



(GDR under the symbol “HTSC”)

**RESULTS ANNOUNCEMENT FOR  
THE YEAR ENDED DECEMBER 31, 2019**

The Board of Huatai Securities Co., Ltd. (the "Company") hereby announces the audited results of the Company and its subsidiaries for the year ended December 31, 2019. This announcement contains the full text of the annual results announcement of the Company for 2019.

**PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT**

This results announcement of the Company will be available on the website of London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)), the website of National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)), and the website of the Company ([www.htsc.com.cn](http://www.htsc.com.cn)), respectively.

The annual report of the Company for 2019 will be available on the website of London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)), the website of the National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)) and the website of the Company in due course on or before April 30, 2020.

**DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the section headed “Definitions” in the annual report of the Company for 2019 as set out in this announcement.

By order of the Board  
**Zhang Hui**  
*Joint Company Secretary*

Jiangsu, the PRC, March 30, 2020

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## **IMPORTANT NOTICE**

The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that the information in this annual report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint legal liabilities to the information in this report.

**This report was considered and approved at the fifth meeting of the fifth session of the Board of the Company.**

### **Director(s) absent from the meeting**

<b>Position of absent Directors</b>	<b>Name of absent Directors</b>	<b>Reasons for absence</b>	<b>Name of proxies</b>
Director	Chen Yongbing	Business engagement	Ding Feng

**None of the Directors and Supervisors had objections towards this report.**

**The annual financial report prepared in accordance with the CASBE and the IFRS was audited by KPMG Huazhen LLP and KPMG, respectively, which issued a standard unqualified audit report to the Company.**

**Zhang Wei, the person in charge of the Company, Jiao Xiaoning, the person in charge of accounting, and Fei Lei, the officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the annual report is true, accurate and complete.**

**The profit distribution proposal or the reserve capitalization proposal for the Reporting Period considered by the Board.**

According to the 2019 annual financial statements of the Company, the net profit of the Parent Company for 2019 reached RMB6,288,603,129.33. According to relevant provisions of the Company Law, Securities Law, Financial Rules for Financial Enterprises (《金融企業財務規則》) and the Articles of Association of the Company, the Company had appropriated 10% statutory surplus reserve, 10% general risk reserve and 10% trading risk reserve of RMB1,886,580,938.79 in total, after which the profit available for distribution for the year was RMB4,402,022,190.54.

Plus the balance of undistributed profit in previous years, the accumulated profit available for distribution to investors as at the end of 2019 was RMB16,159,562,007.01.

According to relevant requirements of the CSRC, gains arising from the fair value changes in distributable profit of securities companies shall not be used for cash distribution to shareholders. As at the end of December 2019, the accumulated fair value changes in distributable profit of the Parent Company was RMB4,084,760,751.30, after deduction of which as required, the profit of the Parent Company available for distribution to investors in cash amounted to RMB12,074,801,255.71.

After comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the 2019 profit distribution proposal of the Company is as follows:

1. The Company will distribute cash dividend of RMB3.00 (tax inclusive) per 10 shares based on the Company's total share capital of 9,076,650,000 shares with the total cash dividend of RMB2,722,995,000.00. The undistributed profit available for distribution to investors will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to holders of A Shares (including the depositary of GDRs) and the investors of Southbound Trading in RMB and to holders of H Shares (excluding the investors of Southbound Trading) in HKD. The actual distribution amount in HKD shall be calculated at the rate of average basic exchange rate of RMB against HKD issued by the PBOC five business days prior to the date of the 2019 Annual General Meeting of the Company.

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

There is no non-operating misappropriation of funds of the Company by any controlling shareholders and their related parties during the Reporting Period.

The Company has not provided any external guarantees in violation of the stipulated decision-making procedures during the Reporting Period.

The report is prepared by the Company in both Chinese and English. In the event of any inconsistency, the Chinese version shall prevail.

### **Warning on Major Risks**

General economic and political conditions such as macroeconomy and monetary policies, laws and regulations influencing financial and securities industries, rising and falling trends in commercial and financial industries, inflation, exchange rate fluctuations, availability of long and short-term market capital sources, funds raising costs and interest rate levels and fluctuations may have an impact on the Company's business. Besides, like other companies in the securities industry, inherent risks in the securities market, such as market volatility and trading volume, may also affect the Company's business. The Company cannot guarantee the sustainability of favorable politics, economy and market conditions.

Main risks in business operation include: policy risks from national macro-control measures, changes in laws, regulations, relevant regulatory policies and transaction rules in securities industry, which will adversely influence the business of securities companies; compliance risks from business management or professional activities violating laws, regulations or codes, which cause the Company being punished by laws, being taken regulatory measures, suffering from property loss or reputation loss; legal risks from failure to abide by provisions and requirements in laws and regulations, which make the Company face litigations, compensation, and fines and suffer from loss; market risks from fluctuations in market prices (interest rates, exchange rates, stock prices, commodity prices, etc.), which make the Company suffer from loss; credit risks from default of products or floaters or counterparties (customers), which make the Company suffer from loss; liquidity risks from inability to obtain sufficient funds at reasonable cost to pay matured debts, fulfil other payment obligations and satisfy the capital needs for normal business; information and technology risks such as various technical failure or data leakage of the Company's information system from internal and external reasons, which consequently cause loss as the information system is impossible to guarantee the stability, high-efficiency and safety of transactions and business management in business realization, response speed, disposal capacity, data encryption and so on; operational risks from incomplete or problematic internal procedures, personnel or systems or external incidents, which cause loss; reputation risks from business operation, management and other behaviors or external incidents which lead to negative judgement on the Company from relevant media; money laundering risk from the utilization of the Company's products or services by criminals to engage in money laundering activities which lead to negative effects on the Company's legal, reputation, compliance, operation and other aspects. Besides, with the advancement of the Company's internationalization strategy, the Company's business will enter the United States, the United Kingdom, Hong Kong and other countries and regions, and the Company will face more complex market environment and regulatory requirements.

## DEFINITIONS

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

### DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS

A Share(s)	domestic share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
APP	application
Articles of Association	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
AssetMark	AssetMark Financial Holdings, Inc.
AoP	Assets on Platform
Supervisory Committee	the supervisory committee of the Company
Board or Board of Directors	the board of Directors of the Company
CAGR	compound annual growth rate
CASBE	the China Accounting Standards for Business Enterprises (中國企業會計準則)
China or the PRC	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
China Southern Asset Management	China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)
Communications Holding	Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司)
Company Law	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended from time to time
CSI 300 Index	an index consisting of 300 index sample stocks which are most representative selected by the Shanghai Stock Exchange and Shenzhen Stock Exchange jointly with the scale and liquidity as the basic standards
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)

Director(s)	director(s) of the Company
FICC	fixed income, currency and commodity
Fintech	financial technology
Futures IB Business	a business activity in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions of futures companies and provide other related services
GDR	global depository receipt
Govtor Capital	Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)
Group, Our Group, we or us	the Company and its subsidiaries, and their respective predecessors
Guoxin Group	Jiangsu Guoxin Investment Group Limited (江蘇省國信集團有限公司, formerly known as Jiangsu Guoxin Asset Management Group Limited (江蘇省國信資產管理集團有限公司))
HKEX	Hong Kong Exchanges and Clearing Limited (香港交易及結算所有限公司)
HK\$, HKD or HK dollars	the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
HTSC, Huatai Securities, our Company, Company or Parent Company	a joint stock company incorporated in the People's Republic of China with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as "HTSC", and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of "華泰六八八六股份有限公司" and English name of "Huatai Securities Co., Ltd."; the H Shares of which have been listed on the main board of Hong Kong Stock Exchange since June 1, 2015 (Stock Code: 6886); the A Shares of which have been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688); and the global depository receipts of which have been listed on the London Stock Exchange plc since June 2019 (Symbol: HTSC), unless the context otherwise requires, including its predecessor

Huatai Asset Management	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company
Huatai Financial Holdings (Hong Kong)	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of Huatai International
Huatai Securities (USA)	Huatai Securities (USA), Inc. (華泰證券(美國)有限公司), a wholly-owned subsidiary of Huatai International
Huatai Futures	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
Huatai Innovative Investment	Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司), a wholly-owned subsidiary of the Company
Huatai International	Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司), a wholly-owned subsidiary of the Company
Huatai-PineBridge	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
Huatai Purple Gold Investment	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
Huatai United Securities	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
H Share(s)	foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars
IFRS	the International Financial Reporting Standards
HTalent	name of the talent development system of Huatai
IPO	the initial public offering
IT	information technology
Jiangsu Equity Exchange	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省政府國有資產監督管理委員會)



Jiangsu Securities Regulatory Bureau	Jiangsu Securities Regulatory Bureau of the CSRC (中國證監會江蘇監管局)
Listing Rules or Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
London Stock Exchange or LSE	the London Stock Exchange plc (倫敦證券交易所)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
MSCI	Morgan Stanley Capital International Index
NMAU	the number of monthly active users
OTC	over-the-counter
PBOC	the People's Bank of China
QDII	qualified domestic institutional investor
QFII	qualified foreign institutional investor
Reporting Period	the year ended December 31, 2019
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
SFC	the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
Shanghai Clearing House	the Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)
Shanghai Stock Exchange or SSE	the Shanghai Stock Exchange (上海證券交易所)
Shenzhen Stock Exchange	the Shenzhen Stock Exchange (深圳證券交易所)

SSE 50 Index	an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange
SSF	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
STAR Market	science and technology innovation board of SSE
Supervisor(s)	supervisor(s) of the Company
TAMP	Turn-key Asset Management Platform, a technological platform providing services such as investment products and strategies, assets portfolio management, customer relationship management and asset custody, as well as corporate operation
USD or US dollar	the lawful currency of the United States of America
VAR	value at risk
%	per cent

In the 2019 Annual Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding; and any discrepancies in the change percentages of an item are due to the difference of currency unit of the item.

## CEO'S LETTER

Dear Shareholders:

Over the past years, we have been very fortunate to witness and participate in the epic proportions of reform in China's capital market driven by the trend of market development. Making advances amid changes, a new round of deepening reform has become the theme and the greatest driving force of the capital market. Establishment of the STAR Market, pilot program of the registration-based IPO system and accelerated entry of foreign capital and institutions have become a great driver for reshaping the market landscape and promoting innovation and development of the securities industry. It is the best and the most important era for us!

In 2019, as a practitioner in the reform of the capital market, we insisted on the "digitalization + platform-based" principle to regenerate the business model, so as to win a good start for the technology-empowered "two-pronged" strategy of wealth management and institutional services. As a leader in the industry, we continued to create excellent values for customers with our investment banking business ecosystem, underscored by securing the first IPO deal in the STAR Market. As a forerunner in international development, we became the first securities group listed in Shanghai, Hong Kong and London after going public via the Shanghai-London Stock Connect Program. As an advocate for ESG (environmental, social and corporate governance) practice, we took the initiative to set up an efficient governance structure and an execution system.

It is our enduring commitment to achieve hand-in-hand growth with customers, create values for shareholders and assume social responsibility. As of the end of 2019, total assets of the Group amounted to RMB562,181 million, representing a year-on-year increase of 52.49%, and the net assets reached RMB125,655 million, representing a year-on-year increase of 19.96%; in 2019, the Group recorded revenue and other income of RMB32,437 million, representing a year-on-year increase of 32.36% and a profit for the year attributable to shareholders of the Company of RMB9,002 million, representing a year-on-year increase of 78.86%.

## **Digitalization drives forward business model innovation**

We proceeded with digital transformation in an all-round way, aiming to thoroughly reform our business and management models with digital thinking and means. Though there is no shortcut to digital transformation, our efforts are clearly targeted. By accelerating cloud-networking infrastructure construction, intelligently operating business systems, innovating product and customer service models, and realizing the digital sharing and improvement of professional capabilities, we empowered the front, middle and back offices by technology, went deep into the essence and core of finance, and optimized customer experiences. Digital transformation also represents a profound change in corporate culture that an open cultural atmosphere will generate and trigger the inherent motivation to keep transcending ourselves.

A center-driven headquarters-driven and platform-based development model has been formed in the wealth management business. An interconnectivity between the customer-oriented mobile service platform – “ZhangLe Fortune Path” and the cloud work platform built for investment advisors – “AORTA” has been realized through iterations and upgrades. By solidifying the workflow, we have direct access to and conduct dynamic management for front-line investment advisors via the platform of headquarters; various service resources can also be integrated on the platform to empower front-line investment advisors in a more targeted manner; branches will also largely shift their business focus to in-depth exploration of and tailored services for high net worth customers and institutional customers. Our professional expertise and service quality are winning the recognition of a wide range of customers. In 2019, not only have we maintained our leading position in trading volume of stocks and funds and NMAU of “ZhangLe Fortune Path” APP, we also led the industry in the size of margin financing and securities lending. Significant growth was also seen in the number of customers under wealth management and the sales volume and total number of wealth management products.

We also sped up the digitalization in institutional services. Our self-developed digital platform “Xing Zhi” APP2.0 serving institutional customers has gone live officially, with research and investment banking services on the platform gaining more and more recognition and favour of institutional customers. We will upload more institutional business functions and workflows to Xing Zhi APP to achieve the efficient exchange and interaction between institutional needs and business resources based on the open-structure operation philosophy. Based on the above, our credit analysis management platform, INCOS cloud platform and institutional CRM system, etc., are connecting various links of our institutional services, which constantly improved the efficiency of investment trading, customer services, and operational risk control and further expanded the customer network.

## **Platform-based services lead to more breakthroughs**

In face of more complex and diversified customer services, it is the platform-based operation and extension of the value chains that may provide more space for development, which promotes us to review the breadth and depth of the connection between internal and external resources. We further integrated the marketing resources of our headquarter, branches and overseas institutions, transformed the strengths in sub-sectors into the Group's strengths in "investment banking gene + full-service chain", and leveraged the platform-based service model "Huatai as a Whole" to strengthen the connection and deepen the exploration of the demands of institutional customers.

We reinforced business synergy through the integrated investment banking platform, and has established first-class brand influence in the comprehensive health and TMT industries as driven by leading enterprises. As of the end of 2019, we had cumulatively served more than 90 corporate customers, with the aggregate market value exceeding RMB3.6 trillion. Capitalizing on the diversified industrial customer ecosystem, we become more focused on the industry and quality customers, and built a full-cycle and platform-based service model and quality control model in line with the customer growth path. At the same time, by fully blending into the institutional customer service system, we opened up the full-service chain covering asset creation, asset pricing and asset transaction, contributing to our transformation towards a real customer-empowered service provider. Thanks to our targeted efforts, our competitive edge in investment banking was enhanced and maintained industry leading. In 2019, we ranked first in the industry in terms of the number of sponsored enterprises accepted by the STAR Market and took the top place for both the number and amount of M&A and restructuring transactions approved by the CSRC.

With accelerated improvement in our platform-based investment trading capability, in 2019, we saw our bond settlement volume soar to the second place in the industry, and led the industry in the market making volumes for exchange-traded options, the increase in trading volume of OTC derivatives among brokers and the increased scale of structured notes, with our investment trading business upgrading from large-scale trading to scale-based product trading, which will become our strongest competitive edge in the future. We systematically promoted the construction of multiple platforms including big data trading, FICC trading and OTC business, through which we continuously attracted, created and efficiently served customers and their needs, significantly improving the frequency, stickiness and competitiveness in respect of institutional trading service. Only by these platforms could we advance towards the de-directional investment trading transformation based on strategy management, trading management and risk management.

## **Internationalization opens up new space for development**

We have embarked on a unique course of international development amid the changing international market environment and the accelerated opening of China's capital market. We timely seized the strategic opportunity to invest resources in mature capital markets in Europe and the US, achieved historic breakthroughs in "linking the East and West" and "connecting the North and South", and realized revenue from our international businesses and other income reaching 12.48% of total revenue. The path of our international development strategy is more crystal than ever.

As the first Chinese company to engage in the Shanghai-London Stock Connect mechanism in 2019, we successfully issued Global Depository Receipts (GDR) in the UK, and obtained the London Stock Exchange membership, marking a significant milestone in our overseas blueprint. Later on, AssetMark, our US-based subsidiary, went public on the New York Stock Exchange, and Huatai Securities (USA) also obtained the US broker-dealer license. In Hong Kong, Huatai International forged ahead against the adversity and began to enter the league of leading Chinese-funded securities companies in respect of comprehensive strength, with its overall business making impressive advances facilitated by cross-border business.

We leveraged our advantages in local resources to serve domestic customers "going out" and overseas customers "coming in", which has been our long-standing orientation in international development. Our cross-market integration synergy has been enhanced rapidly with the increasing linkage among A-share, Hong Kong stock, US stock market and others, and our cross-border comprehensive financial platform will thus be built gradually.

China's capital market ushered in its 30th anniversary in 2020. The COVID-19 outbreak has important implications on the international political and economic pattern and financial market environment, which has brought us unprecedented and great challenges. However, we always believe that opportunities stem from crisis and changes will lead to achievements. The implementation of the new Securities Law will certainly drive more profound changes and we will witness improved market regulation, transparency and openness as testament of its resilience and vitality.

During the new year, we will continue to embrace new reforms, open up more possibilities in the future with pioneering technologies and a powerful platform. We will seek progress amongst continuous changes and pursue towards the realization of our long-term goals.

CEO: Zhou Yi

March 30, 2020

## COMPANY PROFILE

### I. COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司
Abbreviation of Chinese name of the Company	華泰證券
English name of the Company	HUATAI SECURITIES CO., LTD.
Abbreviation of English name of the Company	HTSC
Legal representative of the Company	Zhang Wei
Chief Executive Officer and chairman of the Executive Committee of the Company	Zhou Yi
Authorized representatives of the Company	Zhou Yi, Zhang Hui

#### Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of the previous year
Registered capital	9,076,650,000.00	8,251,500,000.00
Net capital	64,087,502,180.08	59,559,867,685.52

#### Qualifications of each of the business lines of the Company

According to the business license issued by Jiangsu Provincial Market Regulation Administration, the business scope of the Company includes: securities brokerage, proprietary trading of securities, securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only), securities investment consulting, intermediary introduction business for futures companies, margin financing and securities lending business, agency sale of financial products, agency sale of securities investment funds, custodian for securities investment funds, agency services for gold and other precious metals spot contracts and proprietary business for spot gold contracts, stock options market making business, other business activities approved by the CSRC. (Projects that need to be approved by law shall be carried out upon approval by relevant authorities)

Please refer to “Appendix I: Main Business Qualifications” in this report for the main business qualifications of the Company.

## II. CONTACT

	<b>Secretary of the Board</b>	<b>Securities affairs representative</b>
Name	Zhang Hui	Qiao Fei
Address	12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC	12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC
Tel. No.	025-83387793, 83387780, 83389157	025-83387788
Fax	025-83387784	025-83387784
Email	zhanghui@htsc.com	qiaofei@htsc.com
	<b>Joint company secretary</b>	<b>Joint company secretary</b>
Name	Zhang Hui	Kwong Yin Ping Yvonne
Address	12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC	40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

## III. BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC
Postal codes of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC
Postal codes of office address of the Company	210019
Principal place of business in Hong Kong	Room 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company website	<a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597
Company fax	025-83387784
Business License Unified Social Credit Code	91320000704041011J
Brief of Index inclusion	SSE 50, CSI 300, MSCI China Share Index
Index of changes during the Reporting Period	No changes during the Reporting Period



#### IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of annual report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Website designated by the London Stock Exchange for publication of annual report	<a href="https://www.londonstockexchange.com">https://www.londonstockexchange.com</a>
Location for inspection of annual report of the Company (A Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC; Shanghai Stock Exchange
Location for inspection of annual report of the Company (H Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC; Room 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Index of changes during the Reporting Period	No changes during the Reporting Period

#### V. SHARES/DEPOSITORY RECEIPTS OF THE COMPANY

Type of shares/ depository receipts	Stock exchange for listing	Stock name	Stock code
A Share	Shanghai Stock Exchange	華泰證券	601688
H Share	Hong Kong Stock Exchange	HTSC	6886
GDR	London Stock Exchange	Huatai Securities Co., Ltd.	HTSC

\* Stock name before change: Nil

## VI. OTHER INFORMATION OF THE COMPANY

### ***(I) Historical development of the Company, mainly including the reorganization and capital increases***

The predecessor of the Company was Jiangsu Securities Company (江蘇省證券公司), which was established in December 1990 as approved by the headquarters of the PBOC, obtained the business license on April 9, 1991, and officially opened for business on May 26, 1991. In 1994, the Economic Reform Commission of Jiangsu Province approved the conversion of the Company to be a directional stock raising company. In June 1997, the Company changed its name to “江蘇證券有限責任公司” (Jiangsu Securities Co., Ltd.). In March 1999, the Company changed its name to “华泰證券有限責任公司” (Huatai Securities Limited Liability Company), and approved by the CSRC, the Company was converted into “华泰證券股份有限公司” (Huatai Securities Co., Ltd.) in its entirety on November 29, 2007. On December 7, 2007, the Company completed the business registration for such changes. In July 2009, the Company acquired Xintai Securities Co., Ltd. (信泰證券有限責任公司). In February 2010, the Company was successfully listed on the Shanghai Stock Exchange. In June 2015, the Company was listed on the Main Board of the Hong Kong Stock Exchange. In June 2019, the GDR issued by the Company was listed and traded on the Main Market of the London Stock Exchange.

Major capital increases of the Company:

When it was established on April 9, 1991, the registered capital of the Company was RMB10,000,000.

The registered capital of the Company increased to RMB202,000,000 in June 1994.

The registered capital of the Company increased to RMB404,000,000 in June 1997.

The registered capital of the Company increased to RMB828,000,000 in May 1998.

The registered capital of the Company increased to RMB850,320,000 in December 1999.

The registered capital of the Company increased to RMB2,200,000,000 in April 2001.

The registered capital of the Company increased to RMB4,500,000,000 in November 2007.

The registered capital of the Company increased to RMB4,815,438,725 on July 30, 2009.

In February 2010, the Company completed its initial public offering of 784,561,275 RMB-denominated ordinary shares (A Shares) on the Shanghai Stock Exchange, after which the Company’s registered capital was RMB5,600,000,000.

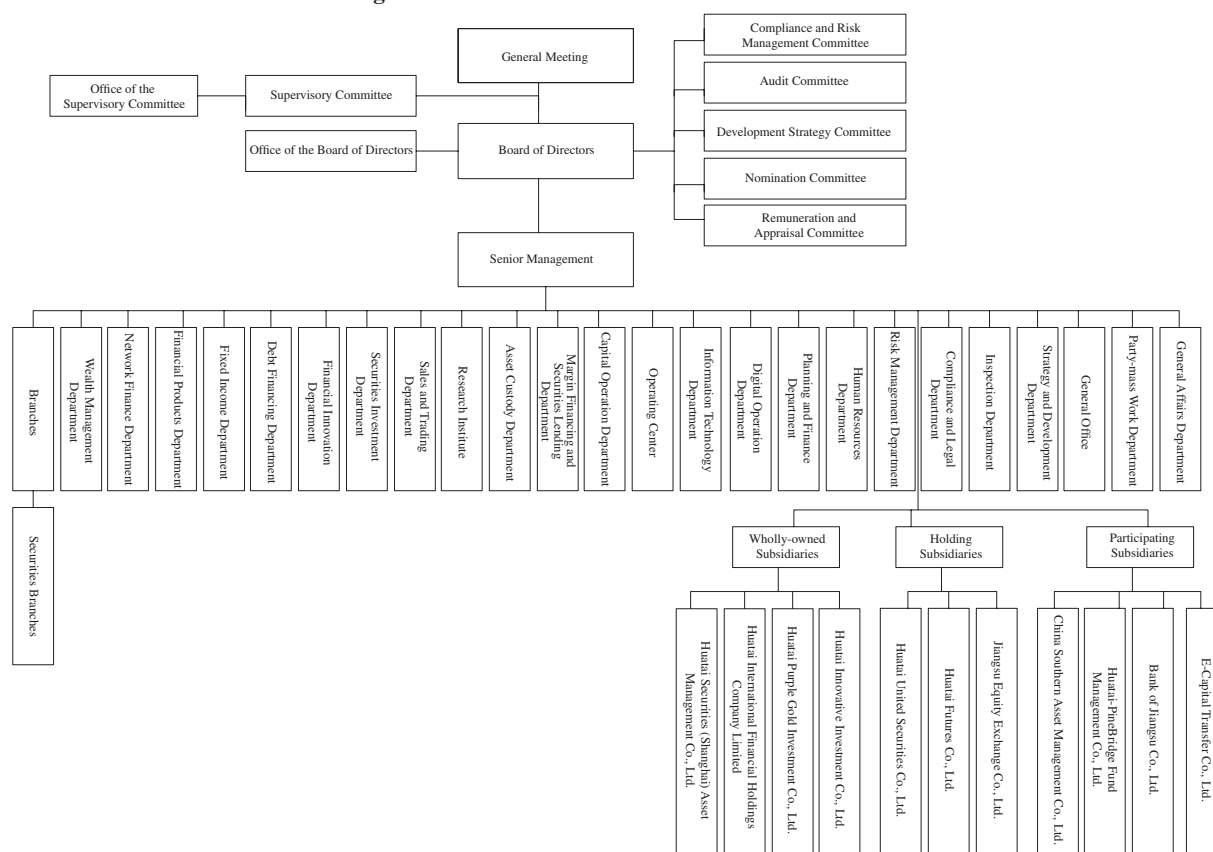
In June 2015, the Company completed its listing on the Main Board of the Hong Kong Stock Exchange and commenced trading. After the exercise of the over-allotment option, the Company issued 1,562,768,800 H Shares in total, and the total share capital of the Company changed to RMB7,162,768,800. Due to the issuance and listing of H Shares, the relevant state-owned shareholders transferred 156,276,880 state-owned shares (A Shares) of the Company held by them to SSF in the form of H Shares, on the basis of 10% of the number of H Shares issued this time. The changes in share capital structure of the Company were as follows: 5,443,723,120 A Shares, which accounted for 76% of the total number of shares; and 1,719,045,680 H Shares, which accounted for 24% of the total number of shares.

In August 2018, the Company completed the non-public issuance of 1,088,731,200 RMB-denominated ordinary shares (A Shares) by way of “Non-Public Issuance to Specific Investors”, after which the Company’s registered capital was RMB8,251,500,000. The changes in share capital structure of the Company were as follows: 6,532,454,320 A Shares, which accounted for 79% of the total number of shares; and 1,719,045,680 H Shares, which accounted for 21% of the total number of shares.

In June 2019, the GDR issued by the Company was listed and traded on the Main Market of the London Stock Exchange. After the exercise of the over-allotment option, the Company issued 82,515,000 GDR in total, representing the underlying securities of 825,150,000 A Shares, after which the Company’s registered capital was RMB9,076,650,000. The changes in share capital structure of the Company were as follows: 7,357,604,320 A Shares, which accounted for 81% of the total number of shares; and 1,719,045,680 H Shares, which accounted for 19% of the total number of shares.

## (II) Organization Structure of the Company

Organization Structure Chart of Huatai Securities



## (III) Number and Distribution of Securities Branches and Other Branches of the Company

As of the end of the Reporting Period, the Company has 30 branch offices and 241 securities branches. For details of the number and distribution of branch offices and securities branches of the Company, please refer to “Appendix II: List of Branch Offices and Securities Branches” in this report.

Provinces, Municipalities and Regions	Number of Securities Branches	Provinces, Municipalities and Regions	Number of Securities Branches	Provinces, Municipalities and Regions	Number of Securities Branches
Anhui Province	5	Beijing	6	Inner Mongolia Autonomous Region	3
Hebei Province	1	Fujian Province	4	Guangdong Province	23
Guangxi Zhuang Autonomous Region	2	Hainan Province	2	Shanxi Province	1
Henan Province	3	Heilongjiang Province	5	Jilin Province	3
Hubei Province	29	Hunan Province	3	Jiangxi Province	2
Jiangsu Province	93	Liaoning Province	7	Shandong Province	7
Shanghai	15	Sichuan Province	7	Guizhou Province	1
Chongqing	1	Tianjin	4	Gansu Province	1
Shaanxi Province	2	Qinghai Province	1	Xinjiang Uygur Autonomous Region	1
Ningxia Hui Autonomous Region	1	Zhejiang Province	8		

## VII. OTHER INFORMATION

### (I) Accounting Firms

Accounting firm engaged by the Company (domestic)	Name Office address	KPMG Huazhen LLP 8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC
	Name of the signatory accountant	Cheng Hailiang, Qian Ruwen
Accounting firm engaged by the Company (Hong Kong)	Name Office address	KPMG Registered PIE Auditor under the Hong Kong Financial Reporting Council Ordinance 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Name of the signatory accountant	Pang Shing Chor Eric
Accounting firm engaged by the Company (London)	Name Office address	KPMG Huazhen LLP 8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC
	Name of the signatory accountant	Cheng Hailiang

### (II) Legal Advisors

Legal advisor engaged by the Company (domestic)	Name Office address	King & Wood Mallesons 18th Floor, East Tower, World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District, Beijing, the PRC
Legal advisor engaged by the Company (overseas)	Name Office address	Clifford Chance 27/F, Jardine House 1 Connaught Place, Central, Hong Kong

### ***(III) Share registrars***

Share registrar for A Share Name		China Securities Depository and Clearing Corporation Limited, Shanghai Branch
	Office address	3/F, China Insurance Building, No. 166 Lujiazui East Road, Pudong New Area, Shanghai, the PRC
Share registrar for H Share Name		Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

### ***(IV) Sponsors***

Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period	Name	Guotai Junan Securities Co., Ltd.
	Office address	5/F, China Financial Information Center, 18 Dongyuan Road, Pudong New Area, Shanghai, the PRC Cai Rui, Ding Yinghua
	Name of sponsor representatives as signatories	
	Period of continuously performing supervision function	August 2, 2018 - December 31, 2019
Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period	Name	Huatai United Securities Co., Ltd.
	Office address	6th Floor, Block A, Fengming International Building, 22 Fengsheng Hutong, Xicheng District, Beijing, the PRC
	Name of sponsor representatives as signatories	Zhou Jiwei, Long Dingkun
	Period of continuously performing supervision function	August 2, 2018 - December 31, 2019

## VIII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

### (I) Key Accounting Data and Financial Indicators for the Past Three Years

Unit: Thousand Yuan Currency: RMB

Item	2019	2018	Increase/ decrease (%)	2017
Total revenue and other gains	32,436,781	24,506,734	32.36	31,323,372
Profit before income tax	11,585,965	6,448,671	79.66	11,584,644
Profit of this year-attributable to shareholders of the Company	9,001,644	5,032,738	78.86	9,276,520
Net cash (used in)/generated from operating activities	(3,594,637)	28,457,782	(112.63)	(6,726,875)
Total amount of other comprehensive income after tax this year	634,281	(549,839)	N/A	(2,717,380)

Unit: Thousand Yuan Currency: RMB

Item	At the end of 2019	At the end of 2018	Increase/ decrease (%)	At the end of 2017
Total assets	562,180,638	368,665,874	52.49	381,482,540
Total liabilities	436,525,930	263,916,270	65.40	292,892,628
Total equity attributable to shareholders of the Company	122,537,479	103,393,577	18.52	87,335,938
Total equities	125,654,708	104,749,604	19.96	88,589,912
Total share capital (shares)	9,076,650,000	8,251,500,000	10.00	7,162,768,800

### Key financial indicators

Key financial indicators	2019	2018	Increase/ decrease (%)	2017
Basic earnings per share (RMB/share)	1.04	0.66	57.58	1.30
Diluted earnings per share (RMB/share)	1.03	0.66	56.06	1.30
ROE (%)	7.94	5.32	Increase of 2.62 percentage points	10.56
Debt-to-assets ratio (%)	73.40	66.12	Increase of 7.28 percentage points	71.80
Net assets attributable to the Company's shareholders per share (RMB/share)	13.50	12.53	7.74	12.19

Note: Debt-to-assets ratio=(total liabilities-accounts payable to brokerage clients)/(total assets-accounts payable to brokerage clients)

### Net Capital of the Parent Company and Risk Control Indexes

Unit: Yuan Currency: RMB

Item	As of the end of the Reporting Period	As of the end of the previous year
Net capital	64,087,502,180.08	59,559,867,685.52
Net assets	110,256,065,952.24	94,797,087,323.61
Risk coverage ratio (%)	258.14	281.90
Net capital/net assets (%)	58.13	62.83
Net capital/liabilities (%)	26.53	44.32
Net assets/liabilities (%)	45.64	70.54
Value of proprietary equity securities and derivatives/net capital (%)	58.07	30.10
Value of proprietary non-equity securities and derivatives/net capital (%)	276.67	139.03
Core net capital	62,687,502,180.08	54,599,867,685.52
Supplementary net capital	1,400,000,000.00	4,960,000,000.00
Total risk capital provision	24,827,058,149.16	21,127,935,985.72
Total on-balance and off-balance assets	387,973,597,859.46	249,903,236,200.25
Capital leverage ratio (%)	18.47	24.57
Liquidity coverage ratio (%)	460.55	648.34
Net stable funding ratio (%)	138.96	140.95



## (II) Key Accounting Data and Financial Indicators for the Past Five Years

The financial conditions for the past five years are as follows:

### 1. Profitability

Unit: Thousand Yuan Currency: RMB

Item	2019	2018	2017	2016	2015
Total revenue and other gains	32,436,781	24,506,734	31,323,372	24,631,628	39,415,525
Total expenses	23,577,265	19,017,372	20,278,706	16,492,187	25,572,104
Share of profits of associates and joint ventures	2,726,449	959,309	539,978	453,987	420,076
Profit before income tax	11,585,965	6,448,671	11,584,644	8,593,428	14,263,497
Profit of this year - attributable to shareholders of the Company	9,001,644	5,032,738	9,276,520	6,270,612	10,696,871

### 2. Assets

Unit: Thousand Yuan Currency: RMB

Item	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	562,180,638	368,665,874	381,482,540	401,450,397	452,614,615
Total liabilities	436,525,930	263,916,270	292,892,628	315,790,200	371,085,844
Accounts payable to brokerage clients	89,817,920	59,492,176	67,335,545	92,728,837	128,367,379
Total equity attributable to shareholders of the Company	122,537,479	103,393,577	87,335,938	84,357,457	80,784,925
Total equity	125,654,708	104,749,604	88,589,912	85,660,197	81,528,771
Total share capital (shares)	9,076,650,000	8,251,500,000	7,162,768,800	7,162,768,800	7,162,768,800

### 3. Key Financial Indicators

Item	2019	2018	2017	2016	2015
Dividend per share (RMB)	0.30	0.60 <sup>Note 1</sup>	-	0.50	0.50
Basic earnings per share (RMB/share)	1.04	0.66	1.30	0.88	1.65
Dilutive earnings per share (RMB/share)	1.03	0.66	1.30	0.88	1.65
ROE (%)	7.94	5.32	10.56	7.73	17.09
Debt-to-assets ratio (%) <sup>Note 2</sup>	73.40	66.12	71.80	72.25	74.85
Net assets attributable to shareholders of the Company per share (RMB/share)	13.50	12.53	12.19	11.78	11.28

*Note 1:* According to the resolution passed at the 2018 first extraordinary general meeting of the Company, the Company has implemented the 2018 interim profit distribution plan by distributing a cash dividend of RMB3.00 (tax included) per 10 shares based on the total share capital of 8,251,500,000 shares, with a total cash dividend of RMB2,475,450,000.00. Meanwhile, according to the resolution passed at the 2018 Annual General Meeting of the Company, the Company has implemented the 2018 annual profit distribution plan by distributing a cash dividend of RMB3.00 (tax included) per 10 shares based on the total share capital of 9,076,650,000 shares, with a total cash dividend of RMB2,722,995,000.00.

*Note 2:* Debt-to-assets ratio = (total liabilities-accounts payable to brokerage clients)/(total assets-accounts payable to brokerage clients)

## **IX. DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS**

There is no difference between the net profit for 2019 and 2018 and the net assets as of December 31, 2019 and 2018 set out in the consolidated financial statements prepared in accordance with the CASBE and in the consolidated financial statements prepared in accordance with the IFRSs.

## **X. ITEMS MEASURED UNDER FAIR VALUE**

Unit: Yuan Currency: RMB

<b>Name of items</b>	<b>Balance at the end of last year</b>	<b>Balance at the end of the year</b>	<b>Change in the current period</b>	<b>Effect on the profit of the current period in amount</b>
Financial assets at fair value through profit or loss	122,244,331,499.24	252,795,672,184.76	130,551,340,685.52	12,372,683,499.90
Financial assets at fair value through other comprehensive income	10,456,742,229.48	12,357,975,202.28	1,901,232,972.80	728,214,043.51
Financial liabilities at fair value through profit or loss	5,199,989,703.32	7,380,183,358.52	2,180,193,655.20	(667,576,792.42)
Derivative financial instruments	1,157,856,445.53	579,641,784.10	(578,214,661.43)	(3,191,356,091.82)
<b>Total</b>	<b>139,058,919,877.57</b>	<b>273,113,472,529.66</b>	<b>134,054,552,652.09</b>	<b>9,241,964,659.17</b>

## **SUMMARY OF THE COMPANY'S BUSINESS**

### **I. DESCRIPTIONS OF OUR PRINCIPAL BUSINESSES, OPERATION MODELS AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD**

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, a cutting-edge digital platform and an extensive and engaging customer base. Our principal businesses comprise wealth management business, institutional services business, investment management business and international business. The Group constructs a client-based organizational mechanism, provides comprehensive securities and financial services for individual and institutional clients to meet their financial needs through an organic online-offline synergy, and aims to become a leading integrated financial group with strong domestic advantages and global influence.

#### **1. Wealth management business**

We provide customers with diversified wealth management services, including securities, futures and options brokerage, financial products sales, and capital-based intermediary business through mobile APP, professional PC platform, subsidiaries and securities futures branch offices, Huatai International and its affiliated overseas subsidiaries, in the mode of online and offline, domestic and overseas linkage. For securities, futures and options brokerage, we mainly execute trades on behalf of our clients in stocks, funds, bonds, futures and options, etc. to provide trading services. For financial products sales business, we mainly provide customers with a variety of financial products sales services and asset allocation services, and the related financial products are managed by the Group and other financial institutions. In respect of capital-based intermediary business, we provide diversified financing services including margin financing and securities lending as well as stock pledged lending. Key performance drivers to wealth management business include fee and commission income, interest income, etc.

#### **2. Institutional services business**

With institutional sales serving as a link, we integrate investment banking, institutional investor services and investment trading resources to provide various types of corporate and institutional clients with all-round comprehensive financial services, which mainly include investment banking business, prime brokerage business, research and institutional sales business and investment and trading business.

- (1) Investment banking business primarily consists of equity underwriting, debt underwriting, financial advisory, OTC business, etc. For equity underwriting business, we provide IPO and equity refinancing services for our clients. For debt underwriting business, we provide various types of bond financing services for our clients. For financial advisory business, we provide clients with mergers-oriented financial advisory services based on industrial layout with a strategic point of view. For OTC business, we provide clients with National Equities Exchange and Quotations listing and follow-on financing services, and relevant OTC businesses engaged in by Jiangsu Equity Exchange. Key performance drivers to investment banking include underwriting and sponsorship fees, advisory fees, etc.

