <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	6,071,318	129,569	161,377	6,362,264
Financing cash flows				
– Inflow from financing activities	916,620	–	–	916,620
– Outflow from financing activities				
– Principal payments	(3,921,030)	–	(56,106)	(3,977,136)
– Interest payments	(12,013)	(269,881)	(8,234)	(290,128)
Non-cash changes:				
– Entering into new leases	–	–	59,658	59,658
– Modification of lease	–	–	(10,105)	(10,105)
– Interest expenses	55,090	166,472	8,234	229,796
At 31 December 2019 and 1 January 2020	3,109,985	26,160	154,824	3,290,969
Financing cash flows				
– Inflow from financing activities	5,467,201	–	–	5,467,201
– Outflow from financing activities				
– Principal payments	(2,942,220)	–	(77,882)	(3,020,102)
– Interest payments	(67,765)	(144,097)	(8,818)	(220,680)
Non-cash changes:				
– Entering into new leases	–	–	76,678	76,678
– Modification of lease	–	–	(7,979)	(7,979)
– Accrued expenses	(23,801)	–	–	(23,801)
– Interest expenses	4,297	201,250	8,818	214,365
At 31 December 2020	5,547,697	83,313	145,641	5,776,651