- (2) Prime brokerage business mainly includes the provision of asset custody and fund services for private and public funds, including settlement, liquidation, reporting and valuation. In addition, it also provides margin trading, sales of financial products and other value-added services for clients of prime brokerage. Key performance drivers to prime brokerage business include fees for fund custody and service business.
- (3) Research and institutional sales business mainly consists of research business and institutional sales business. For research business, we provide various professional research services for clients. For institutional sales business, we promote and sell securities products and services to clients. Key performance drivers to research and institutional sales business include incomes from services concerning various research and financial products.
- (4) Investment and trading business mainly includes equity trading, FICC trading and OTC derivative transaction. The Group conducts equity, FICC and other financial instruments transactions with its own funds, and reduces investment risks and increases returns through various trading strategies and techniques. At the same time, in order to meet customers' needs for investment and financing as well as risk management, we also engage in market making business and OTC derivatives business. In terms of equity trading, we invest and trade stocks, ETFs and derivatives, and engage in market making services for financial products. In terms of FICC trading, we invest and trade all kinds of FICC and derivatives in the inter-bank and exchange bond markets, and engage in market making services in the inter-bank bond market. In terms of OTC derivative transactions, we develop and trade OTC financial products for customers, mainly including equity return swaps, OTC options and structured notes. Key performance drivers to investment and trading business include various investment incomes from equity, FICC products and derivatives, etc.

### **3. Investment management business**

We accept fund entrustment from clients, develop and provide various financial products for our clients and manage their assets through our professional investment and research platform as well as our substantial client base, effectively satisfying their investment and financing needs. Our investment management business mainly consists of asset management for securities firms, private equity fund management and asset management for fund companies. For asset management business for securities firms, we participate in the operation of asset management business for securities companies through our wholly-owned subsidiary Huatai Asset Management; such business includes collective asset management business, single asset management business, specialized asset management business and public offering fund management, which is operated on a differentiated basis from our mutual fund management business for fund companies under the Group. For private equity fund management business, we operate private equity funds business, which includes investment and management of private equity funds, through our wholly-owned subsidiary Huatai Purple Gold Investment. For asset management business for fund companies, the Group holds non-controlling interests in two mutual fund management companies, namely China Southern Asset Management and Huatai-PineBridge, through which we participate in the operation of asset management business for fund companies. Key performance drivers to asset management business include management fee, performance fee, investment income, etc.

#### **4. International business**

We enforce full-scope cross-border linkage and collaboration to better meet the diversified financial demands of domestic clients to “go global” and of overseas clients to “come into China”, establishing a cross-border integrated financial service platform. The Group operates international business covering various countries and regions including Hong Kong and the United States through its wholly-owned subsidiary Huatai International, and the wholly-owned subsidiaries of Huatai International including Huatai Financial Holdings (Hong Kong), AssetMark and Huatai Securities (USA).

The Hong Kong business of the Group is mainly operated by Huatai Financial Holdings (Hong Kong), a wholly-owned subsidiary of Huatai International, which mainly includes investment banking, private wealth management and retail brokerage, research and stock sales, FICC, cross-border and structured financing, equity derivatives and asset management. For investment banking business, we provide both Chinese and international customers with equity and debt underwriting and sponsoring services, as well as financial advisory services. In September 2019, Huatai Financial Holdings (Hong Kong) obtained the membership of the London Stock Exchange, and completed the registration as a UK Cross-border Conversion Agency for Shanghai-London Stock Connect GDRs on the Shanghai Stock Exchange, thus capable of providing clients with the whole-process services of the issuance and trade of GDRs. For private wealth management and retail brokerage business, we provide clients with brokerage, margin and wealth management services covering different asset classes around the world. For research and stock sales business, we provide integrated research and sales services (both in and out of China) covering all industries for global institutional customers. For FICC business, we carry out various investments and transactions of FICC and derivatives with our own funds in an appropriate amount, and provide FICC solutions covering sales, trading and market making services for all kinds of institutional clients. For cross-border and structured financing business, we provide customized solutions to meet clients’ needs for leveraged buyout, strategic M&A, pre-listing financing, business expansion and others. For equity derivatives business, we carry out cross-border stock derivatives trading, design and sales business, and provide various equity capital intermediary services for clients. For asset management business, we provide investment portfolio and fund management services for international investors.

The Group completed the acquisition of AssetMark in 2016. AssetMark is a leading turn-key asset management platform in the United States and a third-party financial service institution that provides a series of services and an advanced and convenient technology platform for investment advisors in respect of investment strategies and asset portfolios management, customer relations management and asset custody. In July 2019, AssetMark completed its listing on the New York Stock Exchange in the United States.

In September 2018, Huatai Securities (USA) was registered in Delaware, USA as a foreign wholly-owned subsidiary of Huatai international, aiming to promote the development of international business. In June 2019, upon approval from the US Financial Industry Regulatory Authority, Huatai Securities (USA) obtained the US broker-dealer license for carrying out broker-dealer businesses such as securities underwriting, securities brokerage for institutional investors and M&A financial advisory in the United States.

Key performance drivers to international business include brokerage commission, underwriting sponsorship fee, advisory fee, interest income and asset management fee.

## **II. AWARDS AND HONORS**

### **(I) Key awards and honors of the Group**

2019 Sustainable Development Finance Summit and Changqing Award Ceremony of Caijing Magazine:

The Company was awarded the “Sustainable Development Contribution Award” (“可持續發展貢獻獎”)

2019 Annual Ceremony of Financial Enterprises with Outstanding Brand Power in China held by The Economic Observer and others:

The Company was awarded “2019 Securities Company with Outstanding Brand Power in China” (“2019中國卓越品牌力證券公司”)

“2019 China Financial Market Award Ceremony” (“2019年中國融資大獎”頒獎典禮) jointly held by China Financial Market and The Listed Companies Council of the Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, etc.:

The Company was awarded “The Best Investor Relations Award” (“最佳投資者關係獎”)

## (II) Key awards and honors of the business segments of the Company

Wealth management business	<p>“2019 Annual Conference of Securities Companies in China” (“2019 中國證券公司年會”) organized by Securities Times:</p> <p>The Company was awarded “Junding Award for Full-Service Securities Broker in China” (“中國區全能證券經紀商君鼎獎”), “Junding Award for Retail Securities Broker in China” (“中國區零售證券經紀商君鼎獎”) and “Junding Award for Securities Investment Advisory Team in China” (“中國區證券投資顧問團隊君鼎獎”)</p> <p>“2018 Asian Private Banker China Wealth Awards” (“2018 亞洲私人銀行家中國財富獎”) organized by Asian Private Banker:</p> <p>The Company was awarded “Best Digital Wealth Management Platform in China” (“中國最佳財富管理科技平台”) and “Best Wealth Management Institution in China” (“中國最佳財富管理機構”)</p> <p>“2019 China Golden Tripod Award” (“2019 中國金鼎獎”) ceremony organized by National Business Daily:</p> <p>The Company was awarded “The Most Powerful Broker in terms of Comprehensive Wealth Management Strengths of 2019” (“2019 年度最具財富管理綜合實力券商”)</p> <p>“Market Data Forum and Shanghai-Hong Kong Stock Connect’s 5th Anniversary” (“市場數據論壇暨滬港通開通五周年”) event organized by the Hong Kong Stock Exchange:</p> <p>The Company was awarded “Innovative Information Service Broker for Southbound Trading” (“港股通創新信息服務券商”)</p>	<p>The data from Analysys:</p> <p>“ZhangLe Fortune Path” ranked top in the industry in terms of NMAU by the end of 2019</p> <p>2019 Financial Summit for “The 17th China’s Financial Annual Champion Awards” (“第十七屆財經風雲榜”) organized by hexun.com:</p> <p>The Company was awarded the “2019 Technology and Finance Innovation Award for Brokers” (“2019 年度券商科技金融創新獎”), and “ZhangLe Fortune Path” was awarded “Outstanding APP of Securities Companies of the Year of 2019” (“2019 年度券商優秀APP 獎”)</p> <p>The Selection of “Brokers in China • Excellent APPs of Securities Companies” (“券商中國•優秀證券公司APP”) hosted by Securities Times – Brokers in China:</p> <p>“ZhangLe Fortune Path” was awarded the “2019 Outstanding Achievement Award for Brokers’ APPs” (“2019 券商APP傑出成就獎”), “2019 Digital Wealth Management Award for Brokers’ APP” (“2019 券商APP數字化財富管理獎”) and “2019 Most Valuable Investment Advisor Award for Brokers’ APP” (“2019 券商APP最有價值投顧獎”)</p> <p>The “21 Finance APP” (“21 財經APP”) selection organized by Southern Finance Omnimedia Group (南方財經全媒體集團) and 21st Century Business Herald:</p> <p>“ZhangLe Fortune Path” was awarded “2019 Best Investment and Wealth Management APP” (“2019 最佳投資理財APP”)</p>
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Institutional services  
business

Shanghai Stock Exchange:

Huatai United Securities was awarded the “Comprehensive Innovation Award for Corporate Bonds” (“公司債券綜合創新獎”) and was awarded “Outstanding Member of the STAR Market for the Listing of Enterprises” (“科創板企業上市優秀會員”)

The Selection of “2019 Junding Award for Investment Banks in China” (“2019中國區投資銀行君鼎獎”) organized by Securities Times:

Huatai United Securities was awarded “2019 Junding Award for IPO Investment Bank in China” (“2019中國區IPO投行君鼎獎”), “2019 Junding Award for Stock Financing Project in China” (2019中國區股票融資項目君鼎獎) and “2019 Junding Award for Asset-backed Securities Project in China” (“2019中國區資產證券化項目君鼎獎”)

The Selection of “2019 International Pioneer Investment Bank” (“2019國際先鋒投行”) organized by International Finance News:

Shenzhen Stock Exchange:

Huatai United Securities was awarded “Outstanding Innovative Agency for Fixed-Income Business” (“優秀固定收益業務創新機構”)

The Selection of “The 12th New Fortune Best Investment Bank” (“第十二屆新財富最佳投行”) held by New Fortune:

Huatai United Securities won 28 awards, including “Best Domestic Investment Bank” (“本土最佳投行”), “Best Investment Bank in Equity Underwriting” (“最佳股權承銷投行”), “Best Investment Bank in Bond Underwriting” (“最佳債權承銷投行”), “Best IPO Investment Bank” (“最佳IPO投行”), “Best Refinancing Investment Bank” (“最佳再融資投行”), “Best Investment Bank in Mergers and Acquisitions” (“最佳併購投行”), “Best Investment Bank in Serving Overseas Markets” (“海外市場能力最佳投行”), and “Most Innovative Investment Bank” (“最具創新能力投行”)

2019 II China and the third session of “Institutional Investor • Caixin All-China Research Team Awards” (“機構投資者•財新資本市場分析師成就獎”):



Huatai United Securities was awarded “International Pioneer Investment Bank” (“國際先鋒投資銀行”), “A Share IPO Pioneer Investment Bank” (“A股IPO先鋒投行”), “STAR Market Project Reserve Pioneer Investment Bank” (“科創板項目儲備先鋒投行”), “Pioneer Investment Bank with High Passing Rate of IPO Projects’ Approval” (“IPO審核通過率先鋒投行”), “Pioneer Investment Bank of Bonds Underwriting” (“債券承銷先鋒投行”) and “Pioneer Investment Bank of ABS Business” (“ABS先鋒投行”)

The Selection of “Excellent Corporate Finance and Investment Banking Awards of China” (“中國卓越公司金融及投資銀行大獎”) organized by Asiamoney:

Huatai United Securities was awarded for “The Best Cross-border M&A Business” (“最佳跨境併購業務”)

The Selection of “Golden Horse Award” (“金駿馬獎”) organized by Securities Daily:

Huatai United Securities was awarded “Excellent Service Provider of the STAR Market” (“科創板卓越服務商”)

The Company won “Best Analyst Team (Mainland) No. 1” (“最佳分析師團隊(大陸)第一名”), “Best Analyst Team (Overseas) No. 6” (“最佳分析師團隊(海外)第六名”) and “Best Sales Teams (Mainland) No. 2” (“最佳銷售團隊(大陸)第二名”)

“The First Session of China Awards” (“首屆中國大獎”) selection organized by Structured Retail Products (《結構化零售產品》):

The Company was awarded “Best Broker in China of the Year” (“年度中國最佳券商”) and for “Best Product of the Year” (“年度最佳產品”)

Investment management business Shanghai Stock Exchange:

Huatai Asset Management was awarded “Excellent Manager of Asset-backed Special Schemes in the Bond Market of 2018” (“2018年度債券市場優秀資產支持專項計劃管理人”) and “Comprehensive Innovation Award for Asset Securitization of 2018” (“2018年度資產證券化綜合創新獎”)

Shenzhen Stock Exchange:

Huatai Asset Management was awarded “Excellent Manager of Asset-backed Special Schemes in the Bond Market of 2018” (“2018年度債券市場優秀資產支持專項計劃管理人”)

“2019 China Golden Tripod Award” (“2019中國金鼎獎”) ceremony organized by National Business Daily:

Huatai Asset Management was awarded “The Most Influential Asset Management Broker” (“最具影響力券商資管”), “The Best ABS Team” (“最佳ABS團隊”), and “The Best Team for Fixed-income Business” (“最佳固收團隊”)

Shanghai Stock Exchange:

Huatai-PineBridge Fund Management was awarded “Top Ten ETF Managers” (“十佳ETF管理人”)

China Securities Journal:

China Southern Asset Management was awarded “Golden Bull Fund Company for Passive Investment of 2018” (“2018年被動投資金牛基金公司”) and “The Most Trusted Golden Bull Fund Company of 2018” (“2018年度最受信賴金牛基金公司”)

Huatai-PineBridge Fund Management was awarded “Golden Bull Fund Company for Quantitative Investment” (“量化投資金牛基金公司”) and “Golden Bull Fund Company for Passive Investment” (“被動投資金牛基金公司”)

Shanghai Securities News:

China Southern Asset Management was awarded “2018 Golden Fund • Fund Management Company for Overseas Investment Returns” (“2018年度金基金•海外投資回報基金管理公司”) and “2018 Golden Fund • Fund Management Company for Passive Investment” (“2018年度金基金•被動投資基金管理公司”)

Huatai-PineBridge Fund Management was awarded “Golden Fund • Fund Management Company for Passive Investment” (“金基金•被動投資基金管理公司”)

eastmoney.com:

Huatai Asset Management was awarded “The Best Asset Management Broker on the List of Eastmoney for the Year of 2019” (“東方財富風雲榜2019年度最佳券商資管獎”)

Huatai Futures was awarded “The Best Futures Company on the List of Eastmoney for the Year of 2019” (“東方財富風雲榜2019年度最佳期貨公司”)

China Southern Asset Management was awarded “The Best Fund Company on the List of Eastmoney for the Year of 2019” (“東方財富風雲榜2019年度最佳基金公司”)

The selection of “China Venture Awards for 2018” (“投中2018年度榜”) held by China Venture Investment:

Huatai Purple Gold Investment was awarded “The Best Subsidiaries of Brokers for Private Funds TOP 10” (“中國最佳券商私募基金子公司TOP10”), “The Best Institutions for Targeted Placement Investment (Private) TOP 5” (“最佳定增投資機構(私募)TOP5”), “The Best Institutions for Investment in Medical Services TOP 10” (“最佳醫療服務領域投資機構TOP10”), etc.

Securities Times:

China Southern Asset Management was included in the “2019 China Creativity List for Financial Technology” (“2019中國金融科技創意榜”)

Huatai-PineBridge Fund Management was awarded “2018 Top Ten Star Fund Companies” (“2018年度十大明星基金公司”)

“The 17th China’s Financial Annual Champion Awards” (“第十七屆中國財經風雲榜”) selection organized by hexun.com:

Huatai Futures was awarded the “Poverty Alleviation Award for the Futures Industry for 2019” (“2019年度期貨業扶貧獎”) and the “Brand Award for the Futures Industry for 2019” (“2019年度期貨業品牌獎”)

International business	<p>The Selection of “Annual Awards” (“年度獎項”) organized by PDI (Private Debt Investor), an internationally renowned private debt industry magazine:</p> <p>Huatai International was awarded “The Best Private Debt Investor in Asia-Pacific Region of 2018” (“2018年度亞太地區最佳私募債投資機構”)</p> <p>The Selection of “International Pioneer Investment Bank of 2019” (“2019國際先鋒投行”) organized by International Finance News:</p> <p>Huatai International was awarded “Pioneer Investment Bank for IPO of Hong Kong Stocks” (“港股IPO先鋒投行”)</p> <p>The Selection of “The Fifth Session of Financial Institution Awards” (第五屆“金融機構大獎”) organized by Bloomberg Businessweek:</p> <p>Huatai International was awarded the “Risk Management Excellence Award” (“風險管理卓越大獎”), “Corporate Financing Excellence Award” (“企業融資卓越大獎”), “Outstanding Initial Public Offering Project Award” (“首次公開招股項目傑出大獎”) and “Annual Outstanding Securities Company Award” (“年度證券公司傑出大獎”)</p>	<p>The paid-in capital of Huatai Financial Holdings (Hong Kong) amounted to HK\$8.8 billion, and its capital scale ranked among the top in Hong Kong</p> <p>“2019 China Financial Market Award Ceremony” (“2019年中國融資大獎”頒獎典禮) jointly held by China Financial Market and The Listed Companies Council of The Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, etc.:</p> <p>Huatai Financial Holdings (Hong Kong) was awarded the “Star Investment Banking Award in the Capital Market” (“資本市場明星投行獎”)</p> <p>Cerulli Associates and other public information:</p> <p>As of the end of the third quarter of 2019, AssetMark occupied a market share of 11.0% in the TAMP industry in the United States, ranking the third</p>
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### **III. ANALYSIS OF CORE COMPETITIVENESSES DURING THE REPORTING PERIOD**

#### **(I) A technology-driven pioneer in China's securities industry transformation**

The Group consistently adheres to the positioning of business-focused technology development. Over the years, we have been maintaining a high level of capital and personnel investment in information technology, and are committed to building leading capacity for independent research and development of information technology as well as outstanding capacity of digital product innovation. Through technology empowerment and digital operation, the Group continued to improve customer service experience, promoted intelligent operation and consistently optimized management mode to drive a high-speed business development. Meanwhile, the Group actively built the fintech ecosystem and engaged in advanced fields including big data, artificial intelligence and cloud computing in cooperation with excellent external teams. In the field of wealth management, the Group constantly developed and strengthened the mobile finance strategy, and adopted big data technology to get insight into customers' demands to effectively increase customer size and activity. In the field of institutional services, the Group mainly increased its independent research and development efforts in core areas including artificial intelligence and speed trading, so as to create leading digital products such as intelligent trading, high-speed quotation, quantitative investment and research, integrated investment management, digital virtual staff, etc. The Group also took the lead in the industry in launching a digital service system for institutional customers, which improved its ability to provide customers with professional services. The technical competency and talent team the Group developed through independent research and development over the years has laid a solid foundation for the building of platform-based and systematic competitive advantages.

#### **(II) The open digital wealth management platform provides efficient and professional services to mass customers**

The Group has built one of the most active wealth management platforms among China's securities industry with nearly 14 million customers. Drawing on advanced wealth management service system and experiences at home and abroad, the Group accelerated the development of wealth management business from service, procedure, technology platform and other aspects. Online and offline resources have been blended to promote the efficiency of customer development and services. The Group has built a large platform for gathering and serving clients through continuous upgrading and innovation of the mobile finance service model. As of the end of the Reporting Period, the cumulative download volume of "ZhangLe Fortune Path" exceeded 50.20 million. According to the statistics of Analysys, the NMAU of "ZhangLe Fortune Path" exceeded 7.70 million as at the end of December 2019, ranking the first among all APPs of securities companies. During the Reporting Period, the Group comprehensively rebuilt the wealth management work platform and launched "AORTA" (An Optimal Robot Thinking Advisor), a cloud platform for investment advisory service that integrated customer insight, strictly selected solutions, targeted services and procedure management, forming an important middle-end support for the wealth management business of the Group. The Group actively proceeded the development of investment advisor team and capacity for wealth management services. According to statistics from the Securities Association of China, investment advisors of the Parent Company accounted for over 30% of its total staff as of the end of the Reporting Period.

### **(III) First-class investment banking business that has taken full advantage of the opportunities from the rise of new economy and the registration system reform**

The Group has prospectively engaged in the field of technological innovation and made full use of its advantages in the capital market, with a view to actively serving outstanding enterprises in various fields including TMT (Technology, Media and Telecommunication), comprehensive health and intelligent manufacturing. From the opening of the STAR Market to the end of the Reporting Period, the number of companies we have served ranked the first in the industry. In addition to serving a large number of existing quality customers, the Group continued to develop and establish relationships with customers in emerging industries, and empowered corporate customers with the integrated and full-cycle top investment banking service system. With the significant increase in customer size and market influence, the Group has synchronously achieved rapid growth of its investment banking business. The Group has developed several influential benchmarking projects in areas such as financial advisory service for M&A and reorganization and equity underwriting business, and has successfully executed a number of complex cross-market transactions, forming first-class competitive advantages in the industry. Since 2012, the total number of M&A and reorganization transactions approved by the CSRC reached 132, ranking No. 1 in the market. With full implementation of the registration system, the accelerated development of strategic emerging industries and continuous transformation of traditional industries, the increasingly active M&A and financing activities will bring valuable opportunities to the Group.

### **(IV) Comprehensive asset management platform with both scale and innovation advantages**

Relying on the large customer base and advantage in the whole business chain resources, the Group has established one of the leading asset management platforms in the industry by giving full play to its abilities in exploring investment bank assets, risk pricing and product design. The total amount of assets under asset management business ranked in the forefront of the industry with continuous improvement in the capability and scale of active management. Our management products cover major asset categories including currencies, fixed income, equity, index, private equity and other alternative asset classes, forming a product system with a considerable scale and wide coverage, which helped the Group build significant operational advantages and market influence. The Group continued to enhance the product brand recognition with “Fixed-income +” as the core, and systematically created “Basic products + specialized products” to meet different needs of retail customers and high-net-worth customers of the Group and in the market for returns and product forms. Meanwhile, the Group has provided a basket of customized comprehensive financial services for institutional customers such as commercial banks and corporate customers, and met customers’ needs for product forms, liquidity and returns through competitive fixed-income products as well as featured products such as ABS, FoF and MoM. The Group is a leader of ABS product designs in the industry, and has set a benchmark for the industry through constant innovation in underlying assets, transaction structure and other aspects. It has achieved a number of domestic first orders in the fields such as REITs of continuous issuance, ABS of e-commerce receivables and high-end equipment, with the business scale continuously ranking the forefront of the industry.

## **(V) Acceleration in global layout and cross-border linkage to create new opportunities for development**

The Group always adheres to the strategy of constantly expanding its international business layout along with the international development of customers, and offers global resources to its customers through continuous deepening of integrated cross-border linkage, serving the overseas expansion of Chinese customers and the domestic investment of international investors in better ways. In 2019, the Group seized the opportunity brought by the accelerated opening of Chinese capital market and successfully completed the issuance of GDRs and their listing and trading on the Main Market of the London Stock Exchange, thus becoming the first domestic securities company listed in Shanghai, Hong Kong and London. Meanwhile, AssetMark completed its spin-off and was successfully listed, achieving a historic breakthrough in the Group's international development. At the same time, Standard & Poor's announced to raise the rating of the Company and its subsidiary Huatai International from "stable" to "positive", and confirmed its rating of "BBB" as a long-term issuer. In addition, Huatai Securities (USA) obtained the qualification to carry out broker-dealer business in the United States, while Huatai Financial Holdings (Hong Kong) was qualified as a UK GDR Cross-Border Conversion Agency and a member of the London Stock Exchange, helping open up more development space for new businesses. Huatai Financial Holdings (Hong Kong) continued to strengthen the cross-border linkage of key business areas such as investment banking, FICC, research and institutional sales, and cross-border investment and financing. As a result, the comprehensive strength of Huatai Financial Holdings (Hong Kong) started to rank at the forefront of Chinese securities companies in Hong Kong. Since its acquisition in 2016, AssetMark has always maintained operational independence and kept a steady growth in the size of its managed assets with its leading business model and advanced technology platform, constantly increasing the Group's international business revenue.

## **(VI) Comprehensive risk management featuring professional and platform advantages**

The Group has established a comprehensive risk management system with "high engagement, full coverage and deep penetration" as the core idea, and with "collectivization, specialization and platformization" as the main approach. The Group has a sound risk management culture and clear risk management objectives, and "stability" is always an important part of the core values of the Group. The Group has accumulatively established an effective risk management framework, procedures and measures that adapt to the international development of the Company's businesses, and continued to promote the systematic coverage and penetration as well as specialized, concentrated and unified management of the risks of each subsidiary. The Group focused on developing the abilities of professional forward-looking risk evaluation and dynamic monitoring and early warning, went deep into the business to identify risks in advance, monitored and alerted risks in a timely manner, and responded to and dealt with risks promptly. The Group attached great importance to the application of advanced IT technology in risk management, solidified risk control procedures and critical node by technical means, and gradually built a risk management workflow driven by technical systems and data. Meanwhile, the Group has independently developed a comprehensive risk management platform covering all businesses, subsidiaries and branches, which realized cross-business and cross-subsidiary concentrated monitoring and analysis and visualized warning of risk information, so as to continuously improve the effectiveness and promptness of risk identification and response.

## **(VII) Top-ranking talent team and diversified shareholding structure**

The consistent development of marketized systems and mechanisms is a key driving force for the continuous transformation and transcendence of the Group. In 2019, the implementation of professional manager system marked the beginning of a new stage of the Group's market-oriented reform. Members of the new session of senior management team have diversified backgrounds in financial and technology industries, who will fully embrace the market, lead the in-depth advancement of customer-oriented and technology-driven business model, and further strengthen the featured corporate culture of "technology empowerment, innovation and initiative". The Group has established and improved a mechanism for the selection and appointment of talents based on ability and performance, and also established a market-oriented employment mechanism and compensation incentive mechanism. High-end talents, innovative talents, cross-boundary talents and international talents successively joined the Group, and a career-long, three-dimensional and practical dynamic training system was applied to keep meeting the demands of employees. Since 2018, the Group has started the reformation of mixed ownership and brought in important strategic investors, established a more diversified shareholding structure. The diversified and balanced structure of shareholders and the Board aims at strengthening the transparency of the corporate governance and bringing new concepts and new strategic resources for the Group's future development.



# MANAGEMENT DISCUSSION AND ANALYSIS AND REPORT OF THE BOARD

## I. MANAGEMENT DISCUSSION AND ANALYSIS

Unit: Thousand Yuan Currency: RMB

Segment	Segment revenue and other income	Segment expenses	Segment results	Segment profit margin (%)	Year-on-year change of segment revenue and other income (%)	Year-on-year change of segment expenses (%)	Year-on-year change of segment profit margin (%)
Wealth management business	14,143,760	(10,057,458)	4,086,302	28.89	8.87	10.06	Decrease of 0.77 percentage point
Institutional services business	8,367,659	(5,314,444)	3,061,423	36.59	169.08	42.74	Increase of 56.09 percentage points
Investment management business	4,367,993	(1,429,079)	4,624,716	105.88	28.52	18.34	Increase of 46.57 percentage points
International business	4,048,517	(3,945,267)	103,250	2.55	29.95	38.92	Decrease of 6.29 percentage points
Others (including offset)	1,508,852	(2,831,017)	(289,726)	(19.20)	(20.23)	34.27	Decrease of 67.33 percentage points
Segment total	32,436,781	(23,577,265)	11,585,965	35.72	32.36	23.98	Increase of 9.41 percentage points

## **(I) Wealth management business**

### **1. Market environment and industry trend of wealth management business**

#### **(1) The space for development in the wealth management market was broad, and professional institutions powered by mature service systems will usher in development opportunities**

With China's economy transforming towards high-quality development, the continuous build-up of national wealth, residents' growing understanding of wealth management, the popularity of financial products and the continuous improvement in the asset allocation structure, the wealth management industry has indicated tremendous potentials, and the capital market will provide a platform for high net worth individuals to obtain, preserve and increase their wealth. According to the statistics of China Merchants Bank's private wealth report, as of the end of 2018, the total size of investable assets held by individuals in China was RMB190 trillion, representing an increase of 1.06% as compared to the end of 2017; the number of high net worth individuals with personal investable assets exceeding RMB10 million was 1.97 million, representing an increase of 5.35% as compared to the end of 2017. Against the backdrop of increasingly complex investment environment, diversified demands of high net worth individuals for wealth management and continuous increase in penetration of the wealth management industry, wealth management institutions with leading professional capabilities are likely to continuously expand their competitive edges and establish a new wealth management service system focused on clients' demands.

#### **(2) Changes in clients' demands and market competition trends continuously promoted the wealth management transition of securities companies**

With the accelerated two-way opening-up of the capital market, the mutual penetration of finance and technology and the increasing intensification of market competition, the average brokerage rate for equity fund trading in the securities industry indicated a declining trend, bringing subversive challenges to the traditional profitability and operation models of securities companies. Therefore, a transition from traditional channel services to all-round wealth management business and comprehensive financial services demonstrated a major trend for the strategic transformation of securities companies. During the Reporting Period, the domestic stock market index trended upwards in general, with the Shanghai Composite Index rising 22.30%, the Shenzhen Component Index growing 44.08%, and the Shanghai and Shenzhen 300 Index growing 36.07%. In terms of major international indexes, the FTSE 100 rose 12.10%, the S&P 500 rose 28.88%, and the Hang Seng Index rose 9.07%. In the context of maturer regulatory policies and market mechanisms, clients paid more attention to factors such as the brand, asset allocation capabilities, and product varieties of the wealth management business of financial institutions, and developed more recognition of the added value of professional institutions. Under the general trend that clients' needs for wealth management were more diverse, complex and individualized, financial institutions which rationally allocate assets based on an in-depth understanding of clients' needs while steadfastly transforming towards wealth management, continuously improving professional capabilities and breaking down business barriers will secure a competitive market position in the future.

### **(3) Fintech led the iterative upgrade of the wealth management industry**

In recent years, securities companies have proactively grasped the new trends in technological development and increased their investment in technological innovation. By further integrating Fintech to improve comprehensive financial service capability, optimising client experience, reducing operating costs, improving operating efficiency, and building a new platform- and system-based mode for wealth management services, securities companies will satisfy the diversified needs of clients for wealth management in a more efficient, convenient and safer manner. With the deepening of the application of Fintech in the wealth management business, it has become a general direction for the industry that Fintech will empower securities companies to transform wealth management business featured by more digital and intelligent wealth management services. The reliance on the iterative update of Fintech and the full utilization of Fintech to provide clients with comprehensive wealth management services, exploring potential value of data and achieving full value chain integration is necessary for large-scale domestic securities companies to achieve digital transformation and build differentiated competitive strengths and brand-new business models. The application of Fintech into business operation will become the driver for future development of securities companies.

## **2. Operational measures and achievements of wealth management business**

### **(1) Securities, futures and options brokerage business**

During the Reporting Period, in adherence to the values centering on customers' demand, the Group further adjusted and optimized the organizational structure and service system for wealth management, and took advantage of its strengths in digital platform and full-service business chain to steadily advance the transformation of asset-oriented wealth management strategies by further exploring customer needs and improving customer experience. It built a wealth management service system featuring an integration of online and offline businesses, established a customer acquisition system for both new and existing customers, continued to improve diversified financial products and asset allocation-related strategic products, and continuously improved its comprehensive customer service ability so as to meet the diversified investment demands of customers. It continued to improve the investment advisory business with asset allocation as the core, and upgraded the internal wealth management service platform to a one-stop cloud platform for investment advisors, effectively improving the quality and efficiency of investment advisory services.

The Group continuously devoted efforts in exploring emerging technologies and mining big data, grasped differentiated needs of customers for investment and wealth management, and continuously optimized and improved the functions and services of its mobile platform "ZhangLe Fortune Path" to provide customers with one-stop wealth management solutions. During the Reporting Period, "ZhangLe Fortune Path" was downloaded for 4,509,500 times. Since the "ZhangLe Fortune Path" was made available online, the accumulative downloads reached 50,206,500. The number of new accounts opened on the mobile terminal was 1,207,900, accounting for 98.20% of the total new accounts. 90.45% of the trading customers traded through "ZhangLe Fortune Path". According to the statistics of Analysys, the average NMAU of "ZhangLe Fortune Path" was 7,550,300, and the NMAU as of the end of the Reporting Period was 7,794,000, ranking the first among APPs of securities companies. In 2019, "ZhangLe Fortune Path" was upgraded to version 7.0, successively launching a series of targeted services including "Smart Asset Allocation" ("智能資產配置"), "Online Investment Advisory Service" ("投顧服務線上化"), "Smart Assistant" ("智能助手") and "Scenario-based Wealth Management" ("場景化理財"), continuing to exert its function as a core platform carrier of the Company's wealth management business.

Meanwhile, the Group continued to carry out the pilot construction of digital outlets and wealth centers. Digital outlets are now able to provide 12 self-service businesses, establishing a “quasi” unattended service mode.

The Group further strengthened its advantages in trading services based on advanced platforms. According to the statistics of members of the Shanghai and Shenzhen Stock Exchanges, the Group’s equity and fund trading volume totaled RMB20.57 trillion in 2019, ranking the first place in the industry. As of the end of the Reporting Period, according to internal statistics, the total assets of client accounts reached RMB3.35 trillion.

### Data of agency sales amount

Currency: RMB

Type of securities	2019	Type of securities	2018
	Agency sales amount (in RMB100 million)		Agency sales amount (in RMB100 million)
Stocks	194,042.61	Stocks	133,024.16
Funds	11,659.88	Funds	9,695.15
Debentures	311,035.42	Debentures	224,508.88
Total	516,737.91	Total	367,228.19

Note: In view of the fact that Wind Information no longer collects and publishes its member trading volume data, the data of trading volume in 2018 and 2019 are cited from the Shanghai and Shenzhen Stock Exchange members’ statistics in which the fund data do not include trading volume of money market funds on the Shanghai Stock Exchange.

During the Reporting Period, the Southbound Trading business went steadily, with the number of clients increasing steadily and the services continuing to be deepened. For the Southbound Trading business under Shanghai-Hong Kong Stock Connect, there were 28,300 authorized users in total. For the Southbound Trading business under Shenzhen-Hong Kong Stock Connect, there were 31,000 authorized users in total. Focusing on providing core customers with professional trading tools, the stock option brokerage business proactively constructed a tiered and graded trading system, and thus maintained a leading edge with further optimized operational efficiency. According to the statistics of the Shanghai Stock Exchange, the Group’s stock option brokerage business at the Shanghai Stock Exchange ranked the first place in the industry in terms of trading volume and market share in 2019.

For the futures brokerage business, Huatai Futures set up 4 new branches and optimized outlet layout. As of the end of the Reporting Period, there were 9 branches and 41 futures branches in total covering 4 municipalities directly under the Central Government and 16 provinces in China, being the agent of 79 types of futures. During the Reporting Period, Huatai Futures (excluding clearing members) realized an agency trading volume of 359,247,900 lots with a transaction amount of RMB31,332,928 million. The Group’s futures IB business developed smoothly, with 217 securities branches permitted to be engaged in futures IB business and the total number of futures IB business customers reaching 37,943 as of the end of the Reporting Period.

## **(2) Financial product sales business**

During the Reporting Period, the Group endeavoured to improve the brand value of financial products especially proprietary products, in order to enhance customers' investment gains and meet the layered demands for wealth management. Based on its huge customer base, the Group made full use of the advantages in outlet layout and the Internet platform, strengthened internal product exploration, enhanced product innovation capabilities, and actively created a diverse financial and strategic product system. It also contributed to strengthening the investment research system's support for customer product allocation and asset portfolio construction and guidance in customers' demands and further improved the full-process and full life cycle management model for financial products. The holdings and sales volume of financial products increased steadily. In particular, the sales growth of mutual funds was relatively fast. According to internal statistics, the number of financial products held (excluding the cash management product of Tian Tian Fa) was 5,533 and the sales volume of financial products (excluding the cash management product of Tian Tian Fa) amounted to RMB374,356 million.

In response to the tiered and graded customer demands, the Group firmly implemented differentiated product strategies, established a supplier management system, and formed product lines with different risk-return properties in areas such as equity, fixed income, structured, FOF, and overseas products. It enhanced digital empowerment, upgraded the assessment system and management platform of financial products and promoted full-label, full-life cycle and full-operation tracking management of products. Moreover, it kept improving the after-sales service system, enhanced the manager performance evaluation mechanism by selecting the superior and eliminating the inferior and strictly controlled and monitored product compliance and risk management.

## **(3) Capital-based intermediary business**

During the Reporting Period, the Group further explored customer needs and adjusted its operating strategies, deepened the full service business chain cooperation, actively innovated business operation model, strengthened cooperation with strategic investors in the STAR Market, public fund companies, sponsors and investment companies, continued to expand customer base and improved service efficiency. The Group responded quickly to market changes and regulatory requirements, improved the marketing service system, strengthened risk prevention and control, improved the effectiveness of risk management, promoted the high-quality development of the capital-based intermediary business, and continued to expand the brand influence. During the Reporting Period, benefiting from the revived enthusiasm for credit transactions in the A-share market, the capital-based intermediary business of the Company showed good development momentum, the scale of margin financing and securities lending business increased rapidly to a significantly higher level than the market average. With the market share continuing to expand, the securities lending business developed rapidly, and the stock pledged repurchase business structure was optimized to make business risks controllable. According to the regulatory statement data, as of the end of the Reporting Period, the balance of margin financing and securities lending business of the Parent Company was RMB67.125 billion, with a year-on-year increase of 54.26% and a market share of 6.59%, and the integral maintenance guarantee ratio was 314.66%. The pending repurchase balance of stock pledged repurchase business was RMB37.814 billion in total, with an average fulfillment guarantee ratio of 267.70%. Among them, the pending repurchase balance of on-balance-sheet business was RMB5.313 billion, with an average fulfillment guarantee ratio of 220.71%; while the pending repurchase balance of off-balance-sheet business was RMB32.501 billion.

### **3. Prospect of wealth management business for 2020**

Wealth management business takes up significant responsibilities in gathering client resources and assets on a large scale, providing a solid base for customer value exploration and creation. In 2020, the Group will continue to strengthen its digital operation and management, further improve the customer-oriented technology platform and the one-stop cloud platform for investment advisors, and optimize the business system integrating online and offline resources. With integrated platform empowerment as the core, with a professional investment advisory team and a competitive financial product system as wings, the Group will acquire new customers and motivate existing customers, and strive to enhance its professional capability to attract customer assets and make value for customers.

For wealth management business, the Group will continue to adapt to market changes, take advantage of its market leading customer size and the sound full-service business chain, adhere to the bottom line of compliance, promote business development with the intelligent, digital, targeted and professional online and offline synergy, and continuously explore asset allocation strategies, so as to create a diversified system of financial products and strategic products, continuously improve the differentiated service model, further explore customer demands, and comprehensively build professional capabilities to create value for customers. We will energetically promote the building of a one-stop cloud platform for investment advisors, continuously improve an integrated service system for investment advisors, strive to build an asset allocation-oriented, high-quality professional investment advisory team, and comprehensively improve the efficiency of investment advisors. We will keep on implementing the concept of technology empowerment, continue the layout in financial technology, enhance digital operation capabilities, develop functions including multi-dimensional, intelligent potential customer development, customer acquisition and conversion, and asset allocation, empower front-line investment advisors efficiently and accurately, to effectively support the systematic development of the wealth management business. For the options and futures brokerage business, the Group will keep exploring customer demand for risk management, which will drive the implementation and extension of innovation businesses.

For the financial product sales business, the Group will continue to strengthen the competence of systematic and professional investment research and management, dynamically adjust product structure, enrich and improve product portfolio by connecting customer needs with asset allocation strategies to create differentiated advantages of product lines. The Group will strengthen the linkage between product creation, design and sales to expand product sales while increasing the scale of holdings and customer stickiness, and enhancing the cashability of financial products.

For the capital-based intermediary business, the Group will continue to center on clients' demand to develop business ideas and strategic perspectives in a timely manner, actively innovate business operation models, continue to improve customer-oriented support service systems, comprehensively strengthen risk assessment systems, further consolidate industry-leading advantages, and continue to meet the diverse and differentiated demands of customers. We will actively integrate various resources, continue to expand the source of securities, improve the ability to match supply with demand, and build a financial brand advantage.

## **(II) Institutional services business**

### **1. Market environment and industry trend of institutional services business**

#### **(1) Economic transformation and upgrading and the capital market reform and development have provided strategic opportunities for the in-depth development of institutional services business**

With the further advancement of the supply-side structural reform and the innovation-driven development strategy, especially the activation of new economic industry development, and the continuous improvement of the fundamental systems of the capital market, institutional services business was faced with historical opportunities, and providing a full range of high-quality integrated financial services for institutional clients will become an important embodiment of the core competitiveness of securities companies. With the implementation of the new Securities Law, the optimization of follow-on offering systems, the promotion of new regulations for mergers and acquisitions, especially the establishment of the STAR Market and the pilot program of the registration-based IPO system and other reform measures of the capital market, the investment banking business of securities companies will see strategic opportunities for high-level transformation, and business efficiency improvement and border widening will increase the income from the investment banking business of securities companies. In the future, the business boundaries of the securities industry are expected to be broadened by diversifying the financing channels of science and technology innovation enterprises and supporting resource integration of traditional industries, the types of institutional services of securities companies will be more diversified, and service innovation and product innovation serving the real economy will also increase, bringing more business opportunities to securities companies which excel in grasping macroeconomic trends and creating long-term value for customers.

#### **(2) The development trend of institutionalization, increased concentration, and internationalization of market participants have set higher standards for institutional services business of securities companies**

With the continuous development of professional institutional investors such as mutual fund companies, private equity fund companies and insurance companies, continuous entry of domestic social security funds, pension funds and corporate annuities, accelerated entry of overseas long-term funds, more indirect investments in the securities market by individual investors by means of asset management products, and the development and application of new technologies, the market value of shares held by and the bond market participation of domestic and overseas professional institutional investors has continuously increased and institutional investors are turning into the main force in the market. The development of institutional investors will reshape the structure of the capital market and more entry of institutional investors into the market has become the general trend. In the recent years, guided by the policies of two-way opening-up in the capital markets, classified regulation of securities companies and creating a flagship securities company, the concentration of business resources has become increasingly prominent, while customer demand for cross-border investment and financing transactions and global asset allocation is increasing. Large securities companies have had a head start taking advantage of its capital strength, comprehensive service capabilities and institutional customer base. Systematic institutional service and differentiated and international institutional service capabilities will become the key competitiveness of securities companies in the future.

### (3) The sustainable development of institutional services business of securities companies requires strong risk management capabilities as the foundation

With the slowdown in macroeconomic growth, the deepening of supply-side structural reform, continuous advancement of system building of the layered capital market, the increasing diversity of financial market instruments, and continuously enhanced linkage between domestic and overseas markets, the manifestation and transmission of financial risks become increasingly complicated. Securities companies must constantly improve their professional capabilities and risk management capacity and effectively prevent, manage and mitigate financial risks to shoulder the important missions of maintaining the stability, health and sustainable development of the market, the industry and themselves.

Preventing and managing financial risks requires securities companies to continue to improve the professional and platform-based comprehensive risk management system to achieve centralized monitoring and analysis of risk information and whole-process control. Addressing financial risks requires securities companies to effectively take advantage of the financial derivatives market while maintaining strong capital strength. With the continuous enrichment of financial products and risk management tools and the continuous improvement of the layered capital markets, the risk management function of the capital markets is further exerted, and the demand for derivatives is continuously unleashed. Based on the continuous improvement in professional capabilities such as valuation, pricing and trading, securities companies should seize new opportunities in the high-end development of institutional services business coupled with their unique risk management service value and differentiated financial product innovation and design capability.

## 2. Operational measures and achievements of institutional services business

### (1) Investment banking business

During the Reporting Period, with the “client-centric” business philosophy and the base of the integrated investment banking platform and the full-service business chain system, the Group promoted the construction of three-dimensional marketing and development system, strengthened domestic and overseas linkage, in-exchange and OTC cross-market synergy, focused on technological innovation and the real economy, comprehensively enhanced product service capability and quick response ability of comprehensive services, and actively secured projects with wide market influence.

#### Consolidated data

Currency: RMB

Categories of Issuance	Times of lead underwriting (time)		Lead underwriting amount (in RMB10 thousand)		Lead underwriting income (in RMB10 thousand)	
	Current Period	Accumulated over the years	Current Period	Accumulated over the years	Current Period	Accumulated over the years
Issue of new shares	6	174	671,004.15	12,507,866.33	41,367.01	537,543.41
Additional issue of shares	18	181	2,654,895.81	28,877,831.75	17,964.41	219,317.67
Allotment of shares	1	31	146,611.25	1,148,748.03	802.99	20,039.95
Issue of bonds	320	1,044	26,169,591.76	95,391,972.72	61,100.90	339,671.28
Total	345	1,430	29,642,102.97	137,926,418.83	121,235.31	1,116,572.31

Note: The above data are from the regulatory statements of the Company; preferred shares are included in the additional newly issued shares; bonds issuance includes treasury bonds, enterprise bonds, corporate bonds (including exchangeable bonds), convertible bonds, short-term financing bonds and medium-term notes, etc.



### ① **Equity underwriting business**

During the Reporting Period, the equity underwriting business covered more key regions and high-quality customers, prospectively engaged in the science and technology innovation field, fully grasped the opportunity of the STAR Market and the pilot program of the registration system, and provided targeted and innovative solutions for high-quality companies, especially technological innovation companies and companies in the real economy in their transformation and upgrade with our professional competence and reputation. According to the statistics from Wind information, the Group's equity lead underwriting amount (including the initial public offering, follow-on offering, warrants, preferred shares, convertible bonds, exchangeable bonds) was RMB132.095 billion, ranking the third in the industry. According to the statistics of the Shanghai Stock Exchange, the number of companies in the STAR Market sponsored by the Group was 19, ranking the first in the industry.

### ② **Bonds underwriting business**

During the Reporting Period, besides strict risk control, the bonds underwriting business gave full play to its all-license edge and all-round business advantages of equity-debt linkage, continuously consolidated business channels, expanded the quality customer base, and launched high-quality projects, seeking an improvement on top of its solid position in the industry. According to the statistics from Wind information, the Group's lead-underwriting amount of full variety bonds was RMB335.647 billion, ranking the seventh in the industry.

### ③ **Financial advisory business**

During the Reporting Period, in terms of the M&A and restructuring, the financial advisory business maintained the leading position in the industry by focusing on high-value M&A and restructuring projects, actively improved its complex transaction capability and innovation capability, and focused on promoting large-scale M&A and restructuring projects with complex transaction structures and great transaction amounts, further improving its business reputation. We had 14 M&A and restructuring transactions approved by the CSRC, ranking the first in the industry, with a total transaction amount of RMB128.065 billion, ranking the first in the industry.

### ④ **OTC business**

During the Reporting Period, the NEEQ business actively adapted to market conditions and strategic deployment adjustments, and promoted the reform of investment banking service system based on the whole industry chain. As of the end of the Reporting Period, the Group provided supervision services for 38 listed companies, 2 targeted placements for 2 listed companies with a total amount raised of RMB68 million, and financial advisory services for 1 listed company. Jiangsu Equity Exchange, a holding subsidiary of the Group, continued to strengthen the construction of compliance and risk control systems, actively constructed featured segments for listings, steadily launched privately placed convertible bonds business, continuously improved basic functions, focusing on providing comprehensive financial services to micro, small and medium enterprises. As of the end of the Reporting Period, the Group has had 6,398 enterprises listed and displayed, 131 enterprises under custody, 263 membership units, and 74,158 investors of all types, and it raised RMB4,830 million for enterprises through financing.

## **(2) Prime brokerage (PB) business**

During the Reporting Period, the Group continued to advance the construction of PB business system and the improvement of system functions, continuously built an integrated service platform for internal and external customers, vigorously promoted the construction of intelligent operation systems, focused on demands of customers for full life-cycle comprehensive financial services, reshaped the customer-oriented full-service chain system, continued to promote the construction of the talent team, consolidated professional services, actively expanded the markets and business development boundary, so as to continuously improve its service efficiency and customer experience. As of the end of the Reporting Period, the Group had 3,678 fund products in custody and the total size of fund in custody reached RMB131.189 billion. There were 4,444 fund products we provide fund administration services to (including 776 products from our asset management subsidiary), of which the service scale reached RMB858.761 billion (including the business scale of asset management subsidiary of RMB702.924 billion).

## **(3) Research and institutional sales business**

During the Reporting Period, the Group actively adjusted the organizational structure of the research business, continued to introduce outstanding talents in the industry, focused on improving business professionalism, further conducted industry research, concentrated on industry research, especially mid-to-long-term research based on fundamentals, so as to create in-depth research products with market influence, continuously improve customer service quality and enhance business pricing power. The Group made greater efforts to promote the synergy of researches on A-share market and Hong Kong market, built a unified institutional client platform, and established and improved the cross-border research service system, to meet the bidirectional and multi-layered needs for professional research service of customers at home and abroad. With respect to the institutional sales business, relying on the advantages of the full-service business chain, the Group actively integrated business resources, gave full play to synergies, dug deep into various business needs, and vigorously promoted business cooperation with institutional investors and the construction of digital platforms such as the “Xing Zhi” APP for institutional customer services and the CRM system for institutional customers, so as to create a one-stop comprehensive financial service model. The Group actively carried out various forms of research activities, issued 5,706 research reports, and organized 15,634 institution roadshows, 318 teleconferences, and 47 special sessions on varied industries. During the Reporting Period, the volume of sub-position transactions for the public fund was approximately RMB671.987 billion.

## **(4) Investment and trading business**

### **① Equity trading business**

During the Reporting Period, the Group made ongoing efforts to resolutely promote business transformation to a trading business model, constantly explored diversified trading strategic means, actively carried out innovative businesses such as macro hedging transactions and automated transactions, and built sustainable equity investment and trading systems. Relying on the big data system, the Group built a comprehensive market monitoring and evaluation system with multiple dimensions across the market, dynamically monitored market characteristics, actively explored the rules of market operation, captured market fluctuations and supported the development of trading business. Meanwhile, the Group actively seized the market opportunity of the STAR Market for the layout of relevant investment trading business. The Group attached great importance to the research & application of advanced technologies such as big data and artificial intelligence, build a team of professional talents for quantitative research, improved the big data transaction business system, and promoted the improvement of its transaction scale and profitability.

## ② FICC trading business

During the Reporting Period, the Group constantly built the customer-oriented FICC service system with transaction as the core, pushed forward business linkage and cooperation, and promoted the upgrade and iteration of business systems through the two-way drive of institutional customer service and financial product supply. With respect to the fixed-income proprietary investment business, the Group comprehensively used a variety of trading strategies, accurately implemented macro hedging strategies for bulk assets and led the market in proprietary investment performance. As for bulk commodity business and foreign exchange business, the Group actively promoted business model research and trading system construction, continuously improved product creation and product pricing capabilities, expanded trading product categories, and made substantial development in cross-border business. According to statistics of Wind, during the Reporting Period, the delivery volume of bonds of the Group ranked the second place in the industry.

## ③ OTC derivatives trading business

During the Reporting Period, the Group strived to improve the capability of comprehensive financial services for institutional clients, continuously improved customer-centric product design capabilities, pricing capabilities, and hedging transaction capabilities, deeply connecting institutional service systems and customer needs, continuously enriching its product structure, and constantly making innovation in transaction model to create an institutional customer financial ecosystem with the advantages of systematic institutional services and differentiated institutional service capabilities. The new trading volume of OTC derivatives ranked among the top in the industry. As of the end of the Reporting Period, the Group had 1,396 income swap transaction businesses with a notional principal of RMB20.993 billion; the Group had 394 OTC option trading businesses with total notional principal of RMB23.501 billion. During the Reporting Period, the Group issued 4,347 private placement products through the China Securities Internet System and OTC market, with a total amount of RMB77.880 billion.

## 3. Prospect of institutional services business for 2020

The institutional services business is the base for an advanced business area for creating differentiated core strengths and first-class investment banking, as well as a key to consolidating and enhancing the Group's industry leading position. In 2020, the Group will continue to promote the systemic service model of "Huatai as a whole", accelerate the construction of digital services platforms for institutions, give full play to the advantages of "investment banking gene + full business chain", strengthen business synergy mechanisms, further enhance pricing capabilities and transaction capabilities, and build a more efficient and competitive institutional services ecosystem.

For investment banking business, we will actively grasp the market and policy opportunities, further implement the "client-centric" principle; with the development direction of industry focus, regional layout and customer demand exploration, the Group strengthened domestic and overseas, in-exchange and OTC cross-market synergy, intensified support for science and technology innovation enterprises, and provided clients with comprehensive and integrated high-quality financial services. For equity underwriting business, we will continue to focus on development in key regions and go deep into the industry, while actively grasping the business opportunities in the STAR Market and attracting more quality customers. For bonds underwriting business, we will continue to realize full coverage of different categories of customers, strengthen

professional layout, and enhance the marketing and development of key regions, key products and key issuers. For financial advisory business, we will continue to explore domestic and overseas M&A opportunities based on industry logic, and to enhance industry research, high value trading discovery and deal-making capability.

For prime brokerage business, we will constantly improve an integrated professional institutional service platform, continue to promote the construction of intelligent business operation system, optimize service paths and processes, continuously increase the capacity and efficiency of operational service, and continuously innovate and diversify business services and strengthen business collaboration and professional service capabilities at the same time.

For research and institutional sales business, we will continue to improve the integrated domestic and overseas business system, aiming to increase the platform management and lean management of full process, and to build synergic patterns and docking mechanism of institutional investor service, fully tapping and analyzing the needs of various institutional clients, constantly expanding the content of customer services, and striving to improve the capability of comprehensive financial services for institutional clients.

For investment trading business, we will continue to build platform-based and systematic investment and trading capabilities, practically upgrade to the goal of mastering asset pricing rights and productization of trading capabilities, actively build future-oriented core competitiveness, and further promote diversification of profit models. For equity trading business, we will continue to promote the construction of big data platforms and digital operation platforms, continuously enrich hedging methods and strategies, improve strategic risk control and transaction monitoring, and gradually establish a low-risk, highly stable equity investment business system; for FICC trading business, we will make full efforts to build the FICC large trading platform integrating investment trading, risk management and performance evaluation, systematically build the FICC product line, enrich and optimize the product structure, proactively guide customer needs, and continuously improve investment trading capabilities; for OTC derivatives trading business, we will strategically promote the construction of trading system, make in-depth docking of institutional service systems and customer needs, continuously enrich product structure, innovate trading models, strengthen first-class pricing core capabilities, and continue to maintain leading position of business.

### **(III) Investment management business**

#### **1. Market environment and industry trend of investment management business**

##### **(1) Asset management business entered into a new stage of returning to the origin with normative development**

With the implementation of new regulations on asset management and complementary regulatory rules, and under the trend of strengthening unified and coordinated supervision, the asset management business will continue to undergo dechannelizing, charge of product valuation methodology and elimination of regulatory arbitrage. The competition patterns of the asset management industry have been reshaped at an accelerated pace and various asset management institutions will actively seek new business development directions and strategic layout. According to the statistics from Asset Management Association of China, as of the end of the third quarter of 2019, the total amount of asset management business of fund management companies and their subsidiaries, securities companies, futures companies and private fund management institutions was approximately RMB51.19 trillion, among which, the amount of private asset management business of securities companies and their subsidiaries was RMB11.51 trillion. The asset management business of securities companies has faced the dual challenges of shrinking scale and declining revenue in recent years, and urgently needs to build differentiated core competitiveness. For the asset management business of large comprehensive securities companies, we will integrate business resources, enhance business innovation, improve product layout, and continuously improve investment research capabilities and asset allocation capabilities, build a professional asset management platform, comprehensively transform and actively manage, and provide customers with multi-level and multi-faceted investment and wealth management solutions based on the in-depth understanding of client needs and structural changes as well as the collaboration of full business chain and integrated professional advantages.

##### **(2) Private equity fundraising and investment amount remained sluggish with intense industry competition and increasingly prominent oligarchy**

With the advancement of domestic economic restructuring, the implementation of new regulations on asset management and further intensification of private equity supervision, the private equity market is facing severe challenges. The amount of new fundraising and investment cases in the market has declined dramatically, the fundraising market and investment market remained sluggish, and the pressure of withdrawal from equity investment projects intensified. At the same time, high-quality projects faced fierce competition, and the market has become more and more concentrated towards oligarchy. Market funds were focused on oligarchy institutions with strong professional capabilities and resource integration capabilities, and the industry reshuffle has intensified. According to the statistics from Zero2IPO Research Center private placement department, in 2019, 1,924 new funds were raised in the private equity fundraising market, with a fundraising amount of RMB1,015.689 billion, representing an increase of 0.46% over 2018; and there were 3,417 investment cases in the private equity investment market, with an investment amount of RMB593.978 billion, representing a decrease of 30.35% over 2018. In the long run, under the state policies of vigorously developing the new economy and emphasizing financial supply side reform and particularly the background of the establishment of the STAR Market, the private equity investment business faces both development opportunities and challenges, with promising vast space for future business growth. For the private equity investment business under securities companies, with professional investment management capability and full business chain advantages, we will actively create new business features and differentiated competitive advantages, thus effectively improving the efficiency of serving real economy.

## **2. Operational measures and achievements of investment management business**

### **(1) Asset management business of securities companies**

During the Reporting Period, Huatai Asset Management, a wholly-owned subsidiary of the Group, strictly followed the new asset management rules. Capitalizing on the advantage of full-service business chain resources, it enhanced its ability to acquire high-quality assets, continuously strengthened the ability of active investment management, and actively cultivated a sustainable, high-quality and high-value-added business model, providing clients with integrated financial service solutions covering the whole lifecycle and full business chain. According to the statistics from the Asset Management Association of China as of the end of the fourth quarter of 2019, the private asset management scale of Huatai Asset Management averaged RMB588.032 billion on a monthly basis, ranking the third in the industry, while its private active asset management averaged RMB252.245 billion on a monthly basis, ranking the third in the industry. According to the statistics from Wind information, the issuance scale of enterprises' ABS (asset securitization) of Huatai Asset Management during the Reporting Period was RMB90.891 billion, ranking the second in the industry.

During the Reporting Period, for asset management business of securities companies, we strictly controlled the quality of basic assets, intensified business innovation, proactively shrank the channel business scale, and actively transformed to active management. The collective asset management business developed steadily, further enriching the net worth product series. A total of 161 collective asset management plans were under management and the total management scale was RMB147.418 billion. In respect of the single asset management business, we actively promoted business transformation and proactively shrank tunnel business scale. Earnings were enhanced with regard to entrusted investment management accounts. A total of 510 single asset management plans were under management and the total management scale was RMB443.882 billion. In respect of specialized asset management business, we continued to maintain its development advantage, with the issuance number and scale of enterprise asset securitization projects ranking in the forefront of the industry and set a precedent for multiple asset securitization products in areas such as real estate and high-end equipment manufacturing. A total of 105 specialized asset management plans were under management and the total management scale was RMB111.624 billion. In respect of the public fund management business, we actively built and enriched product lines, created net-value wealth management solutions for investors with different liquidity needs, issued and established 5 public funds and managed 10 public fund products in total with aggregated management scale of RMB22.737 billion.

The table below sets forth the scale and income of the securities companies' asset management business:

Currency: RMB

Item	2019		2018	
	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)
Collective asset management business	1,474.18	133,529.53	1,128.01	141,785.03
Single asset management business	4,438.82	33,043.78	5,826.70	28,710.14
Specialized asset management business	1,116.24	9,516.18	812.79	5,747.02
Public fund management business	227.37	3,716.09	58.64	815.64

Note: The above data are from the regulatory statements.

## (2) Private equity fund management business

During the Reporting Period, the private equity fund management business actively adapted to regulatory changes. The Group continuously optimized the business structure system, continued to focus on industry positioning, strengthened the in-depth layout of key areas, actively grasped the reform dividends from the capital market such as STAR Market, and constantly enhanced strengths for professional business development. As of the end of the Reporting Period, Huatai Purple Gold Investment and its second-tier subsidiaries, as the administrators, had a total of 26 private equity investment funds filed with the Asset Management Association of China. The amount of the funds subscribed totaled RMB49.585 billion and the amount of paid-in contribution totaled RMB41.834 billion. During the Reporting Period, the above private equity investment funds had a total of 40 investment projects, among which 39 were equity investment projects and 1 was debt investment project; total investment amount was RMB2,351,844,900, among which RMB2,321,844,900 was for equity investment projects and RMB30 million was for debt investment projects.

## (3) Asset management business of fund companies

During the Reporting Period, with adherence to equal emphasis on compliance management and business development, fund companies under the Group actively adapted to regulatory trends and market changes, continued to consolidate the areas of strength, promoted business innovation, improved the construction of intelligent systems, continuously strengthened investment management capabilities, and further improved the quality of managed assets. As for asset management business of China Southern Asset Management, as of the end of the Reporting Period, the total assets managed by China Southern Asset Management amounted to RMB921.428 billion. Specifically, China Southern Asset Management managed a total of 204 funds in its mutual funds business, the total asset size of which amounted to RMB622.576 billion, and the total asset size of private funds business amounted to RMB298.852 billion. As for asset management by Huatai-PineBridge, as of the end of the Reporting Period, the total assets managed by Huatai-PineBridge amounted to RMB125.478 billion. Specifically, Huatai-PineBridge managed a total of 62 funds in its mutual funds business, the total asset size of which amounted to RMB107.713 billion, and the total asset size of private funds business amounted to RMB17.765 billion. (The profit or loss from equity investments of China Southern Asset Management and Huatai-PineBridge were included under other segments in the segment report).

#### **(4) Asset management business of futures companies**

During the Reporting Period, complying with the industry supervision trend, Huatai Futures, a holding subsidiary of the Group, continuously improved compliance risk control and management, proactively built client-oriented organizational framework and mechanism, strengthened the development and application of technology platforms, enhanced the Fintech empowerment, improved the comprehensive customer operation service system, and made energetic efforts to drive the transformation to active management business. As of the end of the Reporting Period, Huatai Futures managed a total of 24 asset management plans which were in the duration period. The total asset management scale was RMB937,078,800, and the futures equity scale was RMB193,925,500.

#### **(5) Alternative investment business**

The Group carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. During the Reporting Period, Huatai Innovative Investment continued to improve its internal management system and mechanism, actively demonstrated and prepared for co-investment business on the STAR Market according to regulatory requirements and business layout, and completed 5 co-investment projects on the STAR Market including the first co-investment project in the market. As of the end of the Reporting Period, there were 12 subsisting investment projects with an investment scale of RMB413.0861 million. The investment attributes include co-investment on the STAR Market, investment by QDLP Fund Investment, equity investment and Asset Management Plan Investment.

### **3. Prospect of investment management business for 2020**

The investment management business provides a professional platform for the Group's financial product innovation and client asset management. It plays the dual strategic roles of asset manager and product supplier, and shoulders the mission of building a competitive financial product line and assisting in the transformation of wealth management. In 2020, the Group will continue to fully rely on the resource advantage of the full business chain to create a diversified product system to meet the differentiated needs of clients, expand the scale of quality and influential products and businesses, actively build new advantages in investment management business and continuously strengthen its leading position in the industry.

In respect of the asset management business of securities companies, we will intensify risk control capability in an all-round way, cooperate with resources of the entire business chain, deeply exploit the needs of internal customers, actively explore external customers, and create a competitive feature product system to constantly improve active investment management capabilities and investment performance and keep consolidating and enhancing our market position and brand value. We proactively and orderly promote the rectification of new regulations on asset management, make use of the capabilities of asset discovery, risk pricing and product design, constantly optimize the business structure, vigorously expand the types and number of customers, and continue to enhance differentiated competitiveness.

In respect of private equity fund management business, we will continue to grasp the opportunities of capital market reform, give full play to the resource allocation of various funds such as industrial funds, M&A funds, and parent funds, as well as the advantages of key industries, and actively create first-class industry influence; we will continue to improve the construction of digital systems, and accelerate the digital transformation of work processes and realize the unified operation and management of funds through systemization, platformization and digitization.



In respect of the asset management business of fund companies, we will continue to enhance risk prevention and control and talent team building, keep optimizing the investment system, intensify the development of innovative products, actively expand the scope of market and client services, promote the deep integration of Fintech and business, and focus on improving investment management capabilities, to effectively enhance our overall asset management scale, and vigorously improve our investment performance.

In respect of the asset management business of futures companies, we will, on the basis of strengthened internal management and compliance risk control, implement the full business chain development strategies, continuously promote all-dimensional collaboration, focus on building technological platform advantages and enhance fintech empowerment, actively explore a diversified and active management and development model, and constantly improve investment management capabilities.

In respect of alternative investment business, we will constantly improve a new investment management and business development model, actively capture investment opportunities, prudently promote the implementation of equity investment and co-investment on the STAR Market, and steadily improve capital usage efficiency and return on assets.

#### **(IV) International business**

##### **1. Market environment and industry trend of international business**

###### **(1) The two-way opening up of capital market accelerates the internationalization of securities industry, and clients' demand for cross-border services promotes the international service capabilities of securities companies**

With the relaxation of the restrictions on the foreign shareholding in the securities industry, the increase of investment quota for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the full launch of the H-shares full circulation reform, the revision and improvement of the rules and regulations of QFIIs and RQFIIs, the inclusion of A-shares into MSCI Index, FTSE Russell and other important Market Index and the increase of weight of such shares, the official launch of Shanghai-London Stock Connect and the implementation of SSE-JPX ETF Connectivity products, the interconnection between domestic and overseas markets has continued to deepen, the multiple dividends released by the reform and opening up of the capital market will bring major historical opportunities to the development of the securities industry and the internationalization of securities companies will also further advance. Currently, as clients' demands for cross-border integrated financial services are growing, and the global asset allocation continues to increase, international business has become a front field for large securities companies to expand development space, increase new profit growth points and promote business structure upgrading. Securities companies shall give full play to the advantages of professional and client resources, create domestic and foreign resource synergy platforms, establish long-term cross-border linkage mechanisms and internal collaborative incentive mechanisms, constantly promote cross-border business service for clients, meet the cross-border financial needs from the Group's clients, and continuously enhance the influence of the Group's international services.

**(2) Good growth momentum of the “independent” channel of the US wealth management industry is favorable for the long-term development of the TAMP market**

From the perspective of the overall industry development, the current wealth management industry in the US mainly consists of the “independent” channel (registered investment advisors, hybrid and the independent broker-dealers, insurance broker-dealers etc.) and the “traditional” channel (national and regional broker-dealers, bank broker-dealers and wirehouse advisors, etc.). In the wealth management industry, the market share of the “independent” channel grows faster than that of the “traditional” channel and such trend sustains. According to the statistics of PriceMetrix, 67% of the investment advisors’ revenue came from management fees in 2018, which was a record level relative to commissions. From the perspective of business development trend, the funds from investors are being transferred to investment products with lower cost and fees. The TAMP industry can keep empowering and fueling the wealth management business through leading Fintech development, which can bring the cost advantage of scale to customers and help them grasp booming development opportunities. According to the statistics of Cerulli, from 2013 to 2018, the CAGR of the TAMP market was 9.1%, which was significantly higher than that of the overall investment advisory market, which was 5.4% for the same period.

**2. Operational measures and achievements of international business**

During the Reporting Period, as the Group’s holding platform for international business, Huatai International was fully integrated into the full business chain system of the Group. It enhanced the cross-border linkage of resources and deeply promoted the construction of cross-border financial product platform, so as to provide a full range of cross-border integrated financial services for domestic and foreign customers.

## **(1) Business in Hong Kong**

In respect of investment banking business of Huatai Financial Holdings (Hong Kong), the Company gave full play to domestic and overseas integration and cross-border linkage advantages to continue to expand financing channels for customers, and actively provide overseas equity and bond services. In respect of individual wealth management and retail brokerage business, the Company focused on the application of Fintech, actively created the “ZhangLe Global”, strengthened product development efforts, actively carried out product sales, deepened the domestic and foreign linkage, gave full play to the advantages of the Group’s customer system to provide comprehensive integrated financial services. In respect of research and stock sales business, the Company actively expanded research coverage, deepened A+H research integration and domestic and foreign sales team cooperation, and continued to improve overall sales and transaction capabilities, further enhancing its market influence. In respect of FICC business, the Company continuously improved the business system, strengthened product creation, trading and sales capabilities, effectively controlled credit and transaction risks, and continued to improve investment management to provide overseas financial products to domestic and foreign investors; in respect of cross-border and structured financing businesses, the Company strictly controlled credit risks, fully leveraging the synergies with investment banking business to meet customers’ financing needs derived from capital market activities; in respect of equity derivatives business, the Company actively built a cross-border derivative business platform and focused on expanding the capital-based intermediary business for cross-border derivatives to meet customers’ financing and risk management needs; in respect of asset management business, the Company continued to strengthen cross-border linkages at home and abroad, actively developed asset management products to provide clients with investment portfolio and fund management services and optimize client asset allocation.

During the Reporting Period, Huatai Financial Holdings (Hong Kong) maintained healthy and balanced business development. As of the end of the Reporting Period, Huatai Financial Holdings (Hong Kong) had a paid-in capital of HK\$8.8 billion, and such capital scale was among the forefront of the industry in Hong Kong. As for securities trading, Huatai Financial Holdings (Hong Kong) achieved the total assets under custody of HK\$33.671 billion and the total stocks trading volume of HK\$56.364 billion; as for advising on securities, it provided research reports and advisory services for customers; as for advising on corporate finance, it participated in 14 IPO projects and 42 bond issue projects, with the total amount of trading and issuance of about HK\$19.734 billion; as for financing for securities deposits, the accumulated credit amount was HK\$986 million; as for providing assets management, it achieved a total amount of funds under custody of HK\$482.436 billion (including the scale of funds under custody of AssetMark). Besides, during the Reporting Period, Huatai Financial Holdings (Hong Kong) also completed 4 financial advisory projects and 6 structured investments and financing projects. In September 2019, Huatai Financial Holdings (Hong Kong) obtained the membership of the London Stock Exchange.

## **(2) AssetMark**

AssetMark's mission is to make a difference in the lives of independent investment advisors and the investors they serve. The highlights of AssetMark's core business include fully integrated platform with compelling technology, personalised and scalable services and curated investment function. Such clear business strategies guided AssetMark to define its short-term and long-term goals. AssetMark designs and aligns its strategies to things that matter most to advisors and that differentiate it in the TAMP marketplace. In July 2019, AssetMark was successfully listed on the New York Stock Exchange to raise USD316 million. According to Cerulli Associates and other public information, as of the end of the third quarter of 2019, AssetMark's market share in the US TAMP industry was 11.0%, ranking the third in the industry.

As of the end of the Reporting Period, the total platform assets of AssetMark reached USD61.608 billion, representing an increase of approximately 37.35% from the end of 2018; the AssetMark platform served an aggregate of 7,958 independent investment advisors, representing an increase of approximately 5.08% from the end of 2018; the total investor households served by the AssetMark platform exceeded 160,000, representing an increase of approximately 21.11% from the end of 2018. During the Reporting Period, 894 independent investment advisors signed new contracts with AssetMark.

## **(3) Huatai Securities (USA)**

With the US broker-dealer license approved by the Financial Industry Regulatory Authority in June 2019, Huatai Securities (USA) was eligible to conduct broker-dealer business in the US, including securities underwriting, securities brokerage for institutional investors, M&A and financial advisory, etc. During the Reporting Period, Huatai Securities (USA) constantly improved the staff team and infrastructure, actively cooperated with domestic and Hong Kong businesses, promoted the U.S. investment banking business and group brand image through various methods, and participated in AssetMark's IPO projects as a joint bookrunner.

## **3. Prospect of international business for 2020**

International business shoulders the strategic mission of deepening cross-border development of the full business chain as well as the key to expanding room for development and creating new profit growth. The Group firmly promotes the deepening of international strategic layout. In 2020, the Company will give full play to domestic resource advantages, deepen the cross-border integrated management mechanism, strengthen the effective linkage of teams, platforms and resources, open up cross-border asset connections, enrich cross-border financial products, improve resource integration, market response, service operation capabilities and efficiency, and comprehensively enhance the competitiveness and influence of international business.

Huatai International will enhance the resource integration function of the international business holding platform, continue to improve the risk internal control system, further promote fintech empowerment, focus on strengthening the overseas platform construction layout, improve the integrated operation and management capability, closely focus on customers' needs for financial services, strengthen the cross-border linkage of the full business chain resources in different categories and levels, improve professional service system and service capabilities, and deeply expand room and potential for the development of international business.

In respect of investment banking business, Huatai Financial Holdings (Hong Kong) will strengthen the linkage between domestic and overseas teams, consolidate the investment banking capitalization model, strengthen the coordinated development of investment banking and cross-border financing business, improve the risk control capabilities, asset turnover and return on invested capital of projects; in respect of individual wealth management and the retail brokerage business, the Company will deepen domestic and overseas collaboration, continuously optimize the mobile terminal for wealth management “ZhangLe Global”, continue to improve product and service capabilities and improve customer marketing and development efficiency to acquire customers massively; in respect of research and stock sales business, it will give full play to the advantages of local industry research, comprehensively promote the A+H research integration, and continuously improve the coverage and penetration of institutional services; in respect of FICC business, it will coordinate the sales end, product creation end and investment transaction end to provide domestic and foreign customers with comprehensive solutions to investment, financing, trading and risk management of different asset classes, currency types and interest rates; it will grasp the customers’ northbound and southbound investment needs, and expand capital intermediary and valet business through capital driving; in respect of equity derivatives business, it will actively expand business boundaries and build a financial product platform across domestic and foreign markets to meet customers’ needs for cross-border financial services; in respect of asset management business, it will strengthen synergy and cooperation, fully exploit the advantages of business resources, actively develop new products, strengthen investment research capabilities, and effectively meet the needs of asset management business.

AssetMark will apply its corporate values to all aspects of business development in adherence to its core strategy, holding onto the core business highlights, continue to build an integrated technology platform, improve customizable and scaled services, and strengthen advanced investment management capabilities. AssetMark will continue to deepen cooperation with the existing investment advisors, increase platform assets, and further expand the investment consulting customer base by leveraging sales techniques. AssetMark will actively expand relevant customer channels, including small registered investment advisory (RIA) channels, bank trust channels, insurance business channels, etc., strive to promote scale-based business, focus on increasing the scale of business under custody, and actively optimize the overall operating environment while promoting the implementation of responsibilities of public companies. In addition, AssetMark will continue to focus on high-quality strategic M&A opportunities to promote extensive growth.

Huatai Securities (USA) will further improve the team building, moderately expand the capital scale, and enrich the front-line investment banking business and institutional sales and trading talent teams, while focusing on reinforcing the strength of middle and back office talents to improve compliance, operations, and risk control capabilities. It will strengthen the collaboration with domestic and Hong Kong business teams and actively open up space for business development.

#### **(V) Business innovation and its effects on the Company’s business performance, future development and risk control**

During the Reporting Period, the Company constantly facilitated business innovation activities, promoted the innovation of new businesses, new products, services and management modes, and constantly improved its innovation ability. The development of innovative business is a supplement to the existing product lines and business scope, which can effectively release business space, expand client resources and revenue sources, enhance profitability, as well as improve customer structure and business model, meet customers’ full and diversified business needs, and further enhance brand influence.

During the Reporting Period, the Company optimized the approval and solidification process of new business, conducted risk assessment review or record management of the new business of the Company and related subsidiaries, improved the new business management ledger and enhanced the efficiency of risk assessment of innovative businesses to ensure that all innovative businesses could be carried out constantly and steadily on the premise that related risks are measurable, controllable and bearable.

The Company took the initiative to promote business on the STAR Market and comprehensively analyzed and identified business risks relating to the characteristics of the STAR Market. It developed and improved various systems and risk control measures in accordance with various regulatory requirements and strengthened in-process monitoring to ensure the steady development of the STAR Market business and keep the business risks under control. In respect of brokerage business, it strictly implemented customer access and appropriateness management. In respect of investment banking business, multiple rounds of assessments were conducted in accordance with various regulatory requirements, various investment banking business systems were revised, risk control measures were improved, and a co-investment mechanism was implemented. In respect of co-investment business of the STAR Market, it conducted risk assessment for co-investment projects, prudently set up a co-investment upper limit for a single project, and established a corresponding valuation management system. Regarding the margin financing and securities lending business on the STAR Market, the Company researched and improved relevant risk control measures in the whole process covering appropriateness management on investors, collateral and underlying securities management, business scale management, credit account management and mark-to-market and position liquidation management.

In respect of market-making business, the Company was approved for market-making business of treasury bond futures, CSI 300 ETF options and CSI 300 stock index options, PTA and methanol options. In order to ensure the fulfillment of market-making obligations and keep the business risks under control, the Company has formulated corresponding risk limits, made strict regulations on positions, concentration and transaction quotas, and implemented them in the system.

During the Reporting Period, the Company was approved to conduct pilot program of foreign exchange settlement and sales business, and has established a corresponding risk management system for such business to take strict control over the risks of exchange rates, interest rates, concentration and sensitivity, and has integrated this business into the concentration risk management system for investment and trading businesses of the Company.

## **II. MAJOR OPERATIONS DURING THE REPORTING PERIOD**

As of December 31, 2019, on a consolidated basis, total assets of the Group amounted to RMB562,180,638 thousand, representing a year-on-year increase of 52.49%; total equity attributable to shareholders of the Company amounted to RMB122,537,479 thousand, representing a year-on-year increase of 18.52%; total revenue and other income amounted to RMB32,436,781 thousand, representing a year-on-year increase of 32.36%; and profit for the year attributable to shareholders of the Company amounted to RMB9,001,644 thousand, representing a year-on-year increase of 78.86%.

(I) **Analysis table of the changes in relevant items of the income statement and the cash flow statement**

Unit: Thousand Yuan Currency: RMB

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the same period of last year</b>	<b>Change percentage (%)</b>
Total revenue and other income	32,436,781	24,506,734	32.36
Total expenses	23,577,265	19,017,372	23.98
Profit before income tax	11,585,965	6,448,671	79.66
Profit for the year attributable to the shareholders of the Company	9,001,644	5,032,738	78.86
Net cash (used in)/generated from operating activities	(3,594,637)	28,457,782	(112.63)
Net cash (used in)/generated from investing activities	(3,943,473)	(10,488,210)	(62.40)
Net cash generated from/(used in) financing activities	35,669,120	(8,708,572)	N/A
Net increase in cash and cash equivalents	28,131,010	9,261,000	203.76

**1. Income and other gains**

For the year ended December 31, 2019, the Group recorded income and other gains of RMB32,437 million, representing a year-on-year increase of 32.36%, which was mainly attributable to the increase in fee and commission income and net investment gains, in which:

- (1) Fee and commission income recorded a year-on-year increase of 20.25% to RMB13,011 million, accounting for 40.11%, mainly due to the increase in commission income from brokerage business and fee income from asset management business.
- (2) Interest income recorded a year-on-year decrease of 8.43% to RMB8,683 million, accounting for 26.77%, mainly due to the increase in the Group's interest income of financing while the decrease in interest income of stock pledged repurchase business.
- (3) Net investment gains recorded a year-on-year increase of 172.03% to RMB9,180 million, accounting for 28.30%, mainly due to the increase in the Group's investment transactions and private equity business investment income as a result of the rebound in market conditions.
- (4) Other income and gains recorded a year-on-year increase of 88.34% to RMB1,563 million, accounting for 4.82%, mainly due to the increase in physical trade sales income of subsidiaries.

Unit: Thousand Yuan Currency: RMB

Item	2019		2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission income	13,011,269	40.11%	10,819,910	44.15%	2,191,359	20.25%
Interest income	8,682,693	26.77%	9,482,368	38.69%	(799,675)	(8.43)%
Net investment gains	9,179,944	28.30%	3,374,651	13.77%	5,805,293	172.03%
Other income and gains	1,562,875	4.82%	829,805	3.39%	733,070	88.34%
Total revenue and other income	32,436,781	100.00%	24,506,734	100.00%	7,930,047	32.36%

## 2. Total expenses

As of December 31, 2019, the Group's total expenses were RMB23,577 million, representing a year-on-year increase of 23.98%, mainly due to the increase in staff costs and fee expenses, in which:

- (1) Fee and commission expenses amounted to RMB3,724 million, representing a year-on-year increase of 35.02%, mainly due to the increase in expenses from securities brokerage and consulting business.
- (2) Interest expenses amounted to RMB6,561 million, representing a year-on-year increase of 1.45%, mainly due to the dual impact of the increase in financing scale and the decline in financing interest rates.
- (3) Staff costs amounted to RMB7,693 million, representing a year-on-year increase of 43.20%, mainly due to the increase in accrued staff costs as a result of the income growth in the Group.
- (4) Other expenses mainly include depreciation and amortisation expenses, tax and surcharge as well as (reversal of)/provision for asset impairment loss and other operating expenses. Among which, other operating expenses were RMB3,534 million, representing a year-on-year increase of 26.56% during the Reporting Period, which was mainly attributable to the increase in business cost of in-kind transactions business of subsidiaries.

Unit: Thousand Yuan Currency: RMB

Item	2019		2018		Increase/Decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission expenses	3,723,642	15.79%	2,757,773	14.50%	965,869	35.02%
Interest expenses	6,561,019	27.83%	6,466,970	34.01%	94,049	1.45%
Staff cost	7,693,154	32.63%	5,372,341	28.25%	2,320,813	43.20%
Depreciation and amortisation expenses	1,197,068	5.08%	625,897	3.29%	571,171	91.26%
Tax and surcharges	151,890	0.64%	139,711	0.73%	12,179	8.72%
Other operating expenses	3,533,560	14.99%	2,786,691	14.65%	746,869	26.80%
Net provision for impairment loss on financial assets	719,549	3.05%	862,694	4.54%	(143,145)	(16.59)%
Net (reversal of)/provision for impairment loss on other assets	(2,617)	(0.01)%	5,295	0.03%	(7,912)	(149.42)%
Total expenses	23,577,265	100.00%	19,017,372	100.00%	4,559,893	23.98%



### 3. Analysis of income and other gains and expenses

#### (1) Analysis of segment income and other gains

Unit: Thousand Yuan Currency: RMB

Business segment	Segment income and other gains for the current period	Percentage of total segment income and other gains for the current period (%)	Segment income and other gains for the same period of last year	Percentage of total segment income and other gains for the same period of last year (%)	Increase or decrease in percentage of total segment income and other gains as compared to the same period of last year
Wealth management business	14,143,760	43.60	12,991,093	53.01	Decrease of 9.41 percentage points
Institutional services business	8,367,659	25.80	3,109,716	12.69	Increase of 13.11 percentage points
Investment management business	4,367,993	13.47	3,398,809	13.87	Decrease of 0.40 percentage point
International business	4,048,517	12.48	3,115,539	12.71	Decrease of 0.23 percentage point
Others (including offset)	1,508,852	4.65	1,891,577	7.72	Decrease of 3.07 percentage points

During the Reporting Period, on a combined basis, the Group recorded income and other gains of RMB32,436,781 thousand in total, representing a year-on-year increase of 32.36%. Among the principal business segments, income and other gains from wealth management, institutional services, investment management and international business increased year-on-year by RMB1,152,667 thousand, RMB5,257,943 thousand, RMB969,184 thousand and RMB932,978 thousand, respectively.

In terms of income structure, investment and trading business performed well for the year benefiting from the market recovery, and the proportion of income from the segments of institutional service business increased by 13.11 percentage points, accounting for 25.80% of the total income in the Group; while the proportion of income from the segments of wealth management business, investment management business and international business recorded a year-on-year decrease.

## (2) Statement of analysis on segment expenses

Unit: Thousand Yuan Currency: RMB

Business segment	Segment expenses for the current period	Percentage of total segment expenses for the current period (%)	Segment expenses for the same period of last year	Percentage of total segment expenses for the same period of last year (%)	Increase or decrease in percentage of total segment expenses as compared to the same period of last year
Wealth management business	(10,057,458)	42.66	(9,138,114)	48.05	Decrease of 5.39 percentage points
Institutional services business	(5,314,444)	22.54	(3,723,151)	19.58	Increase of 2.96 percentage points
Investment management business	(1,429,079)	6.06	(1,207,630)	6.35	Decrease of 0.29 percentage point
International business	(3,945,267)	16.73	(2,840,017)	14.93	Increase of 1.80 percentage points
Others (including offset)	(2,831,017)	12.01	(2,108,460)	11.09	Increase of 0.92 percentage point

In terms of expenses of each business segment as a percentage of total expenses of the Group, expenses of wealth management business segment decreased by 5.39 percentage points, mainly due to the reduction in related financing costs as a result of the decline in stock pledged repurchase business scale; the expenses of institutional services business segment increased by 2.96 percentage points, mainly due to the increase in interest expenses of this segment; expenses of international business increased by 1.80 percentage points, mainly due to the increase in staff costs of this segment.

## 4. Cash flow

Unit: Thousand Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Amount of increase or decrease	Percentage of increase or decrease (%)
Net cash (used in)/generated from operating activities	(3,594,637)	28,457,782	(32,052,419)	(112.63)
Net cash (used in)/generated from investing activities	(3,943,473)	(10,488,210)	6,544,737	(62.40)
Net cash generated from/(used in) financing activities	35,669,120	(8,708,572)	44,377,692	N/A
Net increase in cash and cash equivalents	28,131,010	9,261,000	18,870,010	203.76

During the Reporting Period, the net increase of cash and cash equivalent of the Group was RMB28,131,010 thousand, in which:

- (1) Net cash used in operating activities was RMB3,594,637 thousand, mainly due to capital outflow as a result of the increase in financing business scale and the investment in financial assets.
- (2) Net cash used in investing activities was RMB3,943,473 thousand, mainly due to the increased investment scale in financial products.
- (3) Net cash generated from financing activities was RMB35,669,120 thousand, mainly due to the issuance of GDRs and the debt instrument financing of the Group.

## 5. Detailed description of significant changes in components or sources of the Group's profit

Unit: Thousand Yuan    Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Year-on-year change (%)	Principal reason
Total revenue and other gains	32,436,781	24,506,734	32.36	Increase in fee and commission income and net investment gains
Total expenses	23,577,265	19,017,372	23.98	Increase in fee and commission expenses and staff costs
Operating profit	8,859,516	5,489,362	61.39	Increase in total revenue and other gains
Profit before income tax	11,585,965	6,448,671	79.66	Increase in total revenue and other gains
Profit for the year	9,057,213	5,160,887	75.50	Increase in total revenue and other gains
Among which: profit for the year attributable to shareholders of the Company	9,001,644	5,032,738	78.86	Increase in total revenue and other gains
Total assets	562,180,638	368,665,874	52.49	Increase in financial investment, cash held on behalf of brokerage clients and cash and bank balances
Total liabilities	436,525,930	263,916,270	65.40	Increase in repurchase and debt financing scale
Total shareholders' equity	125,654,708	104,749,604	19.96	The issuance of GDRs and profit retention for the year

## (II) Analysis of key items of consolidated statement of financial position

### 1. General Description of Consolidated Statement of Financial Position

Unit: Thousand Yuan Currency: RMB

Item	As at December 31, 2019		As at December 31, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Non-current assets</b>						
Property and equipment	4,668,116	0.83%	3,548,153	0.96%	1,119,963	31.56%
Investment properties	527,089	0.09%	586,334	0.16%	(59,245)	(10.10)%
Goodwill	2,333,862	0.42%	2,099,412	0.57%	234,450	11.17%
Other intangible assets	5,711,457	1.02%	5,462,012	1.48%	249,445	4.57%
Interest in associates	14,974,547	2.66%	12,527,828	3.40%	2,446,719	19.53%
Interest in joint ventures	664,458	0.12%	649,833	0.18%	14,625	2.25%
Debt investment at amortised cost	15,128,953	2.69%	13,854,878	3.76%	1,274,075	9.20%
Financial assets at fair value through other comprehensive income	11,232,633	2.00%	10,098,382	2.74%	1,134,251	11.23%
Financial assets held under resale agreements	–	–	2,812,194	0.76%	(2,812,194)	(100.00)%
Financial assets at fair value through profit or loss	6,966,333	1.24%	5,155,176	1.40%	1,811,157	35.13%
Refundable deposits	12,653,540	2.25%	7,836,506	2.13%	4,817,034	61.47%
Deferred tax assets	202,825	0.04%	225,135	0.06%	(22,310)	(9.91)%
Other non-current assets	260,669	0.05%	259,751	0.07%	918	0.35%
<b>Total non-current assets</b>	<b>75,324,482</b>	<b>13.40%</b>	<b>65,115,594</b>	<b>17.66%</b>	<b>10,208,888</b>	<b>15.68%</b>
<b>Current assets</b>						
Accounts receivable	5,511,168	0.98%	3,090,165	0.84%	2,421,003	78.35%
Margin accounts receivable	69,006,280	12.27%	46,188,885	12.53%	22,817,395	49.40%
Debt investment at amortised cost	4,610,805	0.82%	2,419,286	0.66%	2,191,519	90.59%
Financial assets at fair value through profit or loss	245,829,339	43.73%	117,089,156	31.76%	128,740,183	109.95%
Financial assets at fair value through other comprehensive income	1,125,342	0.20%	358,361	0.10%	766,981	214.02%
Derivative financial assets	1,858,041	0.33%	1,933,958	0.52%	(75,917)	(3.93)%
Financial assets held under resale agreements	18,466,280	3.28%	40,744,371	11.05%	(22,278,091)	(54.68)%
Other receivables and prepayments	880,271	0.16%	1,555,090	0.42%	(674,819)	(43.39)%
Clearing settlement funds	6,755,604	1.20%	3,023,370	0.82%	3,732,234	123.45%
Cash held on behalf of brokerage clients	82,959,838	14.76%	58,947,013	15.99%	24,012,825	40.74%
Cash and bank balances	49,853,188	8.87%	28,200,625	7.65%	21,652,563	76.78%
<b>Total current assets</b>	<b>486,856,156</b>	<b>86.60%</b>	<b>303,550,280</b>	<b>82.34%</b>	<b>183,305,876</b>	<b>60.39%</b>
<b>Total assets</b>	<b>562,180,638</b>	<b>100.00%</b>	<b>368,665,874</b>	<b>100.00%</b>	<b>193,514,764</b>	<b>52.49%</b>

Item	As at December 31, 2019		As at December 31, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Current liabilities</b>						
Short-term bank loans	5,724,131	1.31%	3,015,791	1.14%	2,708,340	89.81%
Accounts payable to brokerage clients	89,817,920	20.58%	59,492,176	22.54%	30,325,744	50.97%
Derivative financial liabilities	1,278,399	0.29%	776,102	0.29%	502,297	64.72%
Financial liabilities at fair value through profit or loss	4,689,620	1.07%	2,874,584	1.09%	1,815,036	63.14%
Financial assets sold under repurchase agreements	109,719,045	25.13%	40,095,054	15.19%	69,623,991	173.65%
Employee benefits payable	2,573,753	0.59%	2,869,042	1.09%	(295,289)	(10.29)%
Current tax liabilities	388,154	0.09%	284,436	0.11%	103,718	36.46%
Placements from other financial institutions	11,362,598	2.60%	5,813,487	2.20%	5,549,111	95.45%
Short-term debt instruments issued	46,425,196	10.64%	21,124,000	8.00%	25,301,196	119.77%
Long-term bank loans due within one year	–	–	15,820	0.01%	(15,820)	(100.00)%
Long-term bonds due within one year	14,716,533	3.37%	24,844,616	9.41%	(10,128,083)	(40.77)%
Contract liabilities	19,179	–	7,442	–	11,737	157.71%
Other payables and accruals	86,836,626	19.89%	53,793,086	20.38%	33,043,540	61.43%
<b>Total current liabilities</b>	<b>373,551,154</b>	<b>85.57%</b>	<b>215,005,636</b>	<b>81.47%</b>	<b>158,545,518</b>	<b>73.74%</b>
<b>Net current assets</b>	<b>113,305,002</b>	<b>–</b>	<b>88,544,644</b>	<b>–</b>	<b>24,760,358</b>	<b>27.96%</b>
<b>Total assets less current liabilities</b>	<b>188,629,484</b>	<b>–</b>	<b>153,660,238</b>	<b>–</b>	<b>34,969,246</b>	<b>22.76%</b>
<b>Non-current liabilities</b>						
Financial liabilities at fair value through profit or loss	2,690,563	0.62%	2,325,405	0.88%	365,158	15.70%
Long-term bonds	49,899,825	11.43%	38,046,114	14.42%	11,853,711	31.16%
Non-current employee benefits payable	6,360,633	1.46%	5,045,990	1.91%	1,314,643	26.05%
Long-term bank loans	850,997	0.19%	1,682,949	0.64%	(831,952)	(49.43)%
Deferred tax liabilities	2,566,800	0.59%	1,810,176	0.69%	756,624	41.80%
Other payables and accruals	605,958	0.14%	–	–	605,958	–
<b>Total non-current liabilities</b>	<b>62,974,776</b>	<b>14.43%</b>	<b>48,910,634</b>	<b>18.53%</b>	<b>14,064,142</b>	<b>28.75%</b>
<b>Net assets</b>	<b>125,654,708</b>	<b>–</b>	<b>104,749,604</b>	<b>–</b>	<b>20,905,104</b>	<b>19.96%</b>
<b>Shareholders' equity</b>						
Share capital	9,076,650	7.22%	8,251,500	7.88%	825,150	10.00%
Reserves	90,282,418	71.85%	75,725,973	72.29%	14,556,445	19.22%
Retained profits	23,178,411	18.45%	19,416,104	18.54%	3,762,307	19.38%
Total equity attributable to shareholders of the Company	122,537,479	97.52%	103,393,577	98.71%	19,143,902	18.52%
Non-controlling interests	3,117,229	2.48%	1,356,027	1.29%	1,761,202	129.88%
<b>Total shareholders' equity</b>	<b>125,654,708</b>	<b>100.00%</b>	<b>104,749,604</b>	<b>100.00%</b>	<b>20,905,104</b>	<b>19.96%</b>

As of December 31, 2019, total non-current assets of the Group amounted to RMB75,324 million, representing an increase of RMB10,209 million as compared to the beginning of the year, which was mainly due to the increase of RMB4,817 million in refundable deposits, and the increase of RMB2,447 million in interest in associates. As of December 31, 2019, total non-current liabilities of the Group amounted to RMB62,975 million, representing an increase of RMB14,064 million as compared to the beginning of the year, which was mainly due to the increase in long-term bonds of RMB11,854 million.

As of December 31, 2019, total current assets of the Group amounted to RMB486,856 million, representing an increase of RMB183,306 million as compared to the beginning of the year, which was mainly due to the increase in financial assets at fair value through profit or loss of RMB128,740 million. As of December 31, 2019, total current liabilities of the Group amounted to RMB373,551 million, representing an increase of RMB158,546 million as compared to the beginning of the year, which was mainly due to the increase in accounts payable to brokerage clients of RMB30,326 million, the increase in financial assets sold under repurchase agreements of RMB69,624 million, and the increase in short-term debt instruments of RMB25,301 million.

## 2. Major restricted assets as of the end of the Reporting Period

As of the end of the Reporting Period, major restricted assets of the Group totaled RMB123,933,530 thousand, including cash and bank balances, margin accounts receivable, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and debt investment at amortised cost. Except for the above assets, no prime assets of the Group were seized, detained, frozen, mortgaged or pledged so that they could or could not be realized, or could not be used to pay the debts only under a certain condition. There was no circumstance or arrangement under which the prime assets were occupied, used or benefited or the disposal of them was limited.

## 3. Description of changes in the measurement of assets measured at fair value and prime assets

Fair value refers to the price received for selling one asset or the price payable for transferring one liability by a market participant in an orderly transaction on the measurement date.

When estimating the fair value, the Group considers the characteristics that the market participants consider when they price the related assets or liabilities on the measurement date (including the asset status and the limitation on selling or using the assets), and adopts the currently available valuation techniques that are supported by adequate available data and other information. The main valuation techniques used include market approach, income approach and cost approach.

The impact of gains and losses of changes in fair value on the Group's profit during the Reporting Period is as follows:

	Unit: Yuan    Currency: RMB	
Item	Impact on profit for 2019	Impact on profit for 2018
Financial assets at fair value through profit or loss	3,948,812,655.81	(630,875,710.86)
Financial liabilities at fair value through profit or loss	(451,295,397.16)	(124,406,320.24)
Derivative financial instruments	(1,440,211,097.38)	2,553,224,020.86
Total	2,057,306,161.27	1,797,941,989.76

## 4. Structure and quality of assets

As of December 31, 2019, total shareholders' equity of the Group amounted to RMB125,655 million, representing an increase of RMB20,905 million as compared to the beginning of the year, which was mainly due to the increase in the Group's GDR fund and profit.

The asset structure of the Group continued to be optimized and the assets maintained good quality and liquidity. As of December 31, 2019, total assets of the Group amounted to RMB562,181 million, representing an increase of RMB193,515 million or 52.49% as compared to the beginning of the year. Specifically, cash and bank balances and clearing settlement funds accounted for 10.07% of the total assets; margin accounts receivable accounted for 12.27% of the total assets; cash held on behalf of brokerage clients accounted for 14.76% of the total assets; financial assets held under resale agreements accounted for 3.28% of the total assets; property and equipment accounted for 0.83% of the total assets; and financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, debt investment at amortised cost, accounts receivable, other receivables and prepayment accounted for 51.81% of the total assets. Most of the assets have strong cashability. The Group's assets have strong liquidity and the asset structure is reasonable. As of December 31, 2019, the ratio of current assets to current liabilities was 1.40 (excluding the impact of customer funds).

As of December 31, 2019, the Group obtained funds through placement from China Securities Finance Corporation Limited, borrowings and debt financing instruments. As of the end of the Reporting Period, total principal of the placements from other financial institutions of the Group amounted to RMB121,920 million. Details are shown as follows:

Unit: Thousand Yuan Currency: RMB

	<b>As of December 31, 2019</b>
<b>Borrowings and debt financing plans</b>	
Placement from China Securities Finance Corporation Limited	6,000,000
Short-term borrowings	5,718,296
Short-term financing funds payable	46,933,160
Bonds payable	63,268,618
Total principal	121,920,075

Borrowings and debt-financing with a financing maturity of more than one year were RMB48,987 million, accounting for 40.18%. Among them, programs with a financing maturity of one to two years were RMB11,295 million, and those with a financing maturity of two to five years were RMB37,693 million. Borrowings and debt-financing with a financing maturity of less than one year were RMB72,933 million, accounting for 59.82%.

As of December 31, 2019, the Group's borrowings and debt financing with fixed interest rate were RMB109,616 million. In particular, the balance of short-term borrowings was RMB5,718 million; the balance of placement from China Securities Finance Corporation Limited was RMB6,000 million; short-term financing bonds were RMB15,000 million; the balance of income receipts with fixed interest rate was RMB20,051 million; the balance of corporate bonds was RMB44,500 million; the balance of subordinated debts was RMB8,800 million; the balance of foreign debts was RMB3,547 million; and the balance of financial debts was RMB6,000 million.

As of December 31, 2019, cash and cash equivalents of the Group amounted to RMB69,199 million.

As of December 31, 2019, all of the Group's short-term bank borrowings were pledge borrowings and credit borrowings.

## 5. Analysis of profitability

In 2019, under the context of complex and changing global macro environment and continuous deepening of reform and opening-up of capital market, the Group achieved historic breakthroughs in two major fields of market-oriented reform and international layout, with its main businesses steadily increasing, its comprehensive strength soundly ranking in the forefront of the industry, and its market influence and international recognition continuously improving. In the aspect of our leading businesses, we strengthened our strengths and strove for excellence; and in the aspect of high-level businesses, we took the initiative to arrange the layout and innovate and forge ahead. The market rankings of the Group in terms of stock fund trading volume, financing balance, equity financing, M&A and restructuring and asset management scale were in leading positions in the industry with the international business developing steadily. The total revenue and other income for the whole year amounted to RMB32,436,781 thousand. The profit for the year attributable to the Shareholders of the Company amounted to RMB9,001,644 thousand, and the profitability was steadily improved.

## 6. Explanations on the changes in the scope of consolidation of the statements

For details of the explanations on the changes in the scope of consolidation of the statements of the Group, please refer to Note 24 to the financial statements of this report headed “Investment in Subsidiaries”.

## 7. Analysis of income tax policy

During the Reporting Period, the Company’s income tax was subject to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Enforcement Regulations of Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》). The calculation and payment methods of the income tax shall be subject to the Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Corporate Income Tax on Trans-regional Business Operations (GJSWZJGG [2012] No. 57) (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》(國家稅務總局公告[2012]57號)). The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The Company enjoys the preferential policy of calculating and deducting research and development expenses, and the profit tax rate applicable to the Hong Kong subsidiary of the Company is 16.5%. Other overseas subsidiaries of the Company are subject to income taxes at tax rates applicable in their jurisdictions.

## 8. Analysis of financing channels and financing capacity

Financing channels      In terms of financing methods, the Company has two financing channels, equity financing and debt financing. In terms of financing maturity, the Company’s short-term financing channels mainly included credit lending via interbank market, bond repurchasing via interbank market and stock exchange market, issuing short-term corporate bonds, short-term subordinated debt and income credential, carrying out income rights financing in relation to margin financing and securities lending from banks and other financial institutions, and asset securitization, etc., and the Company’s medium and long-term financing channels included issuing corporate bonds (including non-public corporate bonds), long-term subordinated debt and equity refinancing, etc. After years of effective efforts, the Company explored and established a short, medium and long-term financing platform with new financing tools and multiple financing channels, which played a key role in the rapid development process of the Company’s business.



Liquidity management policies and measures The Company has always attached great importance to liquidity management. As for funds management, it adhered to the principle of “full amount concentrated, allocated in a unified way, valued by classification and monitored timely”. In terms of management and development strategies, it paid attention to matching business scale with liabilities. Based on reasonable asset allocation and diversified debt financing, the Company ensured reasonable matching of duration, scale of assets liabilities and proper liquidity.

The Company followed the general principles of comprehensiveness, prudence, predictiveness for liquidity risk management according to the centralized management and hierarchical prevention and control management model, established a liquidity risk management system based on comprehensive risk management framework, as well as a sound liquidity risk management system appropriate to the Company’s strategy, and implemented liquidity risk management policy with the preference for “steadiness and safety”. The Company ensured no liquidity risk that would cause significant impacts on sustainable operation, so as to fully guarantee the steady and safe development of the business of the Company.

In order to ensure its liquidity, the Company has adopted various measures mainly including: 1) constantly improving the capital planning system, strengthening the management of capital position and cash flow monitoring, so as to ensure the security of daytime liquidity; 2) strengthening the management for the matching between durations of assets and liabilities and establishing high-quality current asset reserves, in order to enhance the diversity and stability of financing; 3) continuously improving the liquidity management platform, and achieving effective identification, measurement, monitoring and controlling on liquidity risks through information system, in order to ensure that the liquidity risks are measurable, controllable and tolerable; 4) analyzing supervisory indicators of cash flow and liquidity risk under certain stress scenarios to evaluate the tolerance level of the Company for liquidity risks and analyzing the stress test results to constantly improve the Company’s response capacity for liquidity risks; 5) strengthening the subsidiary liquidity risk guidance, improving the subsidiaries’ liquidity risk management ability; 6) organizing the formulation, exercise and evaluation of a liquidity risk contingency plan, in order to improve the Company’s emergency capacity for liquidity risks; and 7) improving the liquidity risk reporting system, so as to ensure that the management is able to keep abreast of the Group’s liquidity risk level and management situation.

**Analysis of financing capability and financing strategy** The Company operated in compliance with regulations, enjoyed sound reputation as well as strong capital strength, profitability and debt repayment ability, maintained good cooperation relationships with commercial banks, had sufficient bank credit with the credit line increasing steadily, and possessed strong short-term and medium-to-long term financing abilities. As a listed securities dealer, the Company can also meet the fund demand for long-term development by means such as equity refinancing.

Taking into consideration both liquidity and profitability, the Company held a certain amount of fixed-income products. Interest rate changes will bring direct impact to the interest income of the cash and the market price and investment income of the bond investment held by the Company. Margin financing and securities lending and other capital intermediary business, corporate debt financing and other businesses which directly relate to interest rates may directly impact corresponding interest income and financing interest expenses. At the same time, the Company's stock investment was also indirectly affected by interest rate changes. In addition, as the Company has registered overseas subsidiaries whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, and the changes of exchange rate will have certain impact on the Company's financial situation.

To maintain the liquidity of the Company's assets and rate of return, the Company's own capital was uniformly managed by Capital Operation Department in accordance with a sound management system and corresponding business processes. The Company optimized the distribution of assets and liabilities structure by timely adjusting all kinds of asset structure, strengthened the research on the interest rate and exchange rate market, and used appropriate interest rate, exchange rate and other derivative financial tools to avoid risks and reduce the influence of these factors.

Contingencies and their impacts on the financial situation of the Company –

### **(III) Analysis of industry operation**

For details, please refer to “Management Discussion and Analysis and Report of the Board” in this report.

### **(IV) Analysis of investments**

#### **1. Overall analysis of external equity investments**

As of the end of the Reporting Period, long-term equity investments of the Group amounted to RMB15.639 billion, representing an increase of RMB2.461 billion or 18.68% as compared to RMB13.178 billion as at the beginning of the period. For details of the overall situation of the Group's external equity investment, please refer to Note 25 headed “Interest in associates” and Note 26 headed “Interest in joint ventures” to the financial statements in this report.

## (1) Significant equity investment

Unit: Ten Thousand Yuan Currency: RMB

Name of invested unit	Main business	Shareholding ratio at the end of the period	Increased contribution in the current period	Book value at the beginning of the period	Increase and decrease in the current period	Book value at the end of the period	Profit or loss during the Reporting Period	Change of owner's equity during the Reporting Period
China Southern Asset Management	Fund raising, fund sales, asset management, etc	41.16%	32,662.22	214,440.29	66,987.26	281,427.55	37,566.10	11,681.54

Notes: 1. Profit or loss during the Reporting Period refers to the effect of the investment on the consolidated net profit for the Reporting Period.

2. Change of owner's equity during the Reporting Period do not include the impact of profit or loss during the Reporting Period.

In 2019, the Company signed an Agreement on Capital Increases with the parties involved in the capital increases of China Southern Asset Management to increase equity investments in China Southern Asset Management, and the shareholding ratio in China Southern Asset Management was changed from 45.00% to 41.16% after the completion of capital increases. As of December 31, 2019, the Company believed that it still had a significant influence on China Southern Asset Management, and the long-term equity investment was calculated according to the equity method.

## (2) The Company had no significant non-equity investment

## (3) Financial assets measured at fair value

Unit: Thousand Yuan Currency: RMB

Item	Balance at the end of last year	Balance at the end of this year	Investment income during the Reporting Period	The changed amount of fair value during the Reporting Period
Financial assets at fair value through profit or loss	122,244,331	252,795,672	8,423,871	3,948,813
Financial assets at fair value through other comprehensive income	10,456,742	12,357,975	654,352	494,709
Derivative financial instruments	1,157,856	579,642	(1,751,145)	(1,440,211)

## **2. Information about the use of raised funds**

### **(1) Overview of the use of raised funds**

#### **① Overview of the use of funds raised from the issuance of A Shares**

##### **(a) Information about the use of funds raised from the Initial Public Offering of A Shares**

Under the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) (《關於核准华泰證券股份有限公司首次公開發行股票的批覆》(證監許可[2010]138號)) issued by the CSRC, the Company publicly issued 784,561,275 RMB denominated ordinary shares to the public on February 9, 2010, each with a nominal value of RMB1.00 at an offering price of RMB20.00, and the total amount of funds raised was RMB15,691,225,500.00. The raised funds after deducting the underwriting fee and sponsoring fee of RMB130 million were RMB15,561,225,500.00, which were all in place on February 12, 2010, and verified by Jiangsu Talent Certified Public Accountants with the capital verification report of “Tian Heng Yan Zi (2010) No. 009”. As of December 31, 2012, all the principal of the funds raised from the IPO were used up and the accumulative amount of RMB15.681 billion of the raised funds (including interest of raised funds of RMB119,808,200) were used. All of the accounts designated for the use of raised funds of the Company have been cancelled with settlement of interests.

##### **(b) Information about the use of funds raised from the Non-Public Issuance of A Shares**

Upon the Approval for the Non-Public Issuance of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) (《關於核准华泰證券股份有限公司非公開發行股票的批覆》(證監許可[2018]315號)) issued by the CSRC, the Company completed the non-public issuance of 1,088,731,200 RMB denominated ordinary shares (A Shares) in July 2018, each with a nominal value of RMB1.00 at an offering price of RMB13.05 and the total amount of funds raised was RMB14,207,942,160.00. After deducting the issuing fees of RMB74,736,488.79 related to the non-public offering (including underwriting sponsorship fee, attorney fee, accountant fee, information disclosure fee, issuance registration fee, stamp duty and other fees), the net funds raised were RMB14,133,205,671.21, which were all in place on July 31, 2018 and were verified by KPMG Huazhen LLP with the capital verification report (KPMG Huazhen Yan Zi No. 1800286).

In December 2019, according to the Proposal on Changing the Use of the Raised Funds of Partial Non-public Issuance of A Shares (《關於變更部分非公開發行A股股票募集資金用途的議案》) examined and approved by the 2019 First Extraordinary General Meeting of the Company, the Company adjusted the use of part of the raised funds, changing the original use of RMB100 million “to increase investment in Hong Kong subsidiaries and expand overseas business” to “to further expand the scale of credit trading business such as margin trading and stock pledge”.

As of the end of the Reporting Period, the Company, with respect to its non-public issuance of A Shares, has used raised funds of: RMB4,900,000,000.00 for further expanding credit trading business such as margin financing and securities lending and stock pledge; RMB8,000,000,000.00 for expanding the investment of fixed income products and increasing the reserves of high-quality liquid assets of the Company; RMB500,000,000.00 for capital increase in Huatai Purple Gold investment; RMB300,000,000.00 for greater investment in information system and continuous improvement of informatization work; RMB484,212,598.91 for other working capital arrangements (including interest of raised fund). As of December 31, 2019, all the raised funds were used up and the accumulative amount of RMB14,184,212,598.91 of the raised funds (including current interest income generated by raised funds) were used. Accounts designated for the use of raised funds of the Company have been cancelled.

## ② Overview of the use of funds raised from the issuance of H Shares

Approved by the CSRC, the Company completed the issuance of H Shares in 2015. Funds raised from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG capital verification report (YZ No. 1501031) was issued.

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the initial public issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains/losses of the Company on the basis of total raised funds from the issuance of H Shares were RMB78,353,937.65. As of the end of the Reporting Period, RMB30,065,707,759.71 (including interest of raised funds and exchange gains/losses) of funds raised from the of H Share issuance was used in total.

As of the date of this report, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by partially exercising the overallotment option, has used raised funds of: RMB18,352,613,762.96 for capital intermediary business such as developing margin financing and securities lending; RMB3,058,768,960.49 for expanding investment and transaction businesses; RMB3,058,768,960.49 for capital increase in Huatai Purple Gold Investment and Huatai Asset Management; RMB3,058,768,960.49 for expanding overseas business; and RMB2,536,787,115.28 for daily operation and other general enterprise purposes. Apart from the above usages, surplus of the Company's proceeds of RMB600,335,782.88 (including interest of raised funds and exchange gains/losses) was not used and was put into the bank account of the Company. As of December 31, 2019, planned use of the Company's funds raised from H Share issuance was consistent with that disclosed in the prospectus with no change. The Company will continue to put funds raised from H Share issuance into operation according to the development strategy, market conditions and use plan of funds raised from H Share issuance.

## ③ Overview of the use of funds raised from the issuance of GDR

Upon the Approval for Issuance and Admission of Global Depository Receipts on London Stock Exchange by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1993) (《關於核准华泰證券股份有限公司發行全球存托憑證並在倫敦證券交易所上市的批覆》(證監許可[2018]1993號)) issued by the CSRC, the Company completed the total issuance of 82,515,000 GDRs in June 2019, each of which at an offering price of USD20.50 and the total amount of funds raised was USD1,691,557,500.00. After deducting the issuing fees of USD39,961,513.72 related to the GDR offering, the net funds raised were USD1,651,595,986.28, equivalent to RMB11,313,036,931.20 at the central parity of RMB against the U.S. dollar on the date when transferred to the account. The abovementioned funds raised were all in place on June 28, 2019 and were verified by KPMG Huazhen LLP and the capital verification report was issued (KPMG Huazhen Yan Zi No. 1900393).

As of the end of the Reporting Period, the Company, with respect to its GDRs, has used raised funds of: RMB3,547,720,085.15, calculated at actual exchange rate on the date of settlement for continuous investment in the existing main businesses, deeply cultivating the business sectors such as wealth management, institutional services and investment management, and further promoting

the business transformation and upgrading; RMB1,000,000,000.00, calculated at actual exchange rate on the date of settlement of foreign currency, for supplementing working capital and meeting general enterprise purposes. Apart from the above uses, surplus of the Company's proceeds of RMB7,053,408,564.22 (including interest of raised funds, exchange gains/losses and outstanding issuing fees, at the exchange rate at the end of the Reporting Period) was not used and was put into the special bank account of the Company. As of December 31, 2019, planned use of the Company's funds raised from the issuance of GDRs was consistent with that agreed in the GDR prospectus with no change. The Company will continue to put the funds raised from GDR issuance into operation according to the development strategy, market conditions and usage plan of GDR funds raised from the issuance of GDRs.

### Overview of the use of raised funds

Unit: Ten Thousand Yuan Currency: RMB

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds used in the Reporting Period	Total amount of raised funds used accumulatively	Total amount of raised funds yet to be used	Usage and whereabouts of raised funds unused
2019	GDR offering	1,131,303.69	454,772.01	454,772.01	705,340.86	Supporting the internal and external growth of international business
2018	Non-Public offering (A Shares)	1,420,794.22	32,573.52	1,418,421.26	-	-
2015	Initial public offering (H Shares)	3,058,768.96	1,929.97	3,006,570.78	60,033.58	Used as working capital and for other purposes
2010	Initial public offering (A Shares)	1,556,122.55	-	1,568,103.37	-	-
Total	-	7,166,989.42	489,275.50	6,447,867.42	765,374.44	-
Notes to the overview of the use of raised funds			-			

### (2) There was no commitment in raised funds of the Company during the Reporting Period

### (3) Changes in projects funded by raised funds

During the Reporting Period, the Company changed the use of funds raised from non-public issuance of A Shares. Considering that the net funds raised from the issuance of GDRs by the Company were USD1.652 billion, 60% of which (i.e., about USD990 million, equivalent to about RMB6.930 billion) will be used to support the international business development according to the prospectus. Meanwhile, the use of RMB funds raised from non-public issuance of A Shares for capital increase in the Hong Kong subsidiaries will involve a series of procedures such as currency exchange and remitting abroad, the process of which is relatively complex and may incur certain cost; therefore, they will not be available in a short time. The Company intends to give priority to use the GDR-raised funds for increasing capital in its Hong Kong subsidiaries. In order to improve the efficiency of capital use, according to the Proposal on Changing the Use of Partial Funds Raised by Non-public Issuance of A Shares (《關於變更部分非公開發行A股股票募集資金用途的

議案》), which was approved at the 2019 First Extraordinary General Meeting of the Company, the Company adjusted the use of partial raised funds, changing the original use of RMB100 million for “increasing capital in Hong Kong subsidiaries and expanding overseas business” to “further expanding credit trading business such as securities margin trading and stock pledge”.

The following procedures have been followed to change the use of raised funds: the Proposal on Changing the Use of Partial Funds Raised by Non-public Issuance of A Shares has been approved respectively at the Company’s twenty-fifth Meeting of the fourth session of the Board of Directors and the fourteenth Meeting of the fourth session of the Supervisory Committee held on October 29, 2019. The independent director and the Supervisory Committee of the Company issued a clear consent to the Company to change the use of partial raised funds. Guotai Junan Securities Co., Ltd. and Huatai United Securities, the joint sponsors of this non-public issuance of A Shares, verified the changing the use of partial raised funds, and issued its verification opinion expressing no objection. The Proposal on Changing the Use of Partial Funds Raised by Non-public Issuance of A Shares has been approved at the 2019 First Extraordinary General Meeting of the Company held on December 16, 2019.

### Changes in projects funded by raised funds

Unit: Ten Thousand Yuan Currency: RMB

Total funds of projects after investment change 10,000.00

The name of the new project after change	The corresponding original committed project	The amount of proposed investment in the changed project	The investment amount in the Reporting Period	The amount of the accumulative actual investment	Compliance with the schedule	Projected income from the changed project	Revenue generation	Progress	In line with the projected income	Explanations on falling short of the planned progress and income
Further expanding credit trading business such as securities margin trading and stock pledge	Increasing investment in Hong Kong subsidiaries and expanding overseas business	10,000.00	10,000.00	10,000.00	Yes	N/A	N/A	N/A	N/A	-
Total	-	10,000.00	10,000.00	10,000.00	-	-	-	-	-	-

Notes to changes in projects funded by raised funds -

Note: It is impossible for the Company to calculate the actual income of the projects after the change separately as the funds it invested into the projects funded by raised funds include its originally owned and raised funds.

### 3. Projects not funded by raised funds

During the Reporting Period, the Company did not have any project funded by non-raised funds whose total investment was more than 10% of the audited net assets of the Company as at the end of the previous year.

(V) There was no Sales of Significant Assets or Equities by the Company during the Reporting Period

(VI) There was no Bankruptcy or Restructuring, Merger or Division, Major Disposal, Acquisition, Replacement or Stripping of Assets or Reorganization of Other Companies by the Company during the Reporting Period

**(VII) Analysis of Key Subsidiaries**

Unit: Ten Thousand Yuan Currency: RMB

Company name	Shareholding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Net assets	Operating revenue	Total profit	Net profit
Huatai United Securities Co., Ltd.	99.92%	(01A, 02, 03, 04), 17A, 18A, 24A, 25A and 26A, 5/F, CTS Building, Central Square, Central Area, Futian District, Shenzhen	September 5, 1997	Jiang Yu	010-56839300	99,748.00	553,919.16	346,309.08	179,619.38	48,426.52	36,308.96
Main businesses: securities underwriting and sponsorship (excluding treasury bonds, non-financial corporate debt financing instruments and financial bond underwriting); financial advisory for securities trading and investment related activities; other businesses approved by the CSRC.											
Huatai Securities (Shanghai) Asset Management Co., Ltd.	100%	Room 1222, 6 Jilong Road, China (Shanghai) Pilot Free Trade Zone	October 16, 2014	Cui Chun	021-28972188	260,000.00	853,034.74	703,956.08	259,412.19	173,306.53	130,814.16
Main businesses: securities asset management; publicly offered securities investment funds management. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											
Huatai Purple Gold Investment Co., Ltd.	100%	180 Hanzhong Road, Nanjing	August 12, 2008	Jiang Jian	025-83389999	600,000.00	1,198,289.99	851,709.33	239,581.24	231,568.90	173,828.54
Main businesses: equity investment, debt investment, other fund investments associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment, and financial consulting. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											
Huatai International Financial Holdings Company Limited	100%	Room 5808-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong	April 5, 2017	Wang Lei	852-36586000	HK\$8,800,000,002.00	3,575,003.78	1,074,270.57	266,542.51	12,238.67	759.08
Main businesses: holding company.											
Huatai Innovative Investment Co., Ltd.	100%	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	November 21, 2013	Sun Ying	010-63211166	350,000.00	221,256.55	185,428.59	24,062.97	13,554.82	10,607.26
Main businesses: project investment; investment management, sale of precious metal, hotel management; the followings are permitted to be operated only by branches: accommodation, catering services, sale of foods, fitness services, swimming pool, laundry collection, typing and copying, motor vehicle public parking services, conference services, undertaking exhibitions, tourism information consultation, ticket agent service. (1. Public fund-raising shall not be conducted without approval by relevant authorities; 2. trading activities of securities products and financial derivatives shall not be publicly carried out; 3. no loans shall be granted; 4. no guarantee shall be provided to any other enterprises except for its invested enterprises; promises shall not be made to investors that the principal of their investments will not be subject to any loss or that they will get a minimum return; enterprises shall independently select business items and carry out operations according to law; businesses that need to be approved by law shall be carried out in accordance with the approved contents upon the approval of relevant authorities; business activities classified as prohibited or restricted items by industrial policies of this city shall not be carried out).											



Company name	Shareholding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Net assets	Operating revenue	Total profit	Net profit
Huatai Futures Co., Ltd.	60%	20F, Li Feng Building, 761 Dongfeng Eastern Road, Yuexiu District, Guangzhou	July 10, 1995	Wu Zufang	020-83901155	160,900.00	2,510,358.73	275,806.35	170,165.37	13,075.00	9,066.81
Main businesses: commodities futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											
Jiangsu Equity Exchange Co., Ltd.	52%	11F, 188 Lushan Road, Nanjing	July 4, 2013	Hu Zhi	025-89620288	20,000.00	36,673.93	31,361.39	8,291.62	3,704.27	2,778.20
Main businesses: provision of premises, facilities and services for approved listing, registration, custody, trading, financing, settlement, transfer, dividend distribution and pledge of equity interests, bonds, assets and related financial products and financial derivatives of unlisted companies, organization and monitoring of trading activities, issuance of market information, trading of listed products in the trading market as an agent, and provision of consultation services for market participants. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											
China Southern Asset Management Co., Ltd.	41.16%	32-42/F, Fund Mansion, 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen	March 6, 1998	Zhang Haibo	0755-82763888	36,172.00	943,511.67	706,435.18	387,293.75	118,790.63	89,690.69
Main businesses: fund raising, fund sales, asset management and other businesses approved by the securities regulatory authority under the State Council.											
Huatai-PineBridge Fund Management Co., Ltd.	49%	17F, Building 1, Shanghai Zendai Wudaokou Square, Lane 1199, Minsheng Road, China (Shanghai) Pilot Free Trade Zone	November 18, 2004	Jia Bo	021-38601777	20,000.00	146,562.23	112,014.81	75,476.24	25,679.43	18,887.86
Main businesses: fund raising, fund sales, asset management and other businesses approved by the CSRC.											
Bank of Jiangsu Co., Ltd.	5.54%	26 Zhonghua Road, Nanjing	January 22, 2007	Xia Ping	025-52890919	1,154,445.00	206,505,800.00	13,279,200.00	4,497,400.00	1,561,500.00	1,461,900.00
Main businesses: deposits taking from the general public; granting short-term, medium-term and long-term loans; handling domestic settlements; handing acceptance and discounting of negotiable instruments; issuing financial bonds; acting as an agent for the issue, honoring and underwriting of government bonds and underwriting of short-term commercial papers; buying and selling government bonds, financial bonds, corporate bonds; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for receipts/payments and insurance business, wealth management, fund sales, precious metal sales, receipts/payments and custody of collective fund trust scheme; provision of safe deposit boxes; handling entrusted deposits and loans; bank card services; foreign currency deposits; foreign exchange remittances; currency exchange; settlement and sales of foreign exchange, acting as an agent for forward settlement and sales of foreign exchange; international settlement; proprietary trading and agency for trading of foreign exchange; interbank foreign exchange lending; trading or acting as an agent for trading in foreign currency securities other than stocks; credit investigation, consultation and witness services; online banking, and other services approved by the banking regulatory bodies and relevant authorities. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											

Note: The financial data of Bank of Jiangsu Co., Ltd. was extracted from the express report of 2019 annual results of Bank of Jiangsu. The data of net assets represents owner's equity attributable to shareholders of the listing company, and the data of net profit represents net profit attributable to shareholders of the listing company.

## **(VIII) Structured entities controlled by the Company**

The structured entities consolidated by the Group mainly refer to the asset management plans with the Group as the manager or investment advisor and the investor. The Group carries out a comprehensive assessment of whether the Group will be significantly affected by variable returns due to the return which the Group is entitled to for the shares held by it and its remuneration as the manager or investment advisor of the asset management plan, and according to which, determines whether the Group is the main responsible person for the asset management plan. As at December 31, 2019, the Group has consolidated 42 structured entities whose assets reached RMB93,747,302,793.01 in total. The amount of the trading financial assets, which embodies the equity of the Group in the above consolidated structured entities, was RMB18,207,590,659.66.

## **(IX) Other information**

### **1. Establishment and disposal of subsidiaries by the Company during the Reporting Period**

#### **(1) Establishment and disposal of subsidiaries by the Company during the Reporting Period**

For details of the establishment and disposal of subsidiaries by the Company during the Reporting Period, please refer to Note 24 to the financial statements of this report headed “Investment in Subsidiaries”.

#### **(2) Capital increase in key subsidiaries during the Reporting Period**

##### **① Capital Increase in Huatai Innovation Investment**

To promote the “two-pronged” strategy of wealth management and institutional business of the Group, strengthen the key layout of the Company’s wholly-owned subsidiary Huatai Innovation Investment in the three major areas of science and technology innovation board, comprehensive financial services for institutional customers and financial ecological construction, further expand its business development space, and effectively improve its overall competitiveness and anti-risk capabilities, the registered capital of Huatai Innovation Investment increased from RMB500 million to RMB3,500 million during the Reporting Period.

##### **② Capital increase in China Southern Asset Management**

According to the Approval for the Change of Equity of China Southern Asset Management Co., Ltd. (《關於核准南方基金管理股份有限公司變更股權的批覆》) received by China Southern Asset Management, a subsidiary of the Company, the CSRC approved the change of its equity. During the Reporting Period, China Southern Asset Management simultaneously implemented employee shareholdings and shareholder capital increase. The registered capital increased from RMB300 million to RMB361.72 million, and the Company’s shareholding ratio was changed to 41.16%.

### **2. The establishment and disposal of the Company’s branches and securities branches during the Reporting Period**

During the Reporting Period, the Company established one new branch and relocated seven branches, and no branches were cancelled; 34 securities branches were relocated, and no securities branches were newly established or cancelled.

As of the end of the Reporting Period, the Company has 30 branch offices and 241 securities branches. For details, please refer to “Appendix II: List of Branch Offices and Securities Branches” in this report.

## (1) Establishment of branch during the Reporting Period

No.	Name of branch	Location	Date of establishment	Business scope
1	Huatai Securities Northwest Branch	Room 21401, Unit 2, Building 2, CROSS Wanxianghui, No. 21 Gaoxin 6th Road, Zhangba Street Office, High-tech Zone, Xi'an, Shaanxi Province	August 5, 2019	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only).

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

No.	Name of branches	Address after relocation	Issue Date of License
1	Huatai Securities Shenzhen Branch	8A, Fund Mansion, No. 5999, Yitian Road, Lianhua Street, Futian District, Shenzhen	January 11, 2019
2	Huatai Securities Tianjin Branch	Block HI on 1/F, and Block E-I on 5/F, North Finance Building, No. 5, Youyi Avenue, Hexi District, Tianjin	January 22, 2019
3	Huatai Securities Hunan Branch	Rooms 1301-1305 and 1313-1316, Building 4 and 5, Huayuanhua Center, No. 36, 2nd Section, Middle Xiangjiang Road, Tianxin District, Changsha, Hunan Province	March 1, 2019
4	Huatai Securities Fujian Branch	Unit 10D, Block A, Tefang Portman Wealth Center, No. 81, Zhanhong Road, Siming District, Xiamen	March 7, 2019
5	Huatai Securities Shandong Branch	Rooms 2101 & 2104, 21/F, Block A, Yinfeng Fortune Plaza, No. 1 Longao West Road, Lixia District, Jinan City	September 16, 2019
6	Huatai Securities Liaoning Branch	Units [1, 2, 3, 4], [15/F], Block [B], Enterprise Square, 125 Qingnian Street, Shenhe District, Shenyang City, Liaoning Province	September 23, 2019
7	Huatai Securities Anhui Branch	6/F & 7/F, Block A, Feili Times Plaza Commercial Complex, 310 Suixi Road, Luyang District, Hefei	December 8, 2019

### (3) Relocation of securities branches during the Reporting Period

<b>No.</b>	<b>Name of Securities Branches before Relocation</b>	<b>Name of Securities Branches after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
1	Huatai Securities Branch in Jinyang Road, Chengdu	Huatai Securities Branch in Jinhui West 2nd Street, Chengdu	Room 2103, 21/F, Unit 1, Building 10, Tianfu Xingu, No. 399, West Section, Fucheng Avenue, Hi-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone	January 7, 2019
2	Huatai Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Huatai Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Rooms 209-211, 2/F, Caizhi Building, No. 9, Erwei Road, Dongli Development Zone, Tianjin	January 8, 2019
3	Huatai Securities Branch in Zhihui Square, Qiaoxiang Road, Shenzhen	Huatai Securities Branch in Fund Mansion, Shennan Avenue, Shenzhen	8B, Fund Mansion, No. 5999, Yitian Road, Lianhua Street, Futian District, Shenzhen	January 11, 2019
4	Huatai Securities Branch in Wuluo Road, Wuhan	Securities Branch in Wuluo Road, Wuhan	Room 1F-21 on 1/F and Room 5-13 on 15/F, Building 3, Disiman International Center, No. 421, Wuluo Road, Wuchang District, Wuhan	February 22, 2019
5	Huatai Securities Branch in Liuyi Middle Road, Fuzhou	Huatai Securities Branch in Wuyi North Road, Fuzhou	19/F, Building 3#, Zonshine Center, No. 153, Wuyi North Road, Shuibu Street, Gulou District, Fuzhou	February 27, 2019
6	Huatai Securities Branch in Zhuzilin 4th Road, Shenzhen	Huatai Securities Branch in Zhuzilin 4th Road, Shenzhen	Flats 10H, 10I, 10J, No. 18 China Economy and Trading Building, Zizhu 7th Road, Zhuzilin, Futian District, Shenzhen City	March 13, 2019
7	Huatai Securities Branch in Hanzhongmen Street, Nanjing	Huatai Securities Branch in Lushan Road, Nanjing	No. 168 Lushan Road, Jianye District, Nanjing	March 19, 2019
8	Huatai Securities Branch in Xiahe Road, Xiamen	Huatai Securities Branch in Xiahe Road, Xiamen	Rooms 201 and 202, Block B, CCRE Building, No. 668 Xiahe Road, Siming District, Xiamen	March 20, 2019

<b>No.</b>	<b>Name of Securities Branches before Relocation</b>	<b>Name of Securities Branches after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
9	Huatai Securities Branch in High-tech Park, Xinbei District, Changzhou	Huatai Securities Branch in Taihu East Road, Changzhou	No. 1-10, 11, 12, 26, 27 and 28 Fuchen Garden, Taihu East Road, Xinbei District, Changzhou	March 28, 2019
10	Huatai Securities Branch in Rushan Road, Pudong New Area, Shanghai	Huatai Securities Branch in Century Avenue, Pudong New Area, Shanghai	Unit 05, 1/F, No. 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone	April 8, 2019
11	Huatai Securities Branch in Xingang East Road, Guangzhou	Huatai Securities Branch in Middle Guangzhou Avenue, Guangzhou	Room 103, No. 307 Middle Guangzhou Avenue, Yuexiu District, Guangzhou	May 7, 2019
12	Huatai Securities Branch in Shichang Road, Shengze Town, Wujiang	Huatai Securities Branch in Guangzhou Road, Shengze Town, Wujiang	Room 107, Huiying Mansion, Financial Business Center, North Side of Chenjiaqiao Village Road, Xincheng District, Shengze Town, Wujiang District, Suzhou	May 15, 2019
13	Huatai Securities Branch in Qiushi Road, Hangzhou	Huatai Securities Branch in Qiushi Road, Hangzhou	Rooms 501B and 805, North Building, Gongyuan Mansion, No. 8 Qiushi Road, Xihu District, Hangzhou, Zhejiang province	May 23, 2019
14	Huatai Securities Branch in Huancheng West Road, Nantong	Huatai Securities Branch in Gongnong Road, Nantong	Rooms 2404-2405, South Building, Harmony City, No. 57 Gongnong Road, Nantong	June 10, 2019
15	Huatai Securities Branch in Beijing East Road, Huaiyin, Huai'an	Huatai Securities Branch in Chengde North Road, Huaiyin, Huai'an	Rooms 2, 3 and 4, Building 2, Chengde Mansion, Huaiyin District, Huai'an	June 10, 2019
16	Huatai Securities Branch in Huaihe Avenue, Tongling	Huatai Securities Branch in Huaihe Avenue, Tongling	No. 1602 & 1603, 16/F, No. 142 Store, 1/F, Huijin Building, Tongling Trade Building, Huaihe Avenue, Tongling, Anhui Province	June 27, 2019

<b>No.</b>	<b>Name of Securities Branches before Relocation</b>	<b>Name of Securities Branches after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
17	Huatai Securities Branch in Guangqumen Inner Street, Beijing	Huatai Securities Branch in Dongsanhuan North Road, Beijing	Unit 01, No. 102, 1/F (01), Building 27, Dongsanhuan North Road, Chaoyang District, Beijing	July 5, 2019
18	Huatai Securities Branch in Park Road, Lichuan	Huatai Securities Branch in Nanbin Avenue, Lichuan	Rooms 106 & 107, Building 8, Nanbin Garden, 66 Nanbin Avenue, Group 1, Wangjiawan Village, Dongcheng Street Office, Lichuan City	July 12, 2019
19	Huatai Securities Branch in Madian Road, Zhijiang	Huatai Securities Branch in Gongyuan Road, Zhijiang	Intersection of Tuanjie Road and Gongyuan Road, Majiadian, Zhijiang City	July 30, 2019
20	Huatai Securities Branch in Huaihai West Road, Xuzhou	Huatai Securities Branch in Science and Technology Park, Xuzhou	Room 103, 1/F and Rooms 306, 307, & 308, 3/F, Science and Technology Building, Science and Technology Avenue, Quanshan District, Xuzhou City	August 8, 2019
21	Huatai Securities Branch in Xisanhuan North Road, Beijing	Huatai Securities Branch in International Finance Center, Xisanhuan, Beijing	Room 403, 4/F, No. 87 Xisanhuan North Road, Haidian District, Beijing	August 13, 2019
22	Huatai Securities Branch in Jingshi Road, Jinan	Huatai Securities Branch in Jingqi Road, Jinan	West Hall, 1/F, Runheng Building, No. 83 Jingqi Road, Shizhong District, Jinan City	August 22, 2019
23	Huatai Securities Branch in Guangzhou Road, Nanjing	Huatai Securities Branch in Guangzhou Road, Nanjing	No. 189 Guangzhou Road, Nanjing City	August 27, 2019
24	Huatai Securities Branch in Middle Yangzi Road, Yangzhong	Huatai Securities Branch in Cuizhu South Road, Yangzhong	No. 235 Cuizhu South Road, Sanmao Street, Yangzhong City	August 27, 2019

<b>No.</b>	<b>Name of Securities Branches before Relocation</b>	<b>Name of Securities Branches after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
25	Huatai Securities Branch in Jinbo Road, Jiangning, Nanjing	Huatai Securities Branch in Tianyuan East Road, Jiangning, Nanjing	Rooms 801-805, Building 8, Fortune Plaza II, No. 228 Tianyuan East Road, Chunhua Street, Jiangning, Nanjing	August 30, 2019
26	Huatai Securities Branch in Yonghe Temple, Beijing	Huatai Securities Branch in Yonghe Temple, Beijing	Room 501, 5/F, Block F, Room 116, 1/F, Room 216, 2/F, Block D, No. 28 Andingmen East Street, Dongcheng District, Beijing	September 6, 2019
27	Huatai Securities Branch in Tonghua Road, Liuhe, Nanjing	Huatai Securities Branch in Xiongzhou West Road, Liuhe, Nanjing	9/F, Building 1, No. 12, Xiongzhou West Road, Xiongzhou Street, Liuhe District, Nanjing	September 25, 2019
28	Huatai Securities Branch in East Tiyu Road, Guangzhou	Huatai Securities Branch in Tianhecheng, Guangzhou	Rooms 3605-3607, 36/F, Teem Tower (i.e. East Tower, Tianhecheng), No. 208 Tianhe Road, Tianhe District, Guangzhou	October 17, 2019
29	Huatai Securities Branch in Qifoshan Road, Jinan	Huatai Securities Branch in Qifoshan Road, Jinan	Rooms C106 & C108, Zone C, 1F and rooms B200, B202 & 206, Zone B, 2F, Huatae Plaza, No. 17703, Jingshi Road, Lixia District, Jinan	October 18, 2019
30	Huatai Securities Branch in East Langya Road, Chuzhou	Huatai Securities Branch in Fengle Avenue, Chuzhou	Rooms 1112 & 1114, S3 Commercial Building, No. 1118 (Imperial South Court), Fengle Avenue, Chuzhou, Anhui Province	November 29, 2019
31	Huatai Securities Branch in Jinqueshan Road, Linyi	Huatai Securities Branch in Jinqueshan Road, Linyi	Room 101, Block B, Weite Tianyuan Plaza, Jinqueshan Road, Lanshan District, Linyi, Shandong Province	December 2, 2019
32	Huatai Securities Branch in Jiefang Road, Dalian	Huatai Securities Branch in Shengli East Road, Dalian	No. 223 & 231, Market Street; No. 2-1, 2-2, 2-3, Unit 1, No. 227, Market Street, Xigang District, Dalian, Liaoning Province	December 10, 2019

No.	Name of Securities Branches before Relocation	Name of Securities Branches after Relocation	Address after Relocation	Issue Date of License
33	Huatai Securities Branch in Renmin Road, Tongzhou, Nantong	Huatai Securities Branch in New Century Avenue, Tongzhou, Nantong	Office 01B-2, No. 170 New Century Avenue, High-tech Zone, Nantong	December 13, 2019
34	Huatai Securities Branch in Dongyuan Road, Nanjing	Huatai Securities Branch in Ningshuang Road, Nanjing	12/F, Building A, Yunmi City, No. 19 Ningshuang Road, Yuhuatai District, Nanjing, Jiangsu Province	December 18, 2019

### **3. Standardization of accounts such as unqualified accounts, judicially frozen accounts, risk disposal accounts, and pure fund accounts**

As at December 31, 2019, the Company had 4,241 unqualified securities accounts, 2,009 judicially frozen securities accounts, 86,462 risk disposal securities accounts, and 723,692 pure capital accounts.

Account standardization has reached the following quality standards: (1) Except for restricted use of dormant securities accounts, remaining unqualified securities accounts, judicially frozen accounts, risk disposal accounts, etc., the accounts engaging in normal trading activities are all qualified accounts. (2) Regular comparison of funds and securities account information was made to verify the consistency of key information such as customer names and numbers to prevent the addition of unqualified accounts. Key information inconsistencies due to special circumstances such as differences in information rules between the depository bank and the registered company or unusual word processing have been explained on a case-by-case basis.

Relevant measures for long-term and standardized management of accounts: the daily management of accounts was strengthened and the real-name system requirements for account business was strictly implemented. Through identity card readers and online verification of public security network, combined with face recognition technology and operator mobile phone number verification, the Bank strengthened investor information identification, continued to innovate account management measures, strengthened operational quality control, and continued to improve the long-term management mechanism of account standardization.

## **III. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT**

### **(I) Competition landscape and trend of the industry**

Currently, capital market reforms and the development of the securities industry in China are in a period of important strategic opportunities, and the capital market and the securities industry are accelerating into a new stage of deepening reforms, overall opening up, and digital transformation.



First, deepening reforms will provide even more enormous opportunities for industry development. The new Securities Law clearly specifies the comprehensive implementation of the registration system, the selection rights fully enjoyed by the market, and the resource allocation function of the market, which will have a profound impact on the business development of the capital market, the securities industry and securities companies. The market-oriented and comprehensive deepening reforms have made domestic capital markets continuously keep consistency with international mature markets in terms of system protection, operating mechanisms, and investor structure. The full competition of market entities will also put more tests on professional strengths of the securities companies.

Second, all-round opening up promotes high-level competition and high-quality development of the industry. Under the new landscape of a more open industry, all types of large domestic and foreign financial enterprises or other qualified institutions can apply for “entry tickets” in the securities industry. Domestic and foreign investment and state-owned and private institutions will enter a new phase of competing explicitly in securities industry, thus promoting further adjustment and differentiation of the industry landscape. With the increasingly clear policy direction of securities firms’ classification management and the creation of aircraft carrier-sized securities firms, the creation of systematic and platform-based comprehensive strength will become the only way for large securities companies to achieve high-quality development and build first-class investment banks.

Third, digital transformation is redefining and even disrupting the development model and core advantages of securities companies. In recent years, leading international financial institutions have reshaped their existing business models, created new business models, and established a fintech ecosystem driven by technology, and implemented deep digital operations in the course of business development and management. Promoting the digital transformation and restructuring of business operations and management systems will become an important means for securities companies to improve quality and efficiency and create differentiated competitive advantages.

## **(II) The Company’s development strategy**

1. Strategic vision: Striving to become a first-class integrated financial group with both domestic advantages and global influence, and a financial institution with international competitiveness, brand influence and system importance.
2. Values and operation philosophy: By adhering to the core values of “high efficiency, integrity, stability and innovation” and committing to the operation philosophy of “centered on customer services, oriented by customers’ needs and purposed on customer satisfaction”, to be accountable to all clients, shareholders, staff and society to achieve harmony and unity.
3. Strategic measures: Deeply developing an all-rounded business chain; implementing high-quality innovation and development; enhancing Fintech-enable capabilities; comprehensively strengthening group governance and improving its pace in international business development.

### **(III) Business operation plan**

Please refer to “Management Discussion and Analysis and Report of the Board” in this report.

### **(IV) The Company’s capital needs to sustain the current business and complete the ongoing investment projects**

As of the end of the Reporting Period, the Company was at the forefront of the industry in terms of total assets, net assets, net capital and other indicators. The Company has built an assets & liabilities and liquidity management system that not only meets the Company’s strategy and regulatory requirements but is also favourable for the development of businesses through optimizing allocation of assets and liabilities. The Company will enhance the management of capital, liabilities and business within the industry, improve its financing ability, optimize the structure of assets and liabilities and lower the financing costs by expanding the financing sources and various equity and bond financing channels; realize liquidity matching of major assets and liabilities by enhancing the liquidity arrangement of assets to guarantee the balance of gross volume and reasonable structure of the assets and liabilities of the Company and realize dynamic equilibrium of security, mobility and profitability, so as to ensure that the capital strength of the Company matches its status in the industry.

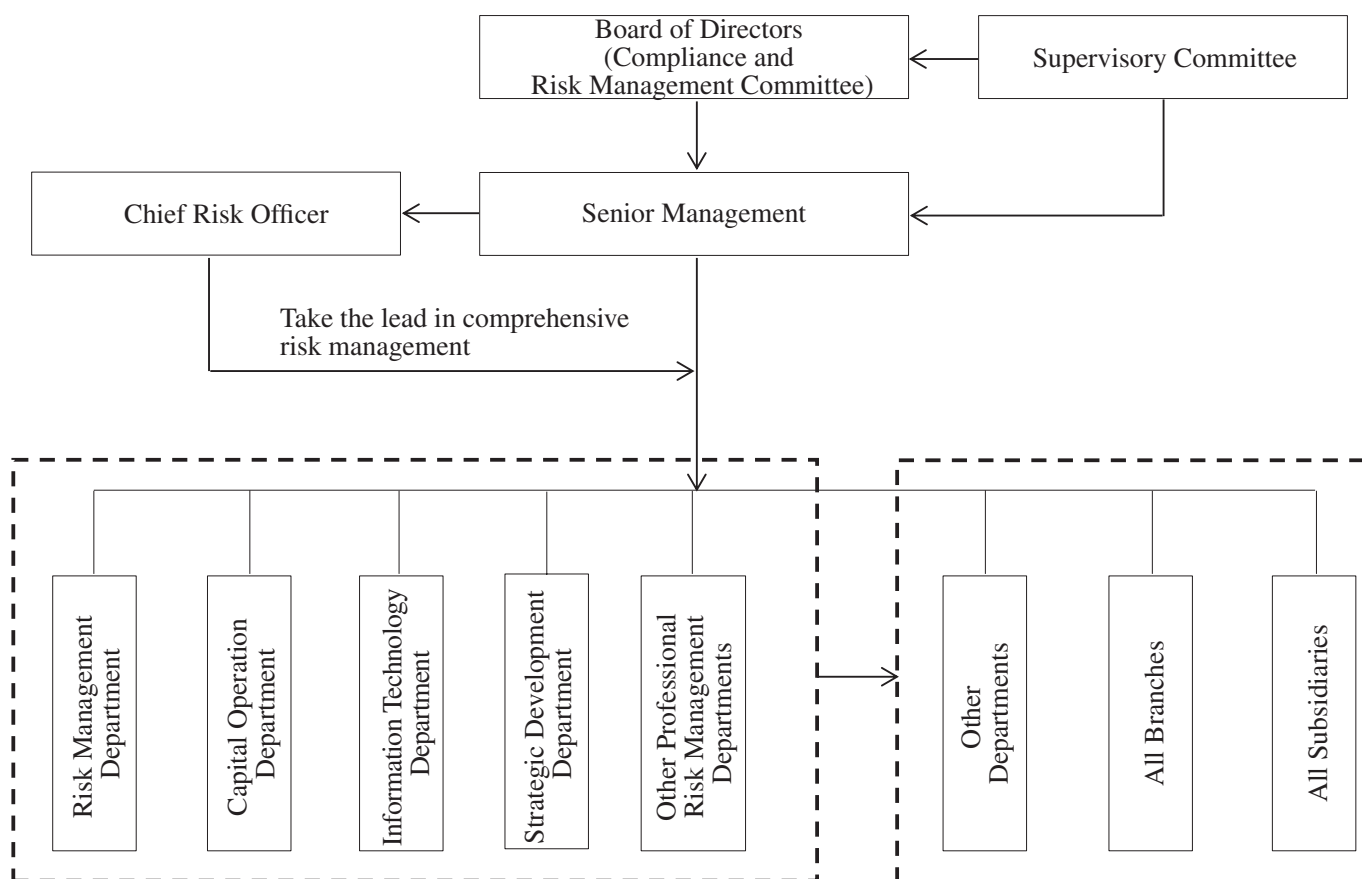
### **(V) Potential risks (including the implementation of overall risk management and the investment in compliance risk control and information technology)**

#### **1. Overview of risk management**

The Company attached great importance to risk management. According to regulatory requirements and the actual situation of its business development, the Company established a relatively comprehensive overall risk management system based on the core concepts of full staff engagement, full coverage and full penetration. The Company has a solid and effective risk management framework with clearly defined responsibilities and staff at all levels performing their duties effectively; the Company worked out a clear risk appetite and tolerance system, which is organically integrated with the development strategy, and a multi-level risk management system covering the whole Company; in addition, the Company vigorously promoted the construction of group-wide risk-management technology system and established centralized, time-based, quantitative and penetrable pillars for risk management technologies, to improve the effectiveness of risk management of the Group and further strengthen the Group’s overall risk identification, quantitative evaluation and risk control capabilities. The Company incorporated its subsidiaries into the overall risk management system of the Group, explored the construction of effective risk management model for subsidiaries, vigorously deepened the management mindset of centralized and unified professional risk lines, and built a professional risk management system meeting the business development requirements of the Group. The overall risk management system of the Company ran effectively, which earnestly guaranteed the continuous and healthy development of various businesses of the Company.

During the Reporting Period, the Company focused on controlling business risks, building a digital platform, and improving its risk control system, and promoted comprehensive advancement of various risk management tasks. The Company adhered to the bottom line of business risk prevention and control, continuously strengthened risk management and control of key businesses and subsidiaries, identified and evaluated business risks, optimized business risk management and control mechanisms, strengthened special business risk inspection and control, ensuring that business risks were controllable. The Company was firmly committed to the direction of digital transformation, actively promoted the construction of the Group's risk management technology system, completed the third phase of the Group's integrated risk management platform (ERMP system) and the second phase of the portfolio management system (Calypso) project, and launched the establishment of asset portfolio risk measurement and analysis platform and risk detection system to improve the Company's risk monitoring, measurement and alert detection capabilities through systematic means. The Company adhered to group-wide coverage and deep penetration, implemented consolidated management mechanisms, optimized risk control indicator management mechanism, and continuously deepened and improved in key areas of the management system; effectively prevented and controlled risks and improved the efficiency and capabilities of professional risk management and control at the group level by strengthening front-end risk identification, risk management and control as well as response and handling processes.

## 2. Risk management structure



The risk management organizational structure of the Company covers five major parts: the Board and Compliance and Risk Management Committee; Supervisory Committee; the Senior Management and Risk Control Committee; Risk Management Department and various professional risk management departments; other departments, branches and subsidiaries.

The Board is ultimately responsible for the overall risk management and is responsible for reviewing and approving the basic system relating to the overall risk management of the Company, approving the risk appetite, risk tolerance and major risk limits of the Company, and reviewing periodic risk assessment reports of the Company. The Compliance and Risk Management Committee is set up by the Board to undertake risk management responsibilities including reviewing and making recommendations on overall risk management targets and fundamental policies; evaluating and making recommendations on the risks of major decisions which require the Board's review, as well as the solutions to these risks; reviewing and making recommendations on risk assessment reports which require the Board's review.

The Supervisory Committee of the Company is responsible for supervising overall risk management, supervising and inspecting the Board and the senior management on the performance of their duties of risk management, and urging them to make rectifications. Based on the authorization and approval of the Board and the operation objectives of the Company, the senior management is specifically responsible for the implementation of risk management and assumes the primary responsibility for overall risk management. Upon authorization of the senior management, the Risk Control Committee under the senior management is mainly responsible for the decision-making on risk management matters in the course of operation and authorizing on risk undertakings in various business lines. Chief risk officer of the Company is responsible for leading the overall risk management of the Company.

The Company appoints the risk management department to perform the overall risk management duties and take the lead in managing the market risk, credit risk and operational risk of the Company; appoints the capital operation department to take the lead in managing the liquidity risk of the Company; appoints the information technology department to take the lead in managing the information technology risk of the Company; and appoints the strategic development department to take the lead in managing the reputation risk of the Company. Other departments, branches and subsidiaries of the Company are responsible for the management of various risks in their respective lines, implementing various policies, procedures and measures formulated by the Company and various leading professional risk management departments, accepting guidance from various leading risk management departments and assigning the risk management duties and implementation responsibilities. The audit department incorporates overall risk management into the audit scope, makes independent and objective review and evaluation on the adequacy and effectiveness of overall risk management, and is responsible for taking the lead or entrusting external professional institutions to evaluate the overall risk management system of the Company regularly.

### **3. Market Risk**

Market risk refers to the risk of asset loss of the Company resulting from fluctuations in risk factors, including stock prices, interest rates, exchange rates and commodities.

During the Reporting Period, the Company has taken a number of measures to prevent market risks. In respect of equity securities investment, the Company adhered to an investment philosophy with the directional components eliminated, proactively hedged exposure risks, actively grasped transaction opportunities while maintaining market neutral, flexibly adjusted the positions, and paid attention to the market liquidity of investment targets and high degree of diversification of assets held. In respect of fixed-income securities investment, the Company leveraged interest rate derivatives such as interest rate swap and treasury bond futures to effectively hedge market risks, and earned excess earnings through various carry trades while controlling the overall investment portfolio duration and basis point value. Meanwhile, the Company prevented liquidity risks by controlling leverage ratio and expanding financing channels and other approaches, and effectively prevented the occurrence of the risk events such as bond and counterparty default by continuously strengthening the construction of credit evaluation and credit granting system. In respect of derivatives business, the Company adopted market neutral strategy for both OTC derivatives business and market making business for exchange-traded options, controlled the Greeks values (such as Delta, Gamma and Vega) exposure risks within acceptable limits, and created profit opportunities based on controllable risks. As for targets of OTC derivatives business, while meeting regulatory requirements, the Company established strict management standards for pool entry, fulfilment guarantee ratio, liquidity and concentration of targets to effectively prevent market risks and counterparty default risk.

### Market Value at Risk (VAR) of the Company

Currency: RMB

Forward-looking Period: 1 day; Confidence: 95%; Historical Analogical Method; Unit (Ten Thousand Yuan)

	The Company		The Group	
	As at the end of 2019	As at the end of 2018	As at the end of 2019	As at the end of 2018
Equity-sensitive Financial Instruments	3,974	4,804	6,066	7,377
Interest-sensitive Financial Instruments	6,218	2,081	6,314	2,148
Commodity-sensitive Financial Instruments	273	7	588	367
Overall Portfolio Risk Value	7,093	5,713	9,058	7,970

Source: Internal statistics of the Company

### During the Reporting Period, Sequence Descriptive Statistics of Market Value at Risk (VAR) of the Company

Currency: RMB

Forward-looking Period: 1 day; Confidence: 95%; Historical Analogical Method; Unit (Ten Thousand Yuan)

	At the beginning of the period	At the end of the period	Maximum value	Minimum value
The Group	8,078	9,058	9,791	5,930
The Company	5,228	7,093	7,686	3,820

Source: Internal statistics of the Company

#### **4. Credit risk**

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer).

During the Reporting Period, with the overall market recovery, the risk of the Company's financing business and the amount of claims to be recovered decreased from the previous period, the Company also fully set aside provisions for related risk items. In terms of financing business, the Company has always been committed to robust customer and underlying management, conducted continuous dynamic monitoring and timely risk resolution and other whole-process control measures, and thoroughly controlled the business credit risk. In terms of investment business, in the context of frequent bond defaults, the Company established the unified management system for issuers, and enhanced the Group's overall risk identification and control capabilities by systematically monitoring the total investments of the same issuer of the Group's various business units while steadily promoting the credit analysis management system (CAMS system). In terms of trading business, the Company implemented unified management for the line of credit to counterparties at the group level, enhanced systematic control and strictly controlled the business risk exposure. In terms of guarantee settlement business, the Company tightened up the front-end control of customer access and risk indicator design, and strengthened the ability of risk events handling and control risk transmission. Meanwhile, the Company continuously promoted the improvement and systematic process of the unified credit risk management system, gradually achieved the centralized management of the credit line for the same customer, implemented the Guidelines for the Credit Risk Management of Securities Companies, promoted the construction of customer-centered system, strengthened the management of customer identification and credit evaluation, and further improved the Company's ability to respond to external complex credit environment.

#### **5. Liquidity risk**

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds at reasonable costs in time to repay due debts, perform other payment obligations and meet the capital requirements for carrying out ordinary businesses.

During the Reporting Period, the Company constantly improved the capital planning system, strengthened capital position management and ensured daytime liquidity safety; based on the principle of due prudence, the Company set up an analysis framework for liquidity indicators including cash flow and set appropriate risk limits, and monitored the framework every day through the information technology system to improve the frequency and controlling level of liquidity risk monitoring; the Company regularly and occasionally analyzed the cash flow and liquidity indicators under stressful scenarios, evaluated the Company's ability to bear liquidity risk, analyzed the stress test results, and continuously raised the Company's pressure resistance ability for liquidity risk; the Company strengthened liquidity risk guidance for the subsidiaries to raise the subsidiaries' liquidity risk management ability; the Company, according to the risk appetite, established right-sized liquidity asset reserves and maintained sufficient liquidity assets with high quality to ensure the meeting of liquidity needs under stressful scenarios in a timely manner; the Company improved the liquidity risk meeting system to ensure that the management is able to keep abreast of the liquidity risk level and the management status thereof. During the Reporting Period, the Company's liquidity coverage ratio (LCR) and net stable funding rate (NSFR) continued to meet regulatory requirements and maintained sufficient buffer.

## **6. Operational risk**

Operational risk refers to risk of financial or other losses caused by inadequate or problematic internal procedures, staff, information technology system and external events, and the types of possible losses mainly include loss of assets, external compensation, impairment of carrying amount, regulatory fines and confiscation, legal costs, recovery failure and other costs.

During the Reporting Period, the Company further extended the operational risk and internal control management system to the newly established institutions at home and abroad in a timely manner to ensure the comprehensive coverage of the system. The Company improved its risk identification and prevention capabilities through in-depth participation in innovative businesses and pre-embedded risk control measures among others, and enhanced the effectiveness of risk and control identification and assessment by strengthening the triggered self-assessment and the establishment of joint assessment mechanism with business departments; set up the risk discovery system supported by reverse risk discovery to improve the positive process control effect; improved the internal and external risk event analysis and response mechanism, and prevented similar risk events from happening again; improved the operation efficiency of new business risk assessment mechanism and promoted the system solidification of new business assessment process; consolidated business continuity management foundation and supported business steady operation; built a risk management platform for branches covering all businesses and strengthened risk management in key areas of branches; completed the implementation of operational risk and internal control management system (phases III) and improved the process flexibility and analysis automation; and strengthened the promotion and, implementation and training of risk management concept to create a good risk management culture.

## **7. Compliance risk**

Compliance risk refers to exposure to property loss or business reputation loss as a result of bearing legal responsibility, supervisory measures or disciplinary sanctions imposed on securities companies due to violation of laws, regulations and standards by operational management or professional conduct performed by securities companies or their employees.

During the Reporting Period, the Company continued to optimize and improve its compliance management system in respect of system construction, compliance staffing, collectivized compliance management and control, performance guarantee and specific working mechanisms, effectively promoted the full coverage of compliance management; improved the compliance management mechanism of the Group, conscientiously implemented the parent-subsidiary compliance persons joint meeting mechanism, optimized parent-subsidiary communication and information reporting mechanism, strengthened compliance communication and control among group members; continuously improved business compliance management mechanism, and enhanced the control and support for main businesses through compliance assessment, process analysis, provision of tips and supervision and meeting attendance, etc.; further improved the compliance training system and enriched training forms, striving to infuse business personnel with regulatory requirements and compliance consciousness and urging the business department to complete the self-regulation as early as possible; prudently carried out compliance audit, timely pointed out compliance issues or defects and proposed regulation suggestions to promote the compliance operation of relevant business or products; increased efforts on compliance inspection especially on special inspection, oriented by problems and risks and with the focus on key businesses and risk hazards, timely proposed improvement requirements for identified problems, and continuously tracked the implementation of rectifications; fully implemented the PBOC's work requirements, and strictly performed anti-money laundering obligations including customer

identity recognition, preservation of customer identification information and transaction records, classification for risks of money-laundering by customers and suspicious transaction reporting, upgraded and transformed the functions of anti-money laundering monitoring system and core business system related to anti-money laundering work, optimized suspicious transaction screening and analysis process, carried out the risk assessment of money laundering of new businesses and existing businesses, intensified anti-money laundering training and publicity activities, and strengthened the supervision and inspection of anti-money laundering work, so as to continuously improve our anti-money laundering capabilities.

## **8. Information technology risk**

Information technology risk mainly refers to exposure to losses caused by the failure of the system to continuously ensure the stable, efficient and safe operation of transaction and business management in terms of business realization, response speed, handling capacity and data encryption, resulting from abnormal operation or data damage or leakage of the Company's information system caused by various internal and external reasons.

The business lines and the middle and back office management of the Company are highly depended on the information technology system, which has become the key support to the operation of businesses of the Company. During the Reporting Period, the Company continued to strengthen the construction, operation and maintenance of information technology system, constantly improved the management system for information technology risks, and strengthened targeted management measures, further improving the effectiveness of risk management. The Company upheld the bottom line of technical compliance, kept enhancing quality control on information technology, intensified the identification and governance of information technology risk and hidden hazards. The Company formulated emergency plans for network and information security incidents, conducted regular assessment and drills, and constantly enriched emergency scenarios and improved emergency plans. During the Reporting Period, the Company's information system was operated stably and safely without any major information technology risk events.

## **9. Reputational risk**

Reputational risk mainly refers to exposure to negative judgements from relevant media caused by the Company's operation, management and other conducts or external events.

During the Reporting Period, the Company carried out appropriate and effective reputational risk management and focused on the Company's strategy and key business, strengthened the communication with domestic and foreign media resources, which have created a good media environment for the Company's development. At the same time, the Company strengthened its pre-event management and internal promotion to raise its level of response to reputational risks. The Company continued to improve its system and processes for reputational risk management and strengthened the collectivized management for reputational risks.

## **10. Implementation of overall risk management of the Company during the Reporting Period**

During the Reporting Period, according to the actual situation of the Company and industrial regulatory requirements, the Company continued to improve the overall risk management system and continuously deepened the implementation of various requirements on the overall risk management, which effectively improved the capacity of risk management and control of the Company.



For the full coverage of risks, the Company established a sound overall risk management system for the Group with “high engagement, full coverage and deep penetration” as the core idea. The current risk management of the Company has already covered all subsidiaries (domestically and globally), branches and business lines for major risk types. The Company established a risk management system for subsidiaries by combining centralized management and control and hierarchical authorization, raised clear requirements to subsidiaries on issues including the construction of the risk management system, risk management policies and indicator system, risk management personnel allocation and assessment and risk reports, and set up differentiated and detailed rules for risk management. The risk management department of the Company arranged specialized risk management personnel for various business lines and conducted risk identification, monitoring, assessment, decisions, response and reporting before, during and after each operation. For managing market risk, credit risk, liquidity risk, operational risk, reputational risk and information technology risk, the Company has assigned leading management departments for each of them. The coverage of various professional risk management has reached the level of subsidiaries.

For the surveillance of risks, the Company continued to improve the promptness and effectiveness of risk surveillance and monitoring. The Company established a multi-level indicator and limitation system for risk appetite, risk tolerance, professional risk and business risk, and accurately calculated, dynamically monitored and timely alerted risk indicators with systematic methods. During the Reporting Period, the Company further strengthened the construction of an enterprise risk management platform (ERMP), continuously promoted the construction of risk indicator monitoring module, and realized the centralized and unified monitoring on various risk indicators.

For the measurement of risks, the Company realized the measurement on the market, credit and liquidity risks, and continuously strengthened the risk measurement model management. During the Reporting Period, the Company regularly carried out evaluation and verification of valuation pricing model and risk measurement model, continuously perfected the measurement model to improve the accuracy of measurement results. The company further strengthened the management of the Parent Company and its subsidiaries’ valuation pricing model and the risk measurement model to effectively control the model risk.

For the analysis of risks, the Company established a multi-level risk reporting system, which clarified the reporting mechanism and procedure requirements, and further strengthened the depth and comprehensiveness of risk analysis during the Reporting Period, so as to ensure the timely and effective transfer of risk information among various levels and departments. The Company set up a relatively comprehensive pressure testing system. The Company’s pressure test covers capital regulatory indicators, financial indicators and all risk quotation indicators and has been applied throughout the procedures of day-to-day risk management. During the Reporting Period, the Company further perfected and enriched the library of stress test scenarios, strengthened the research on the trigger mechanism of irregular stress tests, which has been applied to various management decisions of the Company.

For risk response, the Company has, based on risk assessment and alert results, formulated certain response strategies including risk avoidance, reduction, transfer and tolerance matched with different risk appetites, and adopted response measures such as asset impairment, risk hedging, capital supplement, scale adjustment, asset and liability management. At the same time, the Company developed practical response mechanisms and schemes for various risks, which could ensure the Company has the capability to react to and resolve various risks it encounters.

The Company provided support and protection for its comprehensive risk management in aspects of cultivating a culture, developing policies, increasing investment, improving the system and recruiting talents. The Company attached great importance to the construction of risk management culture and strengthened the promotion of risk management ideas. During the Reporting Period, the Company continued to carry out risk management training and risk management culture publicity activities covering all employees, and further promoted the implementation and optimization of the risk management assessment mechanism of the Group, giving full play to the guiding role of risk assessment. The Company established a three-dimensional risk management system at the Board of Directors level, senior management level and business level, developed a regular evaluation and revision mechanism for the system, and included the implementation of the system into the risk assessment. During the Reporting Period, the Company revised the Basic System of Risk Management based on the regulatory requirements and the actual situation of the Company, further included the risk of money laundering and clarified the relevant management requirements. The Company attached great importance to risk management and information technology system construction, and provided sufficient resources to support and protect the risk management and system construction. The Company emphasized the effective combination of risk management and information technology system, firmly followed the direction of digital transformation, vigorously promoted the construction of the Group risk technology, built systematic and intelligent risk management tools, and promoted the transformation of its risk management approach. During the Reporting Period, the Company continued to strengthen the training and engaging of risk management personnel. As of the end of 2019, the number of risk management personnel increased by 13.21% compared with that at the end of 2018, and the number of risk management personnel continued to meet regulatory requirements.

#### **11. The investment of the Company in compliance risk control during the Reporting Period**

The Company attached great importance to its compliant operation and risk management by continuously enhancing the construction of the compliance risk control system, optimizing the composition of compliance risk control personnel, increasing investment in the construction of the compliance risk control system and improving our professional abilities in compliance risk control with technology as the driving force. The Company's investments in compliance risk control mainly include: investment in compliance risk control personnel, investment in the daily operating costs of compliance risk control and construction of compliance risk control related systems. In 2019, on Parent Company basis, the total investment in compliance risk control of the Company amounted to RMB387,313,400.

#### **12. The investment of the Company in information technology during the Reporting Period**

The Company has always valued innovation in information technology, and constantly increased the investment in information technology by establishing a professional management system for information technology services for our clients, continuing to enhance the management for system operation and maintenance to create technology competitiveness in the forefront of the industry. The Company's investments in information technology mainly include: IT capital expenditure, daily expenses for operation and maintenance of IT, leasing and depreciation cost of computer rooms, circuit leasing cost and remuneration of IT personnel. In 2019, on Parent Company basis, the total investment in information technology of the Company amounted to RMB1,424,606,100.

## **(VI) Establishment of the monitoring and complementary mechanism of the Company's dynamic risk control indicators**

### **1. Establishment of the monitoring and complementary mechanism of the dynamic risk control indicators**

Monitoring and complementary mechanism of dynamic risk control indicators is one of important risk control means of the Company. During the Reporting Period, the Company solidly pushed forward the monitoring and pre-warning of various risk control indicators, continuously improved the dynamic monitoring mechanism for risk control indicators mainly based on net capital and liquidity and assigned full-time operators to conduct daily monitoring, duly report and handle various abnormalities; with stricter corporate monitoring standards as the monitoring threshold, formed a three-stage risk control indicator monitoring standard based on the regulatory standards and early warning standards for dynamic risk control indicators specified by the CSRC, to launch corresponding reporting route and response plan according to different early warning level and ensure that the net capital, liquidity and other risk control indicators always comply with the regulatory requirements; implemented the Company's regulatory capital allocation, and conducted daily monitoring and early warning on the net capital limit of each department, so as to strengthen the preliminary planning of the use of capital of each department of the Company, realize the forward-looking management of reaching the Company's overall risk control indicator, and maximise the efficient use of regulatory capital; constantly optimized the function of the net capital and liquidity dynamic monitoring system to ensure that the dynamic monitoring system can effectively support the monitoring of the Company's net capital, liquidity and other risk control indicators.

The Company has established a dynamic complementary mechanism for net capital and liquidity. The Company's complementary pathways of net capital include but not limited to capital fund raising for increase in capital and share, issuance of subordinated bonds, compression of highly-risky investment types and scale, and reduction or suspension of profit distribution, etc. The Company's complementary pathways of liquidity include but not limited to external financing (interbank borrowing, bond repurchase, corporate bond, short-term corporate bond, subordinated debt, short-term financing bill, financing of creditor's rights and income rights for credit business, credit business assets-backed securities, income receipts, refinancing integrated fund, gold lease, etc.), realization of part of the liquid reserve, control or adjustment of business scale, etc.

### **2. Conditions of risk control indicators triggering the pre-warning criteria or not conforming to the required standards, and corrective measures adopted and rectification effects during the Reporting Period**

During the Reporting Period, the Company conducted prospective estimation or pressure tests of risk control indicators for profit distribution, capital increase in and guarantee provision to subsidiaries, engagement in new businesses and other major events. The above-mentioned matters were implemented subject to condition that the analysis and test results meet the regulatory requirements. During the Reporting Period, main risk control indicators of the Company were all in line with the regulatory requirements, and there were no such circumstances that the risk control indicators violated the pre-warning standards or were not in compliance with the provided standards.

**IV. THERE WERE NO CIRCUMSTANCES IN THE COMPANY'S FAILURE TO MAKE DISCLOSURE IN ACCORDANCE WITH THE STANDARDS DUE TO INAPPLICABILITY OF THE STANDARDS REQUIREMENTS OR SPECIAL REASONS INCLUDING NATIONAL SECRETS AND TRADE SECRETS AND THE EXPLANATIONS OF REASONS THEREOF**

**V. OTHER DISCLOSURES**

**(I) Share capital**

For the Company's share capital for the year ended December 31, 2019 and the details of changes therein, please refer to "Changes in Ordinary Shares and Shareholders" in this report.

**(II) Arrangement of pre-emptive rights**

According to the provisions of the PRC laws and the Articles of Association, none of the shareholders of the Company has any pre-emptive rights.

**(III) Sufficient public float**

As at the latest practical date before printing of this annual report, based on the information available to the public and as far as the Directors are aware of, the Directors believe that the Company's public float satisfies the requirements for minimum public float under Rule 8.08 of the Hong Kong Listing Rules.

**(IV) Directors' interests in competing business**

None of the Directors of the Company has any interest in business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

**(V) Service contracts of Directors and Supervisors**

According to rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the Directors and Supervisors in respect of (among other matters) compliance of relevant laws and regulations, as well as Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors of the Company has entered into or is proposed to enter into any service contracts with the Company in their respective capacities as Directors/Supervisors (other than contracts expiring or terminable by the employers within one year without the payment of compensation other than statutory compensation).

**(VI) Directors' and Supervisors' interests in material contracts**

During the Reporting Period, the Directors or Supervisors of the Company or entities that are connected to them did not have material interests, whether directly or indirectly, in any material contract entered into by the Company or its subsidiaries.

## **(VII) Permitted indemnity provision – liability insurance for Directors, Supervisors and senior management**

As authorized in 2014 annual general meeting, the Company has provided liability insurance for Directors, Supervisors, senior management, and other relevant competent persons. Appropriate insurance coverage has been arranged for Directors, Supervisors and senior management of the Company against potential legal actions and liabilities that arise from performing their duties to reasonably avoid management and legal risks faced by Directors, Supervisors and senior management of the Company and to promote the full discharge of duties by the Directors, Supervisors and senior management of the Company.

## **(VIII) Profile of Directors, Supervisors and senior management**

For profiles of Directors, Supervisors and senior management of the Company, please refer to “Primary work experience” under “Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period” under “Changes in Shareholding Structure and Remuneration” under “Directors, Supervisors, Senior Management and Staff” in this report.

## **(IX) Remuneration policy**

For the remuneration and share incentive scheme of Directors, Supervisors and senior management of the Company, please refer to “Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period” and “Remuneration of the Directors, Supervisors and Senior Management” under “Changes in Shareholding Structure and Remuneration” under “Directors, Supervisors, Senior Management and Staff” in this report.

## **(X) Share option scheme**

The Company did not establish any share option scheme.

## **(XI) Major customers and suppliers**

The Group provides services to a wide range of institutional and individual clients across various sectors. The Group’s clients range from retail customers, wealth clients, high-net-worth individuals, institutional clients to corporate clients, who are primarily located in China. The successful listing in Hong Kong and London and smooth implementation of its deployment strategies in the international market will facilitate the Group in carrying out its overseas operations, exploring customer resources and boosting for further development of the Group’s businesses. In 2019, the revenue attributable to the five largest clients of the Group accounted for less than 30% of the total operating revenue of the Group.

The Group has no major supplier due to the nature of its business.

## **(XII) Relationship with employees, customers, suppliers and persons with important relationships**

For details of the employees' remuneration and training plans of the Company, please refer to "Remuneration policy" and "Training programs" under "Information about the Staff of the Parent Company and Major Subsidiaries" under "Directors, Supervisors, Senior Management and Staff" in this report. For the relationship between the Company and securities brokers, please refer to "Customer Solicitation and Customer Services by the Brokers Commissioned by the Company" under "Directors, Supervisors, Senior Management and Staff" in this report. For the relationship between the Company and its major customers and suppliers, please refer to "Major customers and suppliers" under "Other Disclosures" under "Management Discussion and Analysis and Report of the Board" in this report.

## **(XIII) Business review**

For analysis of business using key financial performance indicators, please refer to "Company Profile" of this report.

## **(XIV) Corporate governance**

For the corporate governance condition of the Company, please refer to "Corporate Governance" of this report.

## **(XV) Environmental policies and performance of the Company**

For the environmental policies and performance of the Company, please refer to "Performance of Corporate Social Responsibilities" under "Major Events" in this report.

## **(XVI) Compliance with relevant laws and regulations**

As a public company listed at home and abroad, the Company abides, in strict manner, by the requirements of the laws, regulations and normative documents of domestic and foreign place where the Company is listed including the Company Law, Securities Law, Regulation on the Supervision and Administration of Securities Companies, Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies in China, Corporate Governance Code and Corporate Governance Report in Appendix 14 of Hong Kong Listing Rules and the Articles of Association. The Company established and perfected its rules and regulations to standardize the operation of the Company, and devoted itself to maintaining and improving its sound market image. Please refer to "Punishment and Denouncement of the Company during the Year" under "Material litigation and arbitration" under "Major Events" in this report for the punishment and denouncement received by the Company during the Reporting Period.

## **(XVII) Reserve and reserve available for distribution**

Please refer to the consolidated statements of changes in equity and Note 55 to the financial statement of this report for changes in reserves and distributable reserves.

## **(XVIII) Property and equipment and investment properties**

Changes in properties and equipment and investment properties of the Group during the year are set out separately in Notes 20 and 21 to the consolidated financial statement. As at December 31, 2019, the Group did not own one or more investment properties with a ratio (as defined in the Rule 14.04(9) of the Hong Kong Listing Rules) over 5%, or did not hold any properties for development and/or for sale.

### **(XIX) Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2019.

### **(XX) Donations**

The Company actively performed its social responsibilities in 2019 by investing a total of RMB20,770,500 (2018: RMB10,167,300) in public activities including public service advertising, disaster relief donations, education support and charitable contribution.

### **(XXI) Five-year financial highlight**

For the highlight of operating results, assets and liabilities of the Group in the past five financial years, please refer to “Key Accounting Data and Financial Indicators for the Past Five Years” under “Key Accounting Data and Financial Indicators” under “Company Profile” in this report. This summary does not constitute a part of the audited consolidated financial statement.

### **(XXII) Auditors**

1. Upon approval by the Company’s 2016 Annual General Meeting held on June 21, 2017, the Company employed KPMG Huazhen LLP as the audit service institute of the Company and its holding subsidiaries’ 2017 annual accounting statement and internal control to issue an A Share audit report and internal control audit report; and employed KPMG as the audit service institute of the Company’s H Share to issue a H Share audit report. The audit service fee was capped at RMB5.00 million. In 2017, KPMG Huazhen LLP issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the China Accounting Standards for Business Enterprises. Certified public accountants Wang Guobei and Zhang Nan signed the report; KPMG issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the International Financial Reporting Standards. Certified public accountant Pang Shing Chor Eric signed the report.
2. Upon approval by the Company’s 2017 Annual General Meeting held on June 13, 2018, the Company employed KPMG Huazhen LLP as the audit service institute of the Company and its holding subsidiaries’ 2018 annual accounting statement and internal control to issue an A Share audit report and internal control audit report; and employed KPMG as the audit service institute of the Company’s H Share to issue a H Share audit report. The audit service fee was capped at RMB5.00 million. In 2018, KPMG Huazhen LLP issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the China Accounting Standards for Business Enterprises. Certified public accountants Wang Guobei and Qian Ruwen signed the report; KPMG issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the International Financial Reporting Standards. Certified public accountant Pang Shing Chor Eric signed the report.

3. Upon approval by the Company's 2018 Annual General Meeting held on June 26, 2019, the Company employed KPMG Huazhen LLP as the audit service institute of the Company and its holding subsidiaries' 2019 annual accounting statement and internal control to issue an A Share audit report and internal control audit report; and employed KPMG as the audit service institute of the Company's H Share to issue a H Share audit report. The audit service fee was capped at RMB5.50 million. In 2019, KPMG Huazhen LLP issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the China Accounting Standards for Business Enterprises. Certified public accountants Cheng Hailiang and Qian Ruwen signed the report; KPMG issued a standard unqualified opinion audit report on the annual financial report prepared by the Company in accordance with the International Financial Reporting Standards. Certified public accountant Pang Shing Chor Eric signed the report.
4. Upon approval by the Company's fifth Meeting of the fifth session of the Board of Directors held on March 30, 2020, the Company intends to employ KPMG Huazhen LLP as the audit service institute of the Company and its holding subsidiaries for the 2020 annual accounting statement and internal control to issue A Share audit report, internal control audit report and GDRs audit report; and employ KPMG as the audit service institute for the Company's H Shares to issue H Share audit report. The audit service fee will be capped at RMB6.00 million. This issue is yet to be approved by the 2019 Annual General Meeting of the Company.

#### **(XXIII) Auditor's remuneration**

For auditor's audit service fee during the Reporting Period, please refer to "Auditors" under "Other Disclosures" under "Management Discussion and Analysis and Report of the Board" in this report.

During the Reporting Period, the auditor did not charge any non-auditing service fee.

#### **(XXIV) Review of Annual Results**

This annual financial report has been audited. The Audit Committee under the Board of Directors has reviewed the Company's audited annual financial statement and annual report as of December 31, 2019, and did not raise any objections to the accounting policy and convention adopted by the Company.

#### **(XXV) Publication of the Annual Report**

This annual report will be released on the Company's website ([www.htsc.com.cn](http://www.htsc.com.cn)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)).

The 2019 annual report of the Company which contains all the information required by the Hong Kong Listing Rules will be sent to shareholders and published on the Company's website ([www.htsc.com.cn](http://www.htsc.com.cn)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)).

By order of the Board

**Zhang Wei**

*Chairman*

March 30, 2020



## MAJOR EVENTS

### I. PROPOSAL OF PROFIT DISTRIBUTION FOR ORDINARY SHARES OR CAPITALIZATION FROM CAPITAL RESERVE

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

Article 256 of the Articles of Association has clarified the Company's profit distribution policy, the decision-making process for the profit distribution plan and the decision-making process for adjustments of the profit distribution policy. The policy of the Company's profit distribution is: "The Company shall focus on generating a reasonable investment return to the investors and implements continual and steady policy of profit distribution; the Company's profit distribution shall not exceed the scope of accumulated distributable profits nor impair the Company's continual operational capability; the Company may distribute dividends in form of cash, shares or a combination of cash and shares. Except for the special condition under which the Company plans to conduct material investments or make major cash expenses within the next twelve months, or other conditions that may result in the fact that the Company fails to comply with the regulatory requirements regarding net capital, the Company shall distribute its dividends in form of cash if the Company's profits for the current year and its accumulated non-distributed profits are positive; for the last three years, the Company's accumulated profits distributed in form of cash shall not be less than 30% of the annual average distributable profit realized for the last three years; upon the proposal by the Board of Directors and approval by the general meeting, an interim dividend distribution may be made in the form of cash; the Company may distribute dividends in the form of shares based on the annual profits and cash flow status and subject to the satisfaction of the lowest ratio for cash dividend and the reasonableness of the Company's equity scale."

For the last three years (including the Reporting Period), the Company did not have any plan or proposal regarding capitalization from capital reserve to share capital. The details of the profit distribution plan or proposal of ordinary shares of the Company over the last three years (including the Reporting Period) were as follows:

In 2017, given the promotion of the Non-Public Issuance of A Shares, according to the Measures for the Administration of Securities Issuance and Underwriting of the CSRC and after comprehensive consideration of factors including the interests of shareholders and the development of the Company, the Company did not make profit distribution, nor did it transfer its capital reserve to increase its share capital.

In the interim of 2018, on the basis of the total share capital of 8,251,500,000 shares, the Company proposed the distribution of cash dividend of RMB3.00 (tax inclusive) for every ten shares. The total amount of cash dividend was RMB2,475,450,000.00.

In 2018, on the basis of the total share capital of 9,076,650,000 shares, the Company proposed the distribution of cash dividend of RMB3.00 (tax inclusive) for every ten shares. The total amount of cash dividend was RMB2,722,995,000.00.

According to the 2019 annual financial statements of the Company, the net profit of the Parent Company for 2019 reached RMB6,288,603,129.33. According to relevant provisions

of the Company Law, the Securities Law, the Financial Rules for Financial Enterprises 《金融企業財務規則》) and the Articles of Association, the Company had appropriated a total of RMB1,886,580,938.79 including 10% of statutory surplus reserve, 10% of general risk reserve and 10% of trading risk reserve, after which, the profit available for distribution for the year was RMB4,402,022,190.54. Plus the balance of undistributed profit in previous years, the accumulated profit available for distribution to investors as at the end of 2019 was RMB16,159,562,007.01. According to relevant requirements of the CSRC, gains arising from the fair value changes in distributable profit of securities companies shall not be used for cash distribution to shareholders. As at the end of December 2019, the accumulated fair value changes in distributable profit of the Parent Company was RMB4,084,760,751.30, after deduction of which as required, the profit of the Parent Company available for distribution to investors in cash amounted to RMB12,074,801,255.71.

After comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the 2019 profit distribution proposal of the Company is as follows:

1. In 2019, the Company will distribute cash dividend of RMB3.00 (tax inclusive) per 10 shares based on the Company's total share capital of 9,076,650,000 shares, with the total cash dividend of RMB2,722,995,000.00. The remaining profit available for distribution to investors will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to holders of A Shares (including the depositary of GDRs) and Southbound Trading investors in RMB and to holders of H Shares (excluding the Southbound Trading investors) in HKD. The actual distribution amount in HKD would be calculated at the rate of average base exchange rate of RMB against HKD issued by PBOC for five business days prior to the date of the 2019 Shareholders' annual general meeting.

**(II) Plan or proposal of the profit distribution for ordinary shares or capitalization from capital reserve to share capital for the last three years (including the Reporting Period)**

Unit: Yuan Currency: RMB

Dividend year	Number of dividend shares per 10 shares (share)	Dividends per 10 shares (RMB yuan) (tax inclusive)	Number of increased shares per 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit	Percentage of
					attributable to the shareholders of ordinary shares of the Company in the consolidated statement during the dividend year	net profit attributable to the shareholders of ordinary shares of the Company in the consolidated financial statements (%)
2019	-	3.00	-	2,722,995,000.00	9,001,644,018.52	30.25
2018	-	3.00	-	2,722,995,000.00	5,032,737,702.70	54.11
2018 interim period	-	3.00	-	2,475,450,000.00	3,158,898,403.05	78.36
2017	-	-	-	-	9,276,520,447.68	-

- Notes: 1. During the Reporting Period, given that the Company has conducted works related to the issuance of Global Depository Receipts (GDRs) and listing on the London Stock Exchange, in order to protect the interests of all shareholders, the Company has adjusted its 2018 profit distribution proposal, which was considered and approved at the 20th meeting of the Fourth Session of the Board, and considered and approved at the 23th meeting of the Fourth Session of the Board of the Company. During the Reporting Period, the 2018 Annual General Meeting of the Company considered and approved the adjusted 2018 profit distribution plan of the Company. For the profit distribution, on the basis of the total share capital of 9,076,650,000 shares, the Company proposed the distribution of cash dividend of RMB3.00 (tax inclusive) for every ten shares. The total amount of cash dividend distributed was RMB2,722,995,000.00. During the Reporting Period, the profit distribution plan has been completed.
2. With a combination of the 2018 profit distribution plan with the 2018 interim profit distribution plan of the Company, the total cash dividend distributed by the Company amounted to RMB5,198,445,000.00, accounting for 103.29% of net profit attributable to the shareholders of ordinary shares of the Company in the 2018 consolidated financial statements of the Company.

### **(III) Tax relief**

#### **1. Shareholders of A Shares**

According to the provisions in the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No.101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101 號)) and the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) jointly issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for individual shareholders of the Company, if the term of shareholding (a period from the date when the individual acquires the listed shares on public offering and transferring markets to the date one day before the shares are transferred and settled) is within one month (inclusive), all the dividend and bonus incomes thereof are counted as taxable income at the effective tax rate of 20%; if the term of shareholding is between one month and one year (inclusive), temporarily, 50% of the dividend and bonus incomes are counted as taxable income at the effective tax rate of 10%; if the term of shareholding exceeds one year, temporarily, the dividend and bonus incomes are exempted from individual income taxes. When dividends and bonus incomes are distributed by a listed company, such company, temporarily, shall not withhold or pay any individual income taxes on behalf of the individuals whose term of shareholding is within one year (inclusive); instead, the taxable incomes shall be calculated by a securities registration and settlement company based on the term of shareholding when the individual transfers those shares and the Company shall withhold and pay the taxes through the securities registration and settlement company. For dividend and bonus incomes obtained by securities investment funds from listed companies, the individual income taxes thereof are calculated and levied pursuant to the provisions in the document of Cai Shui [2012] No. 85.

For QFII, according to the provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) issued by State Administration of Taxation, the listed company withholds and pays corporate income taxes at a uniform tax rate of 10%. If the dividend and bonus incomes obtained by QFII shareholders are entitled to the treatment as stipulated in tax treaties (arrangements), application for tax refund can be submitted to the governing tax authority after the acquisition of such dividends and bonuses according to regulations.

According to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for the dividend and bonus incomes obtained by investors (including enterprises and individuals) on Hong Kong market from investing in A Shares listed on Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before Hong Kong Securities Clearing Company Limited meets the conditions to provide CSRC with the investors' identifications, terms of shareholding and other specific data. The listed company withholds and pays the income taxes at the tax rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the enterprises or individuals can, by themselves or entrust a withholding agent to apply to the governing tax authorities of the listed company for the treatment as stipulated in such tax treaties. The governing tax authorities shall refund the taxes according to the discrepancy between the levied taxes and taxes payable based on the rate specified in the tax treaty after verifying and approving the application.

For the qualified investors who invest in the GDR issued by the Company on London Stock Exchange and comply with the relevant domestic and foreign regulatory rules (GDR Investors), according to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and other relevant tax regulations, the Company shall withhold and pay income taxes at a tax rate of 10%. Citibank and National Association, as the nominal holders of domestic basic A Shares corresponding to GDR, receive the cash dividends distributed by the Company. If the dividend and bonus incomes obtained by GDR Investors are entitled to the treatment as stipulated in relevant tax treaties (arrangements), applications can be submitted to the governing tax authority according to regulations.

For other institutional investors, the taxes on their dividends and bonus incomes shall be paid on their own.

## **2. Shareholders of H Shares**

According to the provisions in the Notice by the State Administration of Taxation on Issues Regarding the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (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)), for the dividend and bonus incomes acquired by individual shareholders as overseas residents from the issuance of shares in Hong Kong by domestic non-foreign investment enterprises, the withholding agent shall legally withhold and pay the individual income taxes according to item "interest, dividend and bonus income". For the issuance of shares in Hong Kong by domestic non-foreign investment enterprises, the individual shareholders as overseas residents can enjoy relevant tax preferences according to the provisions in the tax treaty signed by the country to which the resident identity belongs and the PRC and in the tax arrangements

between Mainland China and Hong Kong (Macao). According to relevant tax treaties and tax arrangements, the tax rates for dividends are normally 10%. To simplify administration of tax collection, when the domestic non-foreign investment enterprises issuing shares in Hong Kong distribute dividends and bonuses, the individual income taxes are generally withheld at the tax rate of 10% without application. If the dividend tax rate is not 10%, individual income taxes shall be withheld as per the following provisions: (1) for residents subject to tax rate below 10% pursuant to relevant treaties, the withholding agent can apply related treatment under such treaties on behalf of the residents and the governing tax authority will refund the additional tax payments after approving the application; (2) for residents subject to tax rate over 10% but lower than 20% pursuant to relevant treaties, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the actual tax rate specified in the treaties and application for approval is not necessary; (3) for residents from the country which did not enter into any tax treaty with the PRC and other situations, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the tax rate of 20%.

According to the provisions in the Notice on Issues regarding Withholding of Enterprise Income Taxes when PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise shareholders of 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息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, when Chinese resident enterprises distribute annual dividends to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years, the corporate income tax shall be withheld and paid at the uniform tax rate of 10%.

According to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) 《(關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for dividends and bonuses acquired by Mainland individual investors by investing in listed H Shares on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H Share companies shall withhold the individual income tax at a tax rate of 20%. For dividends and bonuses acquired from Mainland securities investment funds by investing in listed shares on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, the individual income tax shall be levied as per above regulations. For dividends and bonuses acquired by Mainland enterprise investors by investing in listed shares on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H Share companies shall not withhold any income taxes on the dividends and bonuses, and such income tax shall be declared and paid by the enterprises on their own. Meanwhile, for the dividends and bonuses acquired by Mainland resident enterprises for continuous holding of H Shares for 12 months, the corporate income tax shall be exempted according to laws.

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

The shareholders of the Company shall pay relevant taxes and/or be entitled to tax reliefs according to the above provisions.

## II. PERFORMANCE OF UNDERTAKINGS

### (I) Undertakings of de facto controllers, Shareholders, related parties, purchasers of the Company, the Company and other undertaking-related parties made or remained effective during the Reporting Period

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Any deadline for performance or not	Strictly performed in a timely manner or not
Other undertakings made to minority Shareholders of the Company	To solve horizontal competition	Guoxin Group	Guoxin Group and its subsidiaries or associated companies shall not engage in or conduct any business which may compete with the primary business of Huatai Securities in any way (including but not limited to self-operated, joint venture or associated) at any time in the future (except for Jintai Futures Co., Ltd.). For any opportunities to conduct, engage in or invest in any business that may compete with the business of Huatai Securities available to Guoxin Group and its subsidiaries or associated companies, Guoxin Group will give such opportunities to Huatai Securities (except for Jintai Futures Co., Ltd.).	Issuing date: June 27, 2014; expiry date: in a long term	No	Yes

### III. THERE WAS NO MISAPPROPRIATION OF FUNDS OF THE COMPANY DURING THE REPORTING PERIOD

### IV. STANDARD UNQUALIFIED OPINION AUDIT REPORT WAS PREPARED BY THE ACCOUNTING FIRM OF THE COMPANY

### V. ANALYSIS AND EXPLANATION FROM THE COMPANY ON THE REASONS AND IMPACT OF THE CHANGE OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF MAJOR ACCOUNTING ERRORS

#### (I) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies and accounting estimates

For the change of accounting policies and accounting estimates during the Reporting Period, please refer to Note 2. Major Accounting Policies in this report.

#### (II) The Company made no correction of major accounting errors

## VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Unit: Ten Thousand Yuan Currency: RMB

### Currently employed units

Name of the domestic accounting firm	KPMG Huazhen LLP
Remuneration of the domestic accounting firm	338
Audit duration of the domestic accounting firm	6 years
Name of the overseas accounting firm	KPMG
Remuneration of the overseas accounting firm	200
Audit duration of the overseas accounting firm	5 years

	Name	Remuneration
Accounting firm for the auditing of internal controls	KPMG Huazhen LLP	Please refer to the description below this table

### Description of appointment and removal of accounting firm

During the Reporting Period, as approved at the 2018 Annual General Meeting of the Company, the Company reappointed KPMG Huazhen LLP to audit the accounting statements and conduct internal control of the Company and its holding subsidiaries for 2019 and to issue audit reports on A Shares and internal control; approved the reappointment of KPMG as the auditor for the H Shares of the Company to issue audit reports on H Shares.

## VII. THE COMPANY HAD NO RISKS OF SUSPENSION OF LISTING, TERMINATION OF LISTING, BANKRUPTCY AND RESTRUCTURING

## VIII. MATERIAL LITIGATION AND ARBITRATION

The Company had no new material litigation or arbitration during the year.

### (I) Litigation and Arbitration Disclosed in Ad hoc Announcements without Subsequent Development

Summary and type of event	Query indexes
A considerable overloss in futures account of Zhang Xiaodong, a client of Huatai Futures	Could be retrieved in the annual reports for the Year 2013 to 2018
Debt disputes between Huatai United Securities, Stone Group (四通集團) and Stone Group Financial Company (四通集團財務公司)	Could be retrieved in the annual reports for the Year 2011 to 2018
Debt disputes between Huatai United Securities and Beijing Huazi Syndicated Group (北京華資銀團集團)	Could be retrieved in the annual reports for the Year 2011 to 2018

## (II) Litigation and Arbitration not Disclosed in Ad hoc Announcements or with Subsequent Development

Unit: Yuan Currency: RMB

During the Reporting Period, there were no new material litigation or arbitration. The subsequent developments of the previous year's events are as follows:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic information of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities and amount or not	Progress of litigation (arbitration)	Result and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
(Entrust) Chengdu Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司成都分行)	Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司)	-	Debt dispute	Refer to notes	70,324,829	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司), Huacheng Group Financial Co., Ltd. (華誠集團財務有限責任公司)	-	Debt dispute	Refer to notes	39,387,194.72	No	Refer to notes	Refer to notes	Refer to notes
Shaanxi Dongdu Industry Co., Ltd. (陝西東都實業有限公司)	Huatai United Securities	-	Contract dispute	Refer to notes	49,000,000	No	Closed	Refer to notes	Refer to notes
Xiamen Bank Company Limited (廈門銀行股份有限公司)	Shenzhen Branch of Bank of Ningbo Co., Limited (寧波銀行股份有限公司深圳分行)	-	Bill dispute	Refer to notes	-	No	Refer to notes	Refer to notes	Refer to notes



1. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司): The interest of corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 (“12 Shengda bond” (12聖達債), bond code: 1280443) was not able to be paid to Huatai Securities in full and the principal amount of the bond was not able to be paid for redemption in full upon maturity. Huatai Securities and other creditors jointly entrusted the Chengdu Branch of the Bank of Tianjin Co., Ltd. to lodge litigation at Sichuan Higher People’s Court on June 7, 2016 according to the decision made in the meeting of bondholders, requesting Sichuan Shengda Group Co., Ltd. to repay the principal amounts and interests. The total principal amount was RMB300 million, the interest shall be paid at the coupon rate of 7.25% calculated from December 6, 2014 till the date of repayment, and the penalty interest shall be paid at the annual interest rate of 3.625% calculated from December 6, 2015 till the date of repayment (of which RMB50 million was attributable to Huatai Securities). As of December 31, 2018, the principal, interest and penalty interest receivable by Huatai Securities from Sichuan Shengda Group Co., Ltd. were RMB50 million, RMB14,758.2 thousand and RMB5,566.6 thousand respectively. The case is closed through mediation. Sichuan Shengda Group Co., Ltd (四川聖達集團有限公司) agreed to pay the money above, confirming that Chengdu Branch of Bank of Tianjin Co., Ltd. is entitled to the priority of claim for the money from disposal of the pledge and that relevant personnel are jointly responsible for liquidation. At present, the Intermediate People’s Court in Leshan City, Sichuan Province, the executive court, is disposing the pledge, among which 10 million shares of “GWACG” (stock code: 000835) were auctioned for the second time on November 21, 2018. The second largest shareholder of GWACG won the equity at RMB42.68 million. In February 2019, Huatai Securities received the auction proceeds of approximately RMB7.01 million. The disposal of the other two pledges is still in progress.
2. Debt disputes between Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司): China Huacheng Group Financial Co., Ltd. misappropriated the funds of branches of Huatai United Securities of over RMB37.20 million in aggregate. Cash of RMB17.38 million in aggregate was detained from three branches and the head office of Huatai United Securities by various local courts due to debt disputes between China Huacheng Group Financial Co., Ltd. and its creditors. However, China Huacheng Group Financial Co., Ltd. refused to pay the debts. In December 2003, Huatai United Securities submitted a lawsuit to the intermediate people’s court in Shenzhen to demand Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. to severally and jointly settle the debts. After filing of the lawsuit, all local courts were instructed by the highest people’s court that no litigation involving Huacheng Investment Management Co., Ltd. and its subsidiaries shall be accepted, heard or executed. The lawsuit has been adjourned since then.

In May 2009, Huacheng Investment Management Co., Ltd. was ruled bankrupt and put under liquidation by the court. In August 2009, Huatai United Securities filed a claim of RMB125.98 million (sum of principal and interest) to the liquidation committee. However, the debt was unconfirmed because it had not been verified by the court. In March 2010, the intermediate people’s court in Shenzhen resumed the hearing of the case and approved the claim of Huatai United Securities after the first trial. Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. were demanded to pay RMB54.584 million and litigation fee of RMB282 thousand. Huatai United Securities filed its claim of the aforesaid debts and litigation fee to the liquidation committee of Huacheng Investment Management Co., Ltd. On December 21, 2012, Huatai United Securities received a civil judgement from No. 2 intermediate people’s court in Beijing stating that the liquidation of

Huacheng Investment Management Co., Ltd. was completed. In January 2019, all insolvent assets of Huacheng Investment Management Co., Ltd. have been distributed by the liquidator. In July 2012, China Huacheng Group Financial Co., Ltd. was ruled bankrupt and put under liquidation by the court. Thereafter, due to the equity dispute between the two parties, the liquidator did not confirm the debts of Huatai United Securities. On November 18, 2014, No. 2 intermediate people's court in Beijing announced its civil judgment of (2014) Er Zhong Min Chu Zi No. 6794. Pursuant to which, Huatai United Securities should be a creditor to the debts of Huacheng (華誠公司) in the amount of RMB39,387,194.72. The case is in progress.

3. Dispute against Huatai United Securities regarding Stone Building transfer agreement: On April 3, 2015, Huatai United Securities entered into the Real Estate Transfer Contract (《房地產轉讓合同書》) regarding the Stone Building in Xi'an with Shaanxi Dongdu Industry Co., Ltd. (hereinafter referred to as "Dongdu Company"), Shaanxi Tiansheng Properties Consultancy Co., Ltd. (陝西天晟置業顧問有限公司) and other related parties, which stimulated the matters regarding the transfer of Xi'an Stone Building, with a contract transfer amount of RMB49 million. These three parties signed a Supplementary Agreement on July 28, 2015 to reach an agreement on the manner of payment. However, when transferring Stone Building, Dongdu Company violated the contract by refusing to pay the purchase price, resulting in failure to perform the contract. After Huatai United Securities terminated the contract according to laws, Dongdu Company filed a lawsuit to the Higher People's Court of Shaanxi Province against joint defendants Huatai United Securities and the related parties. On August 14, 2017, Huatai United Securities received relevant notice of responding to action, in which Dongdu Company pleaded the invalidity of the notice for revocation of contract issued by Huatai United Securities, as well as a payment of the deposit of RMB2 million and litigation costs by Huatai United Securities. Huatai United Securities has submitted a statement of defense and filed a counterclaim within the specified time limit. The court held its first session on October 11, 2017. On October 22, 2018, Shaanxi Higher People's Court delivered the Civil Judgement (2017) Shaan Min Chu No. 68 to Huatai United Securities, stating the first instance judgement as below: first, the notice for revocation of contract issued by Huatai United Securities to Dongdu Company does not give effect to the termination of the Real Estate Transfer Contract and the Supplementary Agreement; second, dismiss the counterclaim by Huatai United Securities. Among the case acceptance fee of RMB296,800 paid by Dongdu Company, RMB286,800 shall be paid by Huatai United Securities and RMB10,000 returned to Dongdu Company. Huatai United Securities shall bear its case acceptance fee of RMB31,625 by itself.

The Company filed an appeal which was accepted by the court. The trial was held on February 26, 2019. On April 29, 2019, the Supreme People's Court issued the Civil Mediation Document (2019) Zui Gao Fa Min Zhong No. 79, confirming the contents of the settlement agreement signed by Huatai United Securities and Dongdu Company: each party voluntarily rescinded the Real Estate Transfer Contract and the Supplementary Agreement, and cooperated in registering with the real estate trading department for cancelling the second-hand house sales contract and the fund supervision agreement; Huatai United Securities returned the deposit of RMB2 million to Dongdu Company and paid RMB2.6 million to it as economic compensation; and the acceptance fee of the first instance shall be borne by Dongdu Company and the acceptance fee of the second instance shall be borne by Huatai United Securities. At present, the settlement agreement has been implemented and this case has been settled.

4. Bill dispute under No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行) of Huatai Securities: Xiamen Bank Co., Ltd, the consignor of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen of Huatai Securities (“No. 1 of Bank of Huafu Xiamen”), in view of disputes of the relevant bill disputes over No. 1 Targeted Assets Management Plan filed a lawsuit on contract disputes to the High People’s Court of Fujian Province in October 2016 and March 2017 against the Shenzhen Branch of Bank of Ningbo Co., Limited (寧波銀行股份有限公司), with a total litigation amount of RMB950 million, and Huatai Asset Management participated in the litigation as the third person. On June 26, 2018, the High People’s Court of Fujian Province issued the relevant judgment that the Shenzhen Branch of Bank of Ningbo Co., Limited., the defendant to pay a total of RMB950 million and liquidated damages to Bank of Huafu Xiamen within 10 days from the effective date of the judgment. On August 17, 2018, the Shenzhen Branch of Bank of Ningbo Co., Limited., filed an appeal to the Supreme People’s Court, requesting the revoking of the first-instance judgment and the rejection of all the claims of the Bank of Huafu Xiamen. On March 18, 2019, the Supreme People’s Court held a court session to hear the appeals jointly and the relevant case has entered into the second instance procedure.

As the manager of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行), Huatai Asset Management was listed as third person of the civil action, and was not asked to bear the compensation liability. There was no adverse effect on the profits of Huatai Asset Management during or after the Period.

### **(III) Punishment and Denouncement of the Company during the Year**

During the Reporting Period, there are some administrative regulatory measures imposed by regulatory authorities on the Company and its several branches as set out below:

1. Sichuan Branch of the Company, the securities branch in Jinyang Road, Chengdu received the Decision on Ordering the Securities Branch of Huatai Securities Co., Ltd. in Jinyang Road, Chengdu to Increase the Frequency of Internal Compliance Inspections (Administrative Supervision Measures Decision [2019] No. 5) (《關於對華泰證券股份有限公司成都晉陽路證券營業部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[2019]5號)) made by Sichuan Securities Regulatory Bureau on February 19, 2019, with the primary contents being: the practices of marketing personnel of the securities branch were not under proper management, the securities branch did not conduct any inspections on the warning information of the risk monitoring on the marketing personnel of the corporate risk management platform, and the securities branch did not check or handle the violation clues found in the return visits to customers, which reflected the incompleteness of internal control of the securities branch. The securities branch was ordered to make rectifications on such issues within a time limit, and to conduct internal compliance inspections on a quarterly basis during the period from January 1, 2019 to December 31, 2019 with a compliance inspection report submitted to the Sichuan Securities Regulatory Bureau within 10 working days after each inspection.

The Company has instructed the Sichuan Branch to conduct a rectification, and the Sichuan Branch has organized the securities branch to rectify the issues found in the inspection and conducted compliance accountability on relevant personnel involved in the incidents. The Sichuan Branch has also issued a notice for compliance inspections, made arrangement for the quarterly internal compliance inspections, and organized the securities branch to set up an internal compliance inspection team to conduct internal compliance inspections on a quarterly basis.

2. Jiangsu Securities Regulatory Bureau issued the Decision on Ordering Huatai Securities Co., Ltd. to Make Corrections ([2019] No. 65) (《關於對華泰證券股份有限公司採取責令改正監督管理措施的決定》([2019]65號)) to the Company on August 23, 2019, stating that the Company used unreported promotional materials in the process of selling “Juchao Assets – CSC A and B Special Asset Management Plan (Phase I) on National Equities Exchange and Quotations (聚潮資產-中科招商新三板I期A、B專項資管計劃)”, which reflected the incompleteness of internal control of the Company. Jiangsu Securities Regulatory Bureau took supervision and management measures on ordering the Company to make rectifications, and to submit a written rectification report within 30 days after receiving this decision.

The Company has improved the management of reporting documents in the process of product introduction, strengthened the control of promotional materials in the process of marketing promotion, and enhanced internal inspection and assessment accountability. As for the relevant branches which used unreported promotional materials in the process of selling “Juchao Assets – CSC A and B Special Asset Management Plan (Phase I) on National Equities Exchange and Quotations”, the Company has adjusted the person in charge and implemented points deduction in the normalization assessment and compliance special assessment of these branches.

## **IX. PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND PURCHASERS**

During the Reporting Period, none of the Directors, Supervisors, senior management, Shareholders holding over 5% of the shares or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judicial authority or disciplinary department, transferred to a judicial authority or held criminally liable, banned from accessing to market, identified as an unsuitable person, punished by other administrative departments or publicly condemned by a stock exchange.

For details of punishment on and rectification of the Company during the Reporting Period, please refer to “(III) Punishment and Denouncement of the Company during the Year” under “Material litigation and arbitration” under this section in this report.

## **X. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS IN THE REPORTING PERIOD**

During the Reporting Period, the Company and its de facto controllers maintained good integrity and there were no such cases as non-performance of effective court judgment or overdue of relatively large liability.

## **XI. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES MEASURES AND THEIR IMPLICATION**

The Company did not implement any share incentive plan or employee stock ownership plan.

Please see Note 46 to this report for the employee incentive measures adopted by the subsidiaries of the Group.

## XII. MATERIAL RELATED-PARTY TRANSACTIONS

Details on the connected transactions under the relevant accounting standards can be found in note 59 to the report. The Company confirmed that the related-party transactions were not qualified as the connected transactions or the continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules (as the case may be), and were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

## XIII. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) The Company was not engaged in any material custody, contracting or lease

(II) Guarantees

Unit: 100 Million Yuan Currency: RMB

External guarantee of the Company (excluding guarantee to subsidiaries)													
Guarantors	Relationship between guarantor and the Company	Guaranteed party	Amount guaranteed	Date of guarantee agreement signed	The starting date of guarantee	Expiry date of guarantee	Types of guarantee	Whether the guarantee has been duly performed or not	Whether the guarantee is past due or not	Amount guaranteed past due	Whether counter-guarantee existed or not	Whether to be guaranteed for related parties	Related relationship
Huatai Securities (counter guarantee)	Headquarter of the Company	Bank of China (providing guarantee for the wholly-owned subsidiaries of the Company, and is the guaranteed party of the counter guarantee)	30	2014-09-24	2014-09-24	2019-10-08	Guarantee for joint and several liabilities	Yes	No	–	Yes	No	
Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries)													-
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries)													-
Guarantees of the Company and its subsidiaries for its subsidiaries													
Total amount of guarantees for subsidiaries during the Reporting Period													98.67
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)													207.87
Total guarantee amount of the Company (including the guarantees for subsidiaries)													
Total guarantee amount (A+B)													207.87
Percentage of the total guarantee amount to net assets of the Company (%)													16.96
Among which:													
Amount of the guarantees provided for shareholders, actual controllers and their associated parties (C)													-
Amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% (D)													125.87
Excess amount of the total guarantee over 50% of the net assets (E)													-
Total amount of the three guarantees mentioned above (C+D+E)													125.87

Undue guarantees with joint and several liabilities

Conditions of guarantees

Bearing the principal, interest and other related expenses of the bonds

1. Guarantees Provided by the Company

- (1) Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) completed the first foreign bond issuance on October 8, 2014. In order to enhance the debt service guarantee for the first foreign bond and reduce the issuing rate, the authorized person of the Company authorized at the Company's Annual General Meeting for 2013, determined to have the Bank of China Macao Branch provide a guarantee for the first foreign bonds with a standby L/C. At the same time, according to the resolution of the ninth meeting of the third session of the Board, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first foreign bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling US Dollars equivalent RMB3 billion. It was a guarantee with joint and several liabilities and the guarantee period would last until six months after the expiration of the standby L/C.

On October 8, 2019, the foreign bond has expired and the counter guarantee has been terminated.

- (2) In January 2015, Huatai Asset Management was officially founded. With the steady development of the Company's asset management business and the rapid expansion of the scale of asset management, in order to ensure the risk control indicators of Huatai Asset Management meet the supervisory requirements, the Company's Shareholders' meeting reviewed and approved relevant resolutions respectively on March 30, 2015 and September 13, 2016, approved the Company to offer Huatai Asset Management a net capital guarantee with the maximum amount of RMB1.2 billion and RMB5 billion and promised that, whenever Huatai Asset Management needs to expand businesses, it will provide cash support within the aforesaid amount unconditionally.
- (3) In 2017, as approved and passed at the fifth meeting of the fourth session of the Board and the 2016 Annual General Meeting of the Company, the Company provided a net capital guarantee with the maximum amount of RMB1.9 billion to Huatai Asset Management. The net capital guarantee of RMB1.9 billion has not been utilized during the Reporting Period.
- (4) In 2018, as approved and passed at the sixteenth meeting of the fourth session of the Board, the Company provided a net capital guarantee with the maximum amount of RMB2.0 billion to its holding subsidiary Huatai United Securities Co., Ltd. The net capital guarantee will be available from July 1, 2019.
- (5) On May 23, 2019, as considered and approved at the twentieth meeting of the fourth session of the Board, the Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as the trustee) for the provision of an unconditional and irrevocable guarantee of USD500 million for the USD bonds issued by Pioneer Reward Limited, a subsidiary of Huatai International.

2. Guarantees Provided by the Subsidiaries

During the Reporting Period, Huatai International and its subsidiaries had provided guarantees for the benefits of their subsidiaries in connection with their business operations, which mainly supported financing guarantee, guarantees for medium-term notes, and guarantees for transactions with counterparties involving the signing of International Swaps and Derivatives Association Agreements (ISDA Agreements). The aggregate guaranteed amount was approximately RMB9.099 billion as of the end of 2019.

3. The aforesaid amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% was RMB12.587 billion, including: 1) USD500 million guarantee provided by the Company to Pioneer Reward Limited, a subsidiary of Huatai International, for the issuance of USD bonds; 2) the guarantee provided by Huatai International and its subsidiaries to meet the needs of the business operation of their subsidiaries.

### (III) Other Material Contracts

Currency: RMB

Name of contract	Contracting parties	Date of signing	Price for transaction	Performance
General construction contract for Huatai Securities Square	Huatai Securities Co., Ltd. and China Jiangsu International Economic and Technological Cooperation Group Co., Ltd. (中國江蘇國際經濟技術合作公司)	July 30, 2010	RMB986.0193 million	In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Ltd. entered into the General Construction Contract for Huatai Securities Square. In December 2018, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the price for transaction was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB66.2493 million under the general construction contract and sub-contracts thereof. By the end of the Reporting Period, the Company has paid RMB955.9739 million in total under the general construction contract.
Construction contract for smart facilities at Huatai Securities Square	Huatai Securities Co., Ltd. and Shanghai Haode Tech Co., Ltd. (上海浩德科技股份有限公司)	March 6, 2012	RMB213.8211 million	In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at Huatai Securities Square and the total contract price was RMB198.8997 million. A supplementary agreement was signed on February 15, 2016 and the total contract price was changed to RMB213 million. In December 2018, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the price for transaction was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB7.6596 million under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB202.1021 million in total under the construction contract for smart facilities.

Construction contract for interior decoration of the second bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司)	May 21, 2013	RMB141.0604 million	On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of Huatai Securities Square at a contract price of RMB117.5845 million. A supplementary agreement was signed on July 14, 2016 and total contract price was changed to RMB122 million. In December 2017, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed, and the Company paid RMB1.4106 million under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB137.5339 million in total under the construction contract for interior decoration of the second bid section.
Construction contract for interior decoration of the first bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and China State Construction Engineering Corporation (中國建築集團有限公司)	May 21, 2013	RMB140.0286 million	On May 21, 2013, the Company and China State Construction Engineering Corporation entered into the Construction Contract for Interior Decoration of the First Bid Section of Huatai Securities Square at a total contract price of RMB78.7718 million. Supplementary Agreement (2) was signed on July 9, 2015 to change the total contract price to RMB98 million and Supplementary Agreement (3) was signed on July 14, 2016 to change the total contract price to RMB120.0713 million. In December 2017, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the price for transaction was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB1.4003 million under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB136.5254 million in total under the construction contract for interior decoration of the first bid section.



Construction contract for interior decoration of the third bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. (深圳市深裝總裝飾工程工業有限公司)	October 2013	RMB132.4443 million	In October 2013, the Company and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of Huatai Securities Square at a total contract price of RMB131.5863 million. A supplementary agreement was signed on February 3, 2016 and the total contract price added RMB3.4663 million to RMB135.0526 million. In December 2018, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the price for transaction was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB7.2148 million under the construction contract for interior decoration of the third bid section. By the end of the Reporting Period, the Company has paid RMB122.7281 million in total under the construction contract for interior decoration of the third bid section.
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## **XIV. DESCRIPTION OF OTHER MAJOR EVENTS**

### **(I) Capital increase in subsidiaries of the Company**

For details on capital increase in subsidiaries of the Company during the Reporting Period, please refer to “(IX) Other information” under “II. Major Operations during the Reporting Period” under “Management Discussion and Analysis and Report of the Board” in this report.

### **(II) Huatai Purple Gold Investment and its subsidiaries**

#### **1. Major changes of industrial and commercial registration**

- (1) During the Reporting Period, Huatai Purple Gold Investment was changed from a limited partner of Yili Suxin Investment Fund Partnership Enterprise\* (伊犁蘇新投資基金合夥企業(有限合夥)) to a general partner, and acted as the fund manager.
- (2) During the Reporting Period, Huatai Purple Gold Investment was changed from a limited partner of Jiangsu Industry and Information Industry Investment Fund (Limited partnership) (江蘇工業和信息產業投資基金(有限合夥)) to a general partner, and acted as the fund manager.
- (3) During the Reporting Period, Huatai Purple Gold Investment has become a general partner and acted as the fund manager of Jining Ruilian Equity Investment Fund (Limited Partnership) (濟寧瑞聯股權投資基金合夥企業(有限合夥)), formerly known as Beijing Huatai Ruilian M&A Fund (Limited Partnership) (北京華泰瑞聯併購基金中心(有限合夥)), Jiangsu Huatai Ruilian M&A Fund (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥)), Nanjing Huatai Ruilian Merger and Acquisition Fund No. 1 (Limited Partnership) (南京華泰瑞聯併購基金一號(有限合夥)), Nanjing Huatai Ruilian Merger and Acquisition Fund No. 2 (Limited Partnership) (南京華泰瑞聯併購基金二號(有限合夥)), Nanjing Huatai Ruilian Merger and

Acquisition Fund No. 4 (Limited Partnership) (南京華泰瑞聯併購基金四號(有限合夥)), Shenzhen Qianhai Ruilian Investment No. 1 (Limited Partnership) (深圳前海瑞聯一號投資中心(有限合夥)), Shenzhen Qianhai Ruilian Investment No. 7 (Limited Partnership) (深圳前海瑞聯七號投資中心(有限合夥)), Shanghai Jingrui Investment (Limited Partnership) (上海京瑞投資中心(有限合夥)), Nanjing Ruilian Investment No. 1 (Limited Partnership) (南京瑞聯一號投資中心(有限合夥)), Nanjing Ruilian Investment No. 2 (Limited Partnership) (南京瑞聯二號投資中心(有限合夥)), Nanjing Ruilian Investment No. 3 (Limited Partnership) (南京瑞聯三號投資中心(有限合夥)) through the transfer of fund shares. Huatai Purple Gold Investment became the general partner of Beijing Ruilian Jingshen Investment Center (Limited Partnership) through the transfer of fund shares. During the Reporting Period, Shenzhen Qianhai Ruilian Investment Center No. 1 (Limited Partnership) and Beijing Ruilian Jingshen Investment Center (Limited Partnership) have been written off liquidation.

- (4) During the Reporting Period, through the transfer of fund shares, Huatai Purple Gold Investment became the general partner of Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership) and Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership), and served as fund manager.

## **2. External capital contribution**

- (1) During the Reporting Period, Huatai Purple Gold Investment initiated the establishment of Jiangsu Purple Gold Hongyun Health Industry Investment (Limited Partnership) (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)), with a total subscription of RMB1,450 million. Huatai Purple Gold Investment, as a fund manager and general partner, subscribed for a contribution of RMB290 million. As of the end of the Reporting Period, Huatai Purple Gold Investment fully paid the contribution of RMB145 million.
- (2) During the Reporting Period, Huatai Purple Gold Investment, as a manager, initiated the establishment of contractual Private Equity FOF Fund between Huatai Purple Gold and Ruikun.
- (3) During the Reporting Period, Huatai Purple Gold Investment increased its contribution to its controlling subsidiary Beijing Huatai Tongxin Fund Management Co., Ltd. by RMB5,100. Huatai Purple Gold Investment increased its paid-in contribution to Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) (北京華泰瑞合投資基金管理合夥企業(有限合夥)) by RMB510,000. Huatai Purple Gold Investment increased its paid-in contribution to Nanjing Ruilian Investment Center No.1 (Limited Partnership) (南京瑞聯一號投資中心(有限合夥)) which was established and funded by Huatai Purple Gold Investment by RMB5,375.92.

## **3. Changes in Directors and Supervisors**

During the Reporting Period, Huatai Purple Gold Investment changed its supervisor from Mr. Zhou Xiang to Mr. Gu Chengzhong and completed the industrial and commercial filing procedures.

### **(III) Huatai International**

1. On April 17, 2019, AssetMark Financial, Inc., a subsidiary of Huatai International, acquired a wholly-owned overseas subsidiary, namely Global Financial Private Capital, Inc (incorporated in Florida, USA).

2. Due to restructuring related to the listing of AssetMark, AssetMark Holdings LLC (registered in Delaware, USA), a subsidiary of Huatai International was wound up in July 2019.
3. During the Reporting Period, Mr. Jiang Jian ceased to act as the director of Huatai Financial Holdings (Hong Kong) Limited, a wholly-owned subsidiary of Huatai International.

#### **(IV) Huatai Futures**

1. On April 3, 2019, Huatai Futures increased its investments in its two subsidiaries namely Huatai Great Wall Capital Management Co., Ltd. and Huatai Great Wall Investment Management Co., Ltd. by RMB300 million and RMB200 million, respectively. After the capital increase, the paid-in capital of Huatai Great Wall Capital Management Co., Ltd. was RMB650 million, and the paid-in capital of Huatai Great Wall Investment Management Co., Ltd. was RMB550 million.
2. On August 26, 2019, Huatai Great Wall Investment Management Co., Ltd. increased its investment in its wholly-owned subsidiary namely Huatai Great Wall International Trade Co., Ltd. by RMB50 million. After the capital increase, the paid-in capital of Huatai Great Wall International Trade Co., Ltd. was RMB150 million.
3. During the Reporting Period, Huatai Capital Management (Hong Kong) Limited, an overseas subsidiary of Huatai Futures, increased its investments in its wholly-owned subsidiaries namely Huatai (Hong Kong) Futures Limited and Huatai Financial USA, Inc. by HK\$78 million and USD3.2 million, respectively. After the capital increase, the paid-in capital of Huatai (Hong Kong) Futures Limited and Huatai Financial USA, Inc. amounted to HK\$132.456 million and USD8.3 million, respectively.

#### **(V) Huatai Innovative Investment**

1. During the Reporting Period, Huatai Innovative Investment completed the business registration for the change of registered capital from RMB500 million to RMB3,500 million. Huatai Rising (Shanghai) Investment Co., Ltd.(華泰瑞新(上海)投資有限公司) completed the liquidation and cancellation upon expiration of the existing projects according to regulatory requirements.
2. During the Reporting Period, the chairman of the Board of Huatai Innovation Investment changed from Mr. Wang Lei to Mrs. Sun Ying.

#### **(VI) Huatai United Securities**

During the Reporting Period, the chairman of the Board of Huatai United Securities changed from Mrs. Liu Xiaodan to Mr. Jiang Yu, and the President changed from Mr. Jiang Yu to Mr. Ma Xiao.

**(VII) Please see Appendix III Information Disclosures Index for other major events which had been disclosed by the Company in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn) during the Reporting Period.**

## **XV. PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITIES**

### **(I) Poverty alleviation efforts of the Company**

#### **1. Targeted poverty alleviation planning**

- (1) Basic strategies: alleviating and getting rid of poverty in targeted areas.
- (2) General objectives: to help poor counties get rid of poverty at an early date, and to make due contribution in respect of building a moderately prosperous society in all aspects by 2020 and overcoming poverty by fully capitalizing on the Company's advantages on talents, intelligence, resources and capital.
- (3) Main missions: to help targets of poverty alleviation and areas in poverty pro-actively develop industries with characteristics and advantages by integrating local resources, to enhance the development capability of such targets and areas with the help of the capital market and to continue to strengthen the internal momentum of economic development.
- (4) Protective measures
  - 1) Establishing poverty alleviation workstations which offer financial services: Establishing poverty alleviation workstations which offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to achieve deep connection between the Company and the poverty alleviation targets.
  - 2) Setting up branches: Setting up branches in poor areas when the condition is mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.
  - 3) Providing multi-layered capital market poverty alleviation services
    - ① Meeting the cultivation and incubation demand of listing guidance in poor counties precisely, recommending eligible quality enterprises to carry out listing and financing proactively, providing assistance to enterprises in the county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.
    - ② Participating pro-actively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes, types and growth stages.
    - ③ Carrying out training to improve financial knowledge.
  - 4) Providing industry poverty alleviation services
    - ① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small and medium-sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening financing channels.

- ② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the industry development condition of the poor counties.
- 5) Providing poverty alleviation services regarding consumption: Helping special agricultural products of poor counties to broaden their sales channels by using the China's securities inter-connection business platform on poverty alleviation regarding consumption in order to increase farmers' income and boost industrial development.
- 6) Providing poverty alleviation services regarding education: Organizing outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.
- 7) Providing employment related poverty alleviation services: Under the same condition, employing fresh graduates from poor families in administrative record for poverty registration in poor counties which are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.
- 8) Providing community services for poverty alleviation
  - ① Operating aiding impoverished group activities, organizing compassionate people to offer donations of money and materials to poor villages and poor families with established archives and cards.
  - ② Operating multi-type community activities such as caring for the construction of Children's Home to promote the development of poor counties' public undertakings.
- 9) Actively introducing local characteristic resources: Integrating the practice of the Company itself with that of poor areas, actively introducing local characteristic resources such as ecology, tourism and education, such as founding red education bases at old revolutionary districts.
- 10) Selecting staff to take temporary posts: According to poor areas' demands, select politically qualified staff who are willing to take responsibilities with high professional level and strong organizational and coordinative skills to take temporary posts in poor areas to carry out targeted poverty alleviation.

## **2. Outline of targeted poverty alleviation of the year**

At the critical moment for poverty alleviation, Huatai Securities persistently took poverty alleviation as a major political task, major development task, major people's livelihood task and major action deployment and sincerely served the national poverty alleviation strategy.

The "One Company Helps One County" Assistance in Pair was further carried out. In Jinzhai, Anhui, the Company coordinated the best efforts to participate in the investment risk demonstration meeting of major projects of Jinzhai County, and gave full play to the Company's talent and intelligence advantage in financial poverty alleviation; it purchased nearly RMB400,000 of pecan oil from Jinzhai as a way of promoting the development of local specialty agricultural product market; it actively promoted the red education resources in Jinzhai County by organizing 58 outstanding party members to go to Jinzhai County to receive party spirit education to inherit the revolutionary spirit and strengthen the party spirit.

The “Five-Party Linkage” targeted assistance has achieved remarkable results. A poverty alleviation team was continuously assigned to assist Xiaolizhai Village, Feng County, Xuzhou, with a total donation of RMB3.7 million during the two years. With the great help of the Company, Xiaolizhai Village only took one year to achieve the task of poverty alleviation successfully: the annual collective income level of the village exceeded RMB0.2 million, with an average annual income per person of over RMB6,000 in regard of the 64 persons from 39 poverty-stricken families in the village. The Company implemented the project of “Rescue Children with Disabilities from Families Listing on the Administrative Record for Poverty Registering” (脫貧攻堅建檔立卡戶少兒病殘救助) for Feng County jointly with the poverty alleviation office and the women’s federation of the County, and purchased safety and health insurance of RMB50 for 5,144 healthy children aged 0 to 16 from families listing on the administrative record for poverty registering in the county, covering serious disease and accidental disability insurance customized for children to help them grow up healthily. The construction of a fruit and vegetable fresh-keeping cold storage assisted by the Company has been completed with the first lease contract signed, which will continuously bring an annual rental income ranging from RMB80,000 to RMB100,000 for the whole Xiaolizhai Village and will also offer temporary jobs for 20 to 30 local villagers during the harvest season. Projects such as villager cultural square, road hardening, installation of solar streetlight and renovation of school playgrounds were completed, which further improved the image of the village, and the local villagers’ sense of happiness was further enhanced.

Social poverty alleviation and public welfare undertakings continued to flourish in different aspects. The Company coordinated province-owned enterprises of Jiangsu in supporting the eastern and western regions and donated RMB1.5 million to Shaanxi, a pairing-aid target of Jiangsu. The Company organized the “targeted poverty alleviation • one day charitable donation” activity to actively advocate the good moral trend of poverty alleviation and charity, during which a total of over 4,800 employees participated in donations, and RMB590,000 was raised. In Xinghe County, Inner Mongolia, the Company donated RMB2 million for local industrial poverty alleviation projects, including building of a quinoa process workshop. Such assistance efforts drove the collective economic development of four villages, benefited 400 poverty-stricken families or farmers and improved competitiveness of local agricultural products significantly.

### 3. Achievements of targeted poverty alleviation

Unit: Ten Thousand Yuan Currency: RMB

Index	Number and implementation information
I. General information	
Including:	
1. Funds	2,077.05
2. Goods converted to money	—
3. Number of poor people who are removed from administrative record for poverty administration with the help of the Company (Persons)	—

II. Itemized input		
1. Poverty alleviation through industrial development		
Including:	1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry industry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets and income <input type="checkbox"/> Poverty alleviation through science and technology <input type="checkbox"/> Others
	1.2 Number of industrial poverty alleviation projects (Projects)	2
	1.3 Amount invested in industrial poverty alleviation projects	531.43
	1.4 Number of poor people who are removed from administrative record for poverty administration with the help of the Company (Persons)	—
2. Poverty alleviation through education		
Including:	2.1 Amount invested in subsidizing poor students	—
	2.2 Number of students receiving allowance (Persons)	—
	2.3 improvement of education resources in poverty areas	355
3. Poverty alleviation in ecological protection		
Including:	3.1 Name of projects	<input checked="" type="checkbox"/> Carrying out ecological protection and construction <input type="checkbox"/> Establishing compensation mode of ecological protection <input type="checkbox"/> Setting up ecological public welfare posts <input type="checkbox"/> Others
	3.2 Amount invested	200
4. Social poverty alleviation		
Including:	4.1 Amount invested in poverty alleviation in East and West China	150
	4.2 Amount invested in targeted poverty alleviation	149.09
	4.3 Public funds for poverty alleviation	—

5.	Other projects	
Including:	5.1	Number of projects (Project)
	5.2	Amount invested
	5.3	Number of poor people who are removed from administrative record for poverty administration with the help of the Company (Persons)
	5.4	Details of other projects
		Support for the development of environmental protection, public welfare, culture and sports industry
		3
		691.53
		–

### III. Awards (content and level)

In March 2019, the Company was awarded the “2018 Outstanding Contribution Award in Jiangsu Province Poverty Alleviation (2018年度江蘇扶貧濟困突出貢獻獎)” by the three associations for poverty alleviation in Jiangsu province;

In April 2019, Jiangxi Branch of the Company was awarded the “Advanced Unit for Poverty Alleviation” in 2018 (2018 年度“扶貧工作先進單位”) by Jiangxi Securities Regulatory Bureau and Jiangxi Securities and Futures Association;

In June 2019, two grass-roots party construction innovation cases of the Company, including focusing on “four hearts” (四心) to activate the youth momentum of young party members with high knowledge, and “party construction + finance” (黨建+金融) to accurately alleviate poverty, were commended by the party committee of Jiangsu SASAC.

#### 4. Follow-up targeted poverty alleviation plan

The Company will further promote the “One Company Helps One County” (“一司一縣”) campaign. In this regard, the Company will give full play to its advantages in the capital market industry, continue to serve the economic and social development of Jinzhai, and regulate the governance of enterprises in the county, paving the way for enterprises in Jinzhai to enter into the capital market; fully leverage its advantage of talents to assign professional teams to help enterprises solve their development problems, providing advice and assistance to Jinzhai County for the attraction of business and investment as well as the capital operation; and collaborate with local organizations to carry out various public service activities for poverty alleviation through the charity project named “Commonweal Heart of Huatai For Children, For Tomorrow” (“益心華泰·為了明天關愛兒童”). According to the arrangement of poverty alleviation team by Jiangsu Provincial Party Committee, the Company will perform its duty of promoting the “Five Parties Linking Together” (“五方掛鉤”) campaign in respect of helping the economically weak counties in Northern Jiangsu Province by continuing to assign poverty alleviation team members to provide target assistance, and consolidate the achievement in poverty alleviation for those counties through financial, industrial, public and other forms of poverty alleviation.



## **(II) Social Responsibilities**

The Company is listed as a financial company on SSE and also listed inside and outside China. While disclosing its 2019 Annual Report, the Company will also disclose the 2019 Corporate Social Responsibility Report of Huatai Securities Co., Ltd. For details of the report, please check the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)), the HKEXnews website of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.htsc.com.cn](http://www.htsc.com.cn)) on March 31, 2020.

## **(III) Environment Information**

### **I. Description of environmental protection of companies and their major subsidiaries that are severely polluting units specified by the environmental protection authority**

The Company is not in the list of companies and their major subsidiaries that are severely polluting units specified by the environmental protection authority.

### **II. Description of environmental protection of companies that are not severely polluting units**

The Company is a financial company, which is not in the list of severely polluting units and their major subsidiaries published by the environmental protection authority. The Company entrusts qualified third-party organizations to conduct inspection for the wastewater, exhaust gases and noises of the headquarters office every year. According to the 2019 environmental assessment report, the levels of exhaust gases, water quality and noises are in line with the national standards.

To protect the ecology, prevent pollution and fulfill its environmental responsibilities, the Company has adopted a number of measures to promote the energy conservation and environmental protection:

<b>Key Measures</b>	<b>Details</b>
Advocating the concept of garden-like office	The greening rate of Huatai Securities Square is 27.9%, which is higher than that of general office areas for business. Around the concept of garden-like office, the Company created a multi-level landscape to optimize the environment of the office with more comfort, in addition to the greening in central area
Encouraging low-carbon mobility	The underground garage of Huatai Securities Square is equipped with charging piles for new energy vehicles and electric motorcycles to encourage employees to practice green commuting. The Company advocates to use public transport for business trips in the city and take official vehicles with others in collective business activities to fully utilize transport efficiency and thus to reduce the environmental pollution caused by vehicle exhaust emissions. The Company makes full use of the video conference system to reduce the number of on-site meetings, so as to reduce the carbon emission generated by business travels.

## Key Measures

## Details

Making full use of renewable energy

Huatai Securities Square makes full use of renewable energy by installing an air-conditioning system applying technologies featuring energy conservation and environmental protection such as solar photovoltaic power generation system, solar water heating system, sunlight induced lighting device system, ground source heat pump system, ice storage, floor air supply system and rainwater reuse, which has brought positive social benefits to the low carbon economy. At the same time, all pieces of equipment are under effective monitoring to ensure the stable, safe and reliable operations of all types of equipment systems, which could meet the management requirements for energy conservation and environmental protection.

In 2019, the Company saved 7,472 kwh of electricity through photovoltaic power generation system in the whole year, and saved a total of more than 400,000 kwh through the measures of conductor lighting system, garden water pump, intelligent lighting control in office area and replacement of energy-saving lamps in the whole year, with the monthly power factor reaching the award standard of the power supply bureau. The Company has overfulfilled the annual energy saving index, and received a total of about RMB0.24 million in reward.

Promoting green technology transform

In November 2019, the Company started the low-nitrogen transformation of six Viessmann boilers in Huatai Securities Square, and as of December 31, 2019, two steam boilers had started to be transformed. It is predicted that the nitrogen oxide emission concentration of a single boiler after transformation will be reduced to 30 mg/m<sup>3</sup>, which is lower than the requirement of 50 mg/m<sup>3</sup> in Nanjing City, with a reduction rate of about 22%.

In all of the renovation projects of Huatai Securities, all the fluorescent and incandescent lamps were replaced by LED lights which are more environmentally friendly. All of the decoration materials are green environmental protection materials, with the environmental protection level higher than E1 level.

Using energy saving and environmental protection consumables

Huatai Securities has fully used environmental protection paper in the business card production. In the printing of 2018 Annual Report and 2019 Interim Report, the Company also used environmental protection paper, integrating the concept of energy conservation and environmental protection into daily office.

## Key Measures

## Details

Practicing paperless office

In 2019, Huatai Securities continued to promote paperless office, based on the OA system to realize of paperless office collaboration and communication throughout the enterprise, and achieved online approval, communication and organization of all office processes, which greatly reduced the use of office paper. Meanwhile, the Company launched the electronic signature platform to support customers to complete the electronic signing of our business contracts online, which greatly reducing the use of paper contracts. According to estimates, the Company uses about 70,000 printing processes a year and the paper used for printing documents is about 3 million pieces, it is expected that half of the documents will be signed online through the electronic signature platform and about 1.5 million pieces of paper will be saved, and the cost of express delivery across the country will be saved about RMB0.15 million.

Advocating scientific use of water and consciously save water

Huatai Securities pays attention to the cultivation of employees' awareness of scientific use of water and conscious consciously save water, and takes saving water measures in the process of using water to save water resources consumption. In 2019, the Company uses water saving sanitary ware, and fully uses of rainwater recovery system, and maximize the utilization of water resources by collecting rainwater in rainy season and irrigating and greening in dry season.

Insisting on the waste use and innovation value

Huatai Securities adheres to the core values of "Waste Use, Innovation Value" to dispose of waste, evaluates the use of waste office equipment, encourages the reuse of waste materials, and reduces unnecessary waste of resources; hazardous wastes such as electronic wastes, light pipes, toner cartridges and ink cartridges are recovered by qualified entities for further disposal or recycling; office wastes are collected and transported by property to minimize adverse impact on the environment; office waste water is brought into the municipal sewage pipe network and transported to the municipal sewage plant for treatment.

## **XVI. THE COMPANY HAD NO CONVERTIBLE CORPORATE BONDS**

## **XVII. MAIN OFF-BALANCE SHEET ITEMS THAT MAY AFFECT THE COMPANY'S FINANCIAL SITUATION AND OPERATING RESULTS**

For the main off-balance sheet items that may affect the Company's financial situation and operating results, please refer to "(II) Guarantees" under "Major Events" under "XIII. Material Contracts and Performance Thereof" in this report.

## **XVIII. IMPORTANT MATTERS AFTER THE BALANCE SHEET DATE**

### **(I) Changes in shareholders, Directors, Supervisors and senior management**

Upon consideration and approval by the Company at the third meeting of the Fifth Session of the Board held on January 23, 2020, Ms. Jiao Xiaoning was agreed to be appointed as the chief financial officer of the Company. Ms. Jiao Xiaoning will officially serve as the chief financial officer of the Company after applying for and obtaining the qualification as senior management at the manager level of securities companies, with the term of office starting from the date of approval by the Board of Directors until the end of the term of office of this session of Board.

On January 22, 2020, the Company received the Approval on Qualification of Jiao Kai as Senior Management of Securities Company (Su Zheng Jian Xu Ke [2020] No. 3) (《關於核准焦凱證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字[2020]3號)) from the Jiangsu Securities Regulatory Bureau. On February 17, 2020, the Company received the No-objection Letter on Appointment of Jiao Kai as Chief Compliance Officer of Huatai Securities Co., Ltd. (Su Zheng Jian Han [2020] No. 71) (《關於焦凱任華泰證券股份有限公司合規負責人的無異議函》(蘇證監函[2020]71號)) from the Jiangsu Securities Regulatory Bureau. Pursuant to the relevant requirements and the resolution at the first meeting of the fifth session of the Board of the Company, the appointment of Mr. Jiao Kai as the chief compliance officer of the Company has taken effect from February 17, 2020 and Mr. Zhou Yi no longer performs the duties of the chief compliance officer.

On February 18, 2020, the Company received the Approval on Qualification of Zhai Jun as Chairman of the Supervisory Committee of Securities Company (Su Zheng Jian Xu Ke [2020] No. 8) (《關於核准翟軍證券公司監事會主席任職資格的批覆》(蘇證監許可字[2020]8號)) from the Jiangsu Securities Regulatory Bureau, pursuant to which, Mr. Zhai Jun's qualification as the chairman of the supervisory committee of securities companies has been approved. Pursuant to the relevant requirements and the resolution at the first meeting of the fifth session of the Supervisory Committee of the Company, the appointment of Mr. Zhai Jun as the chairman of the Supervisory Committee of the Company has taken effect from February 18, 2020.

On the same date, the Company received the Approval on Qualification of Chen Tianxiang as Senior Management of Securities Company (Su Zheng Jian Xu Ke [2020] No. 9) (《關於核准陳天翔證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字[2020]9號)) from the Jiangsu Securities Regulatory Bureau, The appointment of Mr. Chen Tianxiang as the member of executive committee of the Company has taken effect from February 18, 2020.

On March 5, 2020, the Chairman of Huatai Purple Gold Investment was changed from Mr. Jiang Jian to Ms. Cao Qun.

According to the New Securities Law and the CSRC's Announcement on Various Issues in relation to the Cancellation or Adjustment of Certain Administrative Approval Projects of Securities Companies (《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》) (CSRC Announcement [2020] No. 18), directors of securities companies no longer need regulatory authorities to approve their qualifications before taking office. Ms. Jiao Xiaoning formally performs the duties of the Company's chief financial officer from March 5, 2020. Mr. Li Shiqian formally performs the duties of the Company's the member of executive committee from March 10, 2020.

## **(II) Proposal or resolution on annual distribution**

Please refer to “Important Notice” in this report.

## **(III) Material Investment and financing activities**

Please refer to note 66 to the financial statements headed “Events after the reporting date” in this report.

## **(IV) Material litigation and arbitration**

After the Reporting Period, the Company did not have any material litigation and arbitration.

## **(V) Business combination or disposal of subsidiary**

After the Reporting Period, the Company did not conduct any business combination or disposal of subsidiary.

## **(VI) Establishment and relocation of securities sales departments and branches**

<b>No.</b>	<b>Name before Relocation</b>	<b>Name after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
1	Securities Branch in Raffles Square, Huangpu District, Shanghai	Securities Branch in Raffles Square, Huangpu District, Shanghai	Room 5003-05 (The actual floor is 4403A, 4403B, 4404), No. 268 Middle Tibet Road, Huangpu District, Shanghai City	January 16, 2020
2	Securities Branch in Middle Guangzhou Avenue, Guangzhou	Securities Branch in Middle Guangzhou Avenue, Guangzhou	Room 103, and Room 3205, 3206 No. 307 Middle Guangzhou Avenue, Yuexiu District, Guangzhou	January 17, 2020
3	Securities Branch in Ningxia Road, Qingdao	Securities Branch in Hong Kong West Road, Qingdao	No. 79 Hong Kong West Road, Shinan District, Qingdao, Shandong Province	February 24, 2020
4	Securities Branch on Huafei Road, Ma’anshan	Securities Branch on Hudong Middle Road, Ma’anshan	No. 1046, Hudong Middle Road, Huashan District, Ma’anshan City	March 9, 2020

## **(VII) Other situations that might materially affect the financial position, results of operation and cash flow of the Company after the Reporting Period**

The Company had no other situations that might materially affect the financial position, results of operation and cash flow of the Company after the Reporting Period.

## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARE CAPITAL

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

##### 1. Statement of changes in ordinary shares

	Unit: Shares									
	Before the change		New shares issued	Increase/decrease (+,-) of the change				After the change		
	Number	Percentage (%)		Bonus shares	Shares converted from reserves	Others	Subtotal	Number	Percentage (%)	
I. Shares subject to selling restrictions	1,088,731,200	13.19	-	-	-	-1,088,731,200	-1,088,731,200	-	-	
1. Shares held by the state	-	-	-	-	-	-	-	-	-	
2. Shares held by state-owned legal persons	153,256,704	1.86	-	-	-	-153,256,704	-153,256,704	-	-	
3. Shares held by other domestic investors	935,474,496	11.34	-	-	-	-935,474,496	-935,474,496	-	-	
Including: shares held by domestic non state-owned legal persons	935,474,496	11.34	-	-	-	-935,474,496	-935,474,496	-	-	
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-	
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-	
Including: shares held by overseas legal persons	-	-	-	-	-	-	-	-	-	
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-	
II. Outstanding shares not subject to selling restrictions	7,162,768,800	86.81	825,150,000	-	-	1,088,731,200	1,913,881,200	9,076,650,000	100.00	
1. Ordinary shares in RMB	5,443,723,120	65.97	825,150,000	-	-	1,088,731,200	1,913,881,200	7,357,604,320	81.06	
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-	
3. Overseas listed foreign shares	1,719,045,680	20.84	-	-	-	-	-	1,719,045,680	18.94	
4. Others	-	-	-	-	-	-	-	-	-	
III. Total number of ordinary shares	8,251,500,000	100.00	825,150,000	-	-	-	825,150,000	9,076,650,000	100.00	

##### 2. Information on changes in ordinary shares

###### 1. The Company issued GDRs and was listed on the London Stock Exchange

On June 20, 2019, the Global Depository Receipts (“GDRs”) initially issued by the Company were listed on the London Stock Exchange. 75,013,636 GDRs were issued this time with each GDR representing 10 A Shares of the Company, and the corresponding number of additional underlying A Shares was 750,136,360. The above-mentioned additional underlying A Shares were all unrestricted outstanding shares. After the completion of the GDR issuance, the total share capital of the Company was changed to 9,001,636,360 shares. (See Shanghai Stock Exchange announcement 2019-037 for details)

2. The Company exercised GDR related over-allotment option

On June 27, 2019, due to the exercise of the over-allotment option, the additional underlying A Shares corresponding to the additional GDRs issued by the Company were listed. The number of GDRs for the over-allotment option was 7,501,364, and the corresponding number of additional underlying A Shares was 75,013,640. The abovementioned additional underlying A Shares were all unrestricted outstanding shares. After the completion of over-allotment, the total share capital of the Company was changed to 9,076,650,000 shares. (See Shanghai Stock Exchange announcement 2019-044 for details)

3. The non-publicly issued restricted shares of the Company were listed for transaction

On August 2, 2019, 1,088,731,200 non-publicly issued restricted shares of the Company held by six shareholders including Alibaba (China) Network Technology Co., Ltd. were listed for transaction, and all the shares of the Company were converted into unrestricted outstanding shares. (See Shanghai Stock Exchange announcement 2019-052 for details)

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

On June 28, 2019, the Company completed the offering of 82,515,000 GDRs, representing 825,150,000 underlying A Shares. After the issuance, the Company's total number of shares increased from 8,251,500,000 shares to 9,076,650,000 shares, and the share capital increased from RMB8,251,500,000.00 to RMB9,076,650,000.00. Earnings per share during the Reporting Period and net assets per share at the end of the Reporting Period of the Company were diluted as a result of the increase in share capital. Based on the weighted average number of shares, earnings per share in 2019 were RMB1.04 and net assets per share at the end of the period were RMB13.50.

4. *Other contents that the Company deemed necessary or securities regulatory authorities required to disclose*

On January 3, 2019, Guoxin Group notified the Company that, Guoxin Group increased its holding of A Shares in the Company by 20,144,411 shares in aggregate through the trading system of the Shanghai Stock Exchange during the period from July 3, 2018 to January 2, 2019, accounting for approximately 0.2441% of the Company's total shares, which reached the lower limit and did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB298,741,932.96 (inclusive of service fees). After the increase in shareholding, Guoxin Group held 1,271,072,836 shares of the Company, accounting for approximately 15.4041% of the Company's total shares. Guoxin Group intended to continue to increase its holding of shares of the Company within the 6 months from January 4, 2019, with the increased shareholding percentage in aggregate not less than 0.1212% (10 million shares) of the Company's total shares (calculated by the total shares issued by the Company as of January 3, 2019, same for the followings) and not higher than 0.5% of the Company's total shares. (See Shanghai Stock Exchange announcement 2019-001 for details)

The term for implementing the shareholding increase plan expired on July 3, 2019. On July 4, 2019, Guoxin Group notified the Company that, during the period from January 4, 2019 to July 3, 2019, Guoxin Group has increased its holding of H Shares of the Company by 31,277,800 shares in aggregate through Southbound Trading, accounting for approximately 0.3791% of the Company's total issued shares as at January 3, 2019, which reached the lower limit and did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB386,689,186.45 (exclusive of service fees). After the increase in shareholding, Guoxin Group held 1,302,350,636 shares of the Company, accounting for 15.7832% of the Company's total issued shares as at January 3, 2019 and 14.3484% of the Company's total issued shares as at July 3, 2019. Guoxin Group intended to continue to increase its holding of shares of the Company within the 6 months from July 5, 2019, with the increased shareholding percentage in aggregate not less than 0.1102% (10 million shares) of the Company's total shares (calculated by the total shares issued by the Company as of July 3, 2019, same for the followings) and not higher than 0.3% of the Company's total shares. (See Shanghai Stock Exchange announcement 2019-046 for details)

The term for implementing the shareholding increase plan expired on January 3, 2020. On January 3, 2020, Guoxin Group notified the Company that, during the period from July 5, 2019 to January 3, 2020, Guoxin Group has increased its holding of H Shares of the Company by 26,873,400 shares through Southbound Trading, accounting for approximately 0.2961% of the Company's total shares, which reached the lower limit and did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB304,689,736.57 (exclusive of service fees). After the increase in shareholding, Guoxin Group held 1,329,224,036 shares of the Company, accounting for approximately 14.6444% of the Company's total shares. (See Shanghai Stock Exchange announcement 2020-001 for details)



**(II) Changes in shares subject to selling restrictions**

Unit: Shares

Name of shareholder	Number of shares subject to selling restrictions as at the beginning of the year	Number of shares on which selling restrictions are lifted during the year	Number of increased shares subject to selling restrictions during the year	Number of shares subject to selling restrictions as at the end of the year	Reason for selling restriction	Date on which selling restrictions are lifted
Alibaba (China) Technology Co., Ltd.	268,199,233	268,199,233	—	—	From the date of completion of the non-public issuance in August 2018, A Shares subscribed in this non-public issuance shall not be transferred within 12 months.	August 2, 2019
Suning. Com Co., Ltd.	260,536,398	260,536,398	—	—		
Essence Securities – China Merchants Bank – Essence Securities Dingzengbao No. 1 Collective Asset Management Program	247,545,593	247,545,593	—	—		
China Structural Reform Fund Corporation Limited	153,256,704	153,256,704	—	—		
Beixin Ruifeng Asset – Minsheng Bank – Beixin Ruifeng Asset Minsheng Phoenix No. 2 Special Asset Management Program	115,019,157	115,019,157	—	—		
Sunshine Property & Casualty Insurance Co., Ltd. – traditional – general insurance products	44,174,115	44,174,115	—	—		
Total	1,088,731,200	1,088,731,200	—	—		/

## II. THE ISSUANCE AND LISTING OF SECURITIES

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

Currency: RMB

Types of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of securities issued	Date of listing	Number of securities permitted to be listed for trading	Ending date of the trading
<b>Convertible corporate bonds, detachable convertible bonds, corporate bonds</b>						
Corporate bonds	2013-06-05	5.10%	RMB6.0 billion	2013-07-17	RMB6.0 billion	2023-06-05
Corporate bonds	2016-12-06	3.57%	RMB3.5 billion	2016-12-13	RMB3.5 billion	2019-12-05
Corporate bonds	2016-12-06	3.78%	RMB2.5 billion	2016-12-13	RMB2.5 billion	2021-12-05
Corporate bonds	2016-12-14	3.79%	RMB5.0 billion	2016-12-22	RMB5.0 billion	2019-12-13
Corporate bonds	2016-12-14	3.97%	RMB3.0 billion	2016-12-22	RMB3.0 billion	2021-12-13
Corporate bonds	2018-11-26	3.88%	RMB3.0 billion	2018-12-11	RMB3.0 billion	2021-11-25
Corporate bonds	2018-11-26	4.17%	RMB1.0 billion	2018-12-11	RMB1.0 billion	2023-11-25
Corporate bonds	2019-03-19	3.68%	RMB7.0 billion	2019-03-29	RMB7.0 billion	2022-03-18
Corporate bonds	2019-04-22	3.80%	RMB5.0 billion	2019-04-29	RMB5.0 billion	2022-04-21
Subordinated bonds	2016-10-14	3.30%	RMB5.0 billion	2016-11-02	RMB5.0 billion	2019-10-14
Subordinated bonds	2017-07-27	4.95%	RMB5.0 billion	2017-08-16	RMB5.0 billion	2020-07-26
Subordinated bonds	2018-03-15	5.65%	RMB1.0 billion	2018-03-30	RMB1.0 billion	2020-03-14
Subordinated bonds	2018-05-10	5.20%	RMB2.8 billion	2018-05-25	RMB2.8 billion	2021-05-09
Non-public corporate bonds	2017-02-24	4.65%	RMB2.0 billion	2017-03-09	RMB2.0 billion	2020-02-23
Non-public corporate bonds	2017-05-15	5.00%	RMB4.0 billion	2017-09-20	RMB4.0 billion	2019-05-14
Non-public corporate bonds	2017-05-15	5.25%	RMB6.0 billion	2017-09-20	RMB6.0 billion	2020-05-14
Non-public corporate bonds	2017-10-19	4.98%	RMB5.0 billion	2017-11-02	RMB5.0 billion	2019-04-18
Non-public corporate bonds	2019-05-27	3.94%	RMB5.0 billion	2019-06-06	RMB5.0 billion	2022-05-26
Non-public corporate bonds	2019-10-24	3.68%	RMB4.0 billion	2019-10-31	RMB4.0 billion	2022-10-23
Short-term corporate bonds	2018-06-11	5.00%	RMB4.6 billion	2018-06-20	RMB4.6 billion	2019-06-10
Financial bonds	2019-08-21	3.40%	RMB6.0 billion	2019-08-22	RMB6.0 billion	2022-08-19
Short-term financing bonds	2019-04-29	3.00%	RMB3.0 billion	2019-04-30	RMB3.0 billion	2019-07-26
Short-term financing bonds	2019-07-10	2.60%	RMB3.0 billion	2019-07-11	RMB3.0 billion	2019-10-08
Short-term financing bonds	2019-08-08	2.70%	RMB4.0 billion	2019-08-09	RMB4.0 billion	2019-11-05
Short-term financing bonds	2019-09-12	2.78%	RMB2.0 billion	2019-09-16	RMB2.0 billion	2019-12-10
Short-term financing bonds	2019-10-11	2.83%	RMB5.0 billion	2019-10-12	RMB5.0 billion	2020-01-08
Short-term financing bonds	2019-11-14	3.05%	RMB5.0 billion	2019-11-15	RMB5.0 billion	2020-02-11
Short-term financing bonds	2019-12-06	3.02%	RMB5.0 billion	2019-12-09	RMB5.0 billion	2020-03-04
<b>Other derivative securities</b>						
Global depository receipts	2019-06-11	USD20.50	75,013,636 (corresponding to 750,136,360 A Shares)	2019-06-20	75,013,636	
Global depository receipts (over-allotment)	2019-06-11	USD20.50	7,501,364 (corresponding to 75,013,640 A Shares)	2019-06-27	7,501,364	

Information of the issuance of securities during the Reporting Period (for the bonds with different interest rates in the duration period, please explain separately):

## 1. *Global Depository Receipt*

Under the Approval for Issuance and Admission of Global Depository Receipts on the London Stock Exchange plc by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1993) (《關於核准华泰證券股份有限公司發行全球存托憑證並在倫敦證券交易所上市的批覆》(證監許可[2018]1993號)) issued by the CSRC, on June 20, 2019, the 75,013,636 Global Depository Receipts (“GDRs”) initially issued by the Company were listed on the London Stock Exchange with each GDR representing 10 A Shares of the Company, and the corresponding 750,136,360 additional underlying A Shares were listed on the Shanghai Stock Exchange. On June 27, 2019, since the Stabilizing Manager exercised the over-allotment option, 7,501,364 additional GDRs were issued by the Company and the corresponding 75,013,640 additional underlying A Shares have been listed on the Shanghai Stock Exchange. The Company issued 82,515,000 GDRs in aggregate, and the corresponding additional underlying A Shares amounted to 825,150,000 shares in aggregate.

## 2. *Corporate bonds*

### (1) Corporate bonds issued in previous years but still in the duration period

On June 5, 2013, the Company publicly issued the 2013 Corporate Bonds of Huatai Securities to public investors with an amount of RMB6 billion at an issue price of RMB100 per bond, carrying 10-year fixed rates with a coupon rate of 5.10%. Such bonds were listed for trading on the Shanghai Stock Exchange on July 17, 2013. The abbreviation and code of the bonds were “13 Huatai 02” and “122262”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB6 billion with the trading ended on June 5, 2023.

On December 6, 2016, the Company publicly issued the 2016 Corporate Bonds of Huatai Securities (First Tranche) to qualified investors. The amount of the said bonds came to RMB6 billion at an issue price of RMB100 per bond, carrying 3-year and 5-year fixed rates. The amount of the 3-year bonds came to RMB3.5 billion with a coupon rate of 3.57%, while the amount of the 5-year bonds came to RMB2.5 billion with a coupon rate of 3.78%. Such bonds were listed for trading on the Shanghai Stock Exchange on December 13, 2016. The abbreviation and code of the 3-year bonds were “16 Huatai G1” and “136851”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB3.5 billion with the trading ended on December 5, 2019, and the principal together with the interest was repaid during the Reporting Period; the abbreviation and code of the 5-year bonds were “16 Huatai G2” and “136852”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB2.5 billion with the trading ended on December 5, 2021.

On December 14, 2016, the Company publicly issued the 2016 Corporate Bonds of Huatai Securities (Second Tranche) to qualified investors. The amount of the said bonds came to RMB8 billion at an issue price of RMB100 per bond, carrying 3-year and 5-year fixed rates. The amount of the 3-year bonds came to RMB5 billion with a coupon rate of 3.79%, while the amount of the 5-year bonds came to RMB3 billion with a coupon rate of 3.97%. Such bonds were listed for trading on the Shanghai Stock Exchange on December 22, 2016. The abbreviation and code of the 3-year bonds were “16 Huatai G3” and “136873”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB5 billion with the trading ended on December 13, 2019, and the principal together with the interest was repaid during the Reporting Period; the abbreviation and code of the 5-year bonds were “16 Huatai G4” and “136874”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB3 billion with the trading ended on December 13, 2021.

On November 26, 2018, the Company publicly issued the 2018 Corporate Bonds of Huatai Securities (First Tranche) to qualified investors. The amount of the said bonds came to RMB4 billion at an issue price of RMB100 per bond, carrying 3-year and 5-year fixed rates. The amount of the 3-year bonds came to RMB3 billion with a coupon rate of 3.88%, while the amount of the 5-year bonds came to RMB1 billion with a coupon rate of 4.17%. Such bonds were listed for trading on the Shanghai Stock Exchange on December 11, 2018. The abbreviation and code of the 3-year bonds were “18 Huatai G1” and “155047”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB3 billion with the trading ended on November 25, 2021; the abbreviation and code of the 5-year bonds were “18 Huatai G2” and “155048”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB1 billion with the trading ended on November 25, 2023.

(2) Corporate bonds issued during the Reporting Period

On March 19, 2019, the Company publicly issued the 2019 Corporate Bonds of Huatai Securities (First Tranche) to qualified investors. The amount of the said bonds came to RMB7 billion at an issue price of RMB100 per bond, carrying 3-year fixed rates with a coupon rate of 3.68%. Such bonds were listed for trading on March 29, 2019. The abbreviation and code of the bonds were “19 Huatai G1” and “155240”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB7 billion with the trading ended on March 18, 2022.

On April 22, 2019, the Company publicly issued the 2019 Corporate Bonds of Huatai Securities (Second Tranche) to qualified investors. The amount of the said bonds came to RMB5 billion at an issue price of RMB100 per bond, carrying 3-year fixed rates with a coupon rate of 3.80%. Such bonds were listed for trading on April 29, 2019. The abbreviation and code of the bonds were “19 Huatai G3” and “155358”, respectively, and the amount of the bonds permitted to be listed for trading came to RMB5 billion with the trading ended on April 21, 2022.

### 3. *Subordinated bonds*

#### (1) Subordinated bonds issued in previous years but still in duration period

On October 14, 2016, the Company non-publicly issued the 2016 first tranche of subordinated bonds (abbreviation: 16 Huatai C1; bond code: 145029) with an amount of RMB5 billion, a term of 5 years (with redemption option for the issuer at the end of the third year) and a coupon rate of 3.30%, and the principal together with the interest was repaid during the Reporting Period.

On July 27, 2017, the Company non-publicly issued the 2017 subordinated bonds (first tranche) (type II) (abbreviation: 17 Huatai C2; bond code: 145664) with an amount of RMB5 billion, a term of 3 years and a coupon rate of 4.95%.

On March 15, 2018, the Company non-publicly issued the 2018 subordinated bonds (first tranche) (abbreviation: 18 Huatai C1; bond code: 150175) with an amount of RMB1 billion, a term of 2 years and a coupon rate of 5.65%.

On May 10, 2018, the Company non-publicly issued the 2018 subordinated bonds (second tranche) (type I) (abbreviation: 18 Huatai C2; bond code: 150386) with an amount of RMB2.8 billion, a term of 3 years and a coupon rate of 5.20%.

#### (2) No subordinated bonds were issued during the Reporting Period

### 4. *Non-public corporate bonds*

#### (1) Non-public corporate bonds issued in previous years but still in duration period

On February 24, 2017, the Company non-publicly issued the 2017 first tranche of corporate bonds with an amount of RMB8 billion. The amount of 3-year bonds (abbreviation: 17 Huatai 02; bond code: 145352) came to RMB2 billion with a coupon rate of 4.65%.

On May 15, 2017, the Company non-publicly issued the 2017 second tranche of corporate bonds with an amount of RMB10 billion. The amount of 2-year bonds (abbreviation: 17 Huatai 03; bond code: 145537) came to RMB4 billion with a coupon rate of 5.00%, and the principal together with the interest was repaid during the Reporting Period; the amount of 3-year bonds (abbreviation: 17 Huatai 04; bond code: 145538) came to RMB6 billion with a coupon rate of 5.25%.

On October 19, 2017, the Company non-publicly issued the 2017 fourth tranche of corporate bonds (abbreviation: 17 Huatai 06; bond code: 145839) with an amount of RMB5 billion, a term of 1.5 years and a coupon rate of 4.98%, and the principal together with the interest was repaid during the Reporting Period.

On June 11, 2018, the Company non-publicly issued the 2018 short-term corporate bonds of securities companies (first tranche) (abbreviation: 18 Huatai D1; bond code: 150443) with an amount of RMB4.6 billion, a term of 1 year and a coupon rate of 5.00%, and the principal together with the interest was repaid during the Reporting Period.

(2) Non-public corporate bonds issued during the Reporting Period

On May 27, 2019, the Company non-publicly issued the 2019 first tranche of corporate bonds (“19 Huatai 02”, code: 151579) of RMB5 billion for a duration of 3 years, at a coupon rate of 3.94%.

On October 24, 2019, the Company non-publicly issued the 2019 second tranche of corporate bonds (“19 Huatai 03”, code: 162324) of RMB4 billion for a duration of 3 years, at a coupon rate of 3.68%.

5. *Financial bonds*

On August 21, 2019, the Company publicly issued the 2019 first tranche of financial bonds of RMB6 billion for a duration of 3 years, at a coupon rate of 3.40%. The bonds (“19 HTSC Financial Bond 01”, code: 091900018.IB) were listed on August 22, 2019 and the amount approved for trading was RMB6 billion. The trading was terminated on August 19, 2022.

6. *Short-term debt instruments*

On April 29, 2019, the Company issued the 2019 first tranche of short-term debt instruments of RMB3 billion for a duration of 91 days, at a coupon rate of 3.00%. The debt instruments (“19 HTSC CP001”, code: 071900031.IB) were listed on April 30, 2019 and the amount approved for trading was RMB3 billion. The trading was terminated on July 26, 2019, and principal and interest payments were made during the Reporting Period.

On July 10, 2019, the Company issued the 2019 second tranche of short-term debt instruments of RMB3 billion for a duration of 91 days, at a coupon rate of 2.60%. The debt instruments (“19 HTSC CP002”, code: 071900062.IB) were listed on July 11, 2019 and the amount approved for trading was RMB3 billion. The trading was terminated on October 8, 2019, and principal and interest payments were made during the Reporting Period.

On August 8, 2019, the Company issued the 2019 third tranche of short-term debt instruments of RMB4 billion for a duration of 90 days, at a coupon rate of 2.70%. The debt instruments (“19 HTSC CP003”, code: 071900075.IB) were listed on August 9, 2019 and the amount approved for trading was RMB4 billion. The trading was terminated on November 5, 2019, and principal and interest payments were made during the Reporting Period.

On September 12, 2019, the Company issued the 2019 fourth tranche of short-term debt instruments of RMB2 billion for a duration of 90 days, at a coupon rate of 2.78%. The debt instruments (“19 HTSC CP004”, code: 071900098.IB) were listed on September 16, 2019 and the amount approved for trading was RMB2 billion. The trading was terminated on December 10, 2019, and principal and interest payments were made during the Reporting Period.

On October 11, 2019, the Company issued the 2019 fifth tranche of short-term debt instruments of RMB5 billion for a duration of 90 days, at a coupon rate of 2.83%. The debt instruments (“19 HTSC CP005”, code: 071900111.IB) were listed on October 12, 2019 and the amount approved for trading was RMB5 billion. The trading was terminated on January 8, 2020.

On November 14, 2019, the Company issued the 2019 sixth tranche of short-term debt instruments of RMB5 billion for a duration of 90 days, at a coupon rate of 3.05%. The debt instruments (“19 HTSC CP006”, code: 071900145.IB) were listed on November 15, 2019 and the amount approved for trading was RMB5 billion. The trading was terminated on February 11, 2020.

On December 6, 2019, the Company issued the 2019 seventh tranche of short-term debt instruments of RMB5 billion for a duration of 90 days, at a coupon rate of 3.02%. The debt instruments (“19 HTSC CP007”, code: 071900163.IB) were listed on November 15, 2019 and the amount approved for trading was RMB5 billion. The trading was terminated on March 4, 2020.

## 7. *Offshore bonds*

### (1) Offshore bonds issued in previous years but still in the duration period

On October 8, 2014, Huatai International Finance I Limited, a company established for special purpose in the British Virgin Islands by Huatai Financial Holdings (Hong Kong) completed the first issuance of offshore bonds. The keepwell agreement and standby L/C of such bonds were provided by the Company and Bank of China Macau Branch, respectively. Such bonds have an A1 (Moody’s) credit rating with an amount of USD400 million, issued under Regulation S, and were due on October 8, 2019. Such bonds carry a coupon rate of 3.625% that shall be paid semi-annually, and were issued at the price of 99.914/ the interest rate of US 5-year government bonds +185 basis points with an interest rate of 3.644%. The listing place was the Hong Kong Stock Exchange, and the principal together with the interest was repaid during the Reporting Period.

(2) Offshore bonds issued during the Reporting Period

On May 23, 2019, Pioneer Reward Limited, a subsidiary of Huatai International, completed the issuance of USD500 million bonds with a three-year maturity and a coupon rate of 3.375%. The listing place is the Hong Kong Stock Exchange. The guarantee of this issuance is provided by the Company with amount of USD500 million.

8. *Structured notes*

During the Reporting Period, the Company cumulatively issued 4,345 structured notes, with a total amount of RMB77.877 billion. As of December 31, 2019, the Company had 1,296 structured notes in duration period, with an amount of RMB32.364 billion.

***(II) Changes in the total number of ordinary shares of the Company and shareholder structure and changes in the Company's assets and liabilities structure***

During the Reporting Period, due to the issuance of GDR and listing on the London Stock Exchange, the total number of shares of the Company changed from 8,251,500,000 to 9,076,650,000, including 7,357,604,320 A Shares accounting for 81.06% of the total number of shares and 1,719,045,680 H Shares accounting for 18.94% of the total number of shares. For changes in the Company's assets and liabilities structure, please refer to "II. Major Operations during the Reporting Period" under "Management Discussion and Analysis and Report of the Board" in this report.

***(III) The Company had no employee shares***

**III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS**

***(I) Total number of shareholders***

Total number of shareholders of ordinary shares as of the end of the Reporting Period	241,482
Total number of shareholders of ordinary shares as of the end of last month prior to the date on which the annual report shall be disclosed	231,711
Total number of shareholders of preferred shares whose rights have been restored as of the end of the Reporting Period	–
Total number of shareholders of preferred shares whose voting rights have been restored as of the end of last month prior to the date on which the annual report shall be disclosed	–

Among the total number of shareholders of ordinary shares as of the end of the Reporting Period, shareholders of A Shares came to 233,277 and registered shareholders of H Shares came to 8,205. Among the total number of shareholders of ordinary shares as of the end of last month (February 29, 2020) prior to the date on which the annual report shall be disclosed, shareholders of A Shares came to 223,553 and registered shareholders of H Shares came to 8,158.



**(II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as of the end of the Reporting Period**

Unit: Shares

Name of shareholder (in full name)	Shareholding of top ten shareholders				Pledged or frozen shares		
	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number of shares	Class of shareholder
HKSCC Nominees Limited	-84,206,100	1,605,955,527	17.6933	-	Nil	-	Foreign legal person
Jiangsu Guoxin Investment Group Limited	58,151,200	1,329,224,036	14.6444	-	Nil	-	State-owned legal person
Jiangsu Communications Holding Co., Ltd.	21,918,800	489,065,418	5.3882	-	Nil	-	State-owned legal person
Govtor Capital Group Co., Ltd.	4,555,200	356,233,206	3.9247	-	Unknown	4,000,000	State-owned legal person
Alibaba (China) Technology Co., Ltd.	-	268,199,233	2.9548	-	Nil	-	Domestic non state-owned legal person
Essence Securities - China Merchants Bank - Essence Securities Dingzengbao No. 1 Collective Asset Management Program	-	247,545,593	2.7273	-	Nil	-	Unknown
China Securities Finance Corporation Limited	-	246,720,811	2.7182	-	Nil	-	Unknown
Citibank, National Association	200,090,700	200,090,700	2.2045	-	Nil	-	Foreign legal person
Hong Kong Securities Clearing Company Limited	82,825,716	161,762,390	1.7822	-	Nil	-	Foreign legal person
Suning.com Co., Ltd.	-119,762,458	140,773,940	1.5509	-	Unknown	122,860,000	Domestic non state-owned legal person

**Shareholding of top ten holders of shares not subject to selling restrictions**

Name of shareholder	Number of tradable shares not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,605,955,527	Overseas listed foreign shares	1,605,955,527
Jiangsu Guoxin Investment Group Limited	1,329,224,036	Ordinary shares in RMB	1,271,072,836
		Overseas listed foreign shares	58,151,200
Jiangsu Communications Holding Co., Ltd.	489,065,418	Ordinary shares in RMB	452,065,418
		Overseas listed foreign shares	37,000,000
Govtor Capital Group Co., Ltd.	356,233,206	Ordinary shares in RMB	342,028,006
		Overseas listed foreign shares	14,205,200
Alibaba (China) Technology Co., Ltd.	268,199,233	Ordinary shares in RMB	268,199,233
Essence Securities – China Merchants Bank – Essence Securities Dingzengbao No.1 Collective Asset Management Program	247,545,593	Ordinary shares in RMB	247,545,593
China Securities Finance Corporation Limited	246,720,811	Ordinary shares in RMB	246,720,811
Citibank, National Association	200,090,700	Ordinary shares in RMB	200,090,700
Hong Kong Securities Clearing Company Limited.	161,762,390	Ordinary shares in RMB	161,762,390
Suning.com Co., Ltd.	140,773,940	Ordinary shares in RMB	140,773,940

Description of the connected relationships or action in concert among the above shareholders

Guoxin Group, Communications Holding and Govtor Capital are wholly-owned by Jiangsu SASAC. Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) and Alibaba (China) Technology Co., Ltd., which hold more than 5% shares of Suning.com Co., Ltd., are wholly-owned subsidiaries of Alibaba Group Holding Ltd. Apart from the above, the Company is not aware of any connection among other shareholders or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies.

Explanation of shareholders of preferred shares with restored voting rights and number of shares held

There are no shareholders of preferred shares in the Company

Notes:

1. The class of shareholders of ordinary shares in RMB (A shares) represents the class of account held by shareholders registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
2. Among the holders of overseas listed foreign shares (H Shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited. During the Reporting Period, Guoxin Group, Communications Holding and Govtor Capital severally purchased 58,151,200, 37,000,000 and 14,205,000 H Shares of the Company through Southbound Trading. Such shares are also held by HKSCC Nominees Limited on their behalves and are listed separately in this report. If such shares are included, the actual number of shares held by HKSCC Nominees Limited shall be 1,715,311,927, accounting for 18.8981% of the total share capital of the Company.
3. Hong Kong Securities Clearing Company Limited is the nominal holder of the A Shares of the Company held by the investors in Northbound Trading under Shanghai-Hong Kong Stock Connect.
4. Citibank, National Association is the depository of the Company's GDRs, and the domestic underlying A shares represented by the GDRs are legally registered under its name. According to the statistics provided by the depository, the Company had a total of 20,009,070 GDRs in the duration period as of the end of the Reporting Period, accounting for 24.25% of the approved number of issuance by the CSRC.

***(III) Strategic investors or common legal persons who became one of the top ten shareholders as a result of subscription of new shares allotted to them***

As at the end of the Reporting Period, the Company did not have any strategic investor or common legal person who became one of the top ten shareholders as a result of subscription of new shares allotted to them.

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

***(I) Controlling Shareholders***

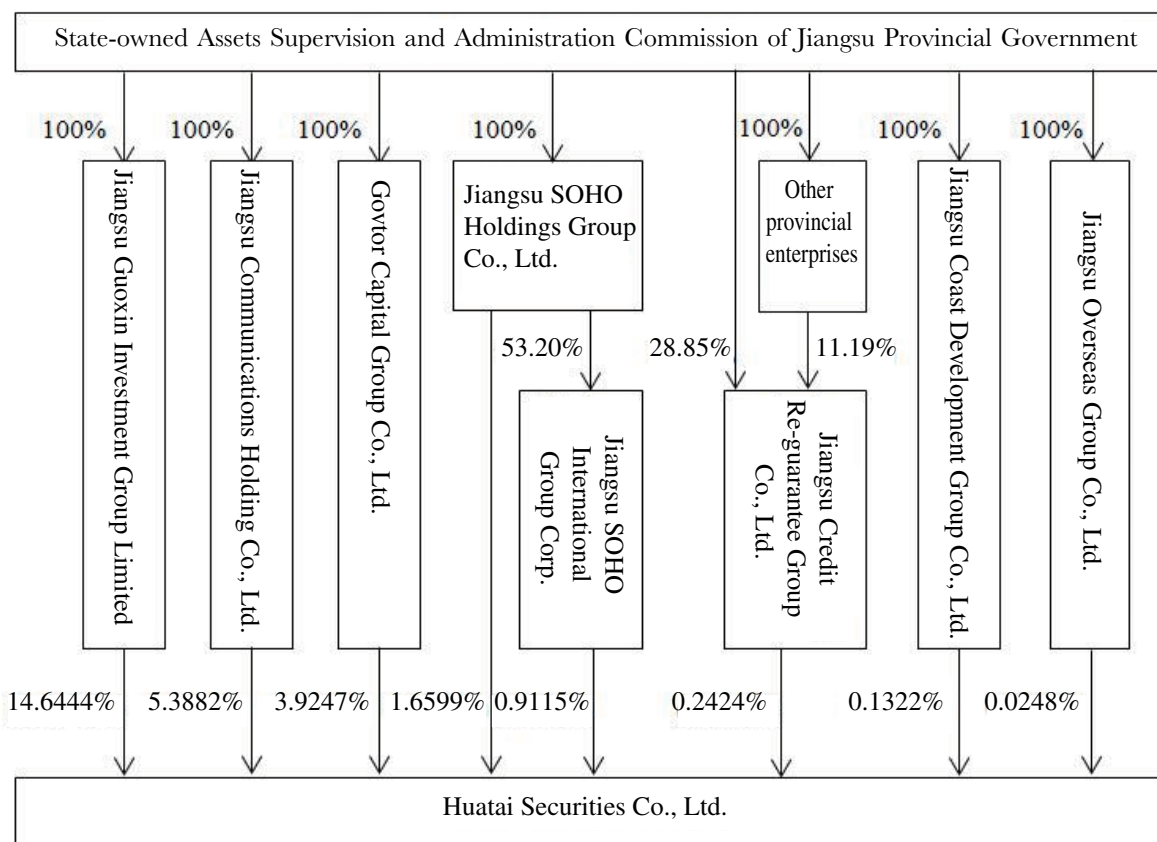
There are no controlling shareholders with more than 50% shareholding of the Company.

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

1 Legal Person

<b>Name</b>	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government
<b>Person in charge or legal representative</b>	Xu Guoping

2 Framework of the ownership and controlling relationship between the Company and the de facto Controllers



3 De facto controllers did not control the Company through trust or other asset management programs

## V. OTHER LEGAL-PERSON SHAREHOLDERS WITH MORE THAN 10% SHAREHOLDING

Unit: 100 million Yuan Currency: RMB

Name of legal-person shareholder	Person in charge or legal representative of the unit	Date of establishment	Organization code	Registered capital	Main businesses or management activities
Jiangsu Guoxin Investment Group Limited	Xie Zhengyi	2002-02-22	91320000735724800G	300	Investment, management, operation, transfer of state-owned capital; enterprise trusteeship, assets restructuring, management consultation, house leasing and other businesses upon approval.
Remarks	<ol style="list-style-type: none"><li>1. On January 3, 2020, Jiangsu Guoxin Investment Group Limited changed its legal representative to Xie Zhengyi.</li><li>2. Shares held by HKSCC Nominees Limited are owned by the non-registered holders of H Shares.</li></ol>				

## VI. THE COMPANY HAD NO RESTRICTIONS ON SHAREHOLDING REDUCTION

## VII. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2019, as far as the Directors are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executives of the Company) held interests or short positions in shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO:

No.	Number of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/shares available for lending
1	Jiangsu Guoxin Investment Group Limited	A Shares	Beneficial owner (Note 1)	1,271,072,836	14.00	17.28	Long position
		H Shares (Southbound Trading)	Beneficial owner (Note 1)	58,151,200	0.64	3.38	Long position
2	Jiangsu Communications Holding Co., Ltd.	A Shares	Beneficial owner (Note 1)	452,065,418	4.98	6.14	Long position
		H Shares (Southbound Trading)	Beneficial owner (Note 1)	37,000,000	0.41	2.15	Long position
3	SSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.57	8.28	Long position
4	Schroders Plc	H Shares	Investment manager (Note 1)	100,339,600	1.11	5.84	Long position
5	Citigroup Inc.	H Shares	Person having a security interest/	95,711,832	1.05	5.56	Long position
			interest of controlled corporations/	1,643,943	0.02	0.09	Short position
			approved lending agent (Note 1)	93,356,502	1.03	5.43	Lending pool
6	BlackRock, Inc.	H Shares	Interests of controlled corporations (Note 1)	91,105,993	1.00	5.30	Long position
		H Shares	Interests of controlled corporations (Note 1)	132,200	0.001	0.01	Short position

Note 1: According to the information disclosed on the websites of HKEX ([www.hkex.com.hk](http://www.hkex.com.hk)) and China Securities Depository and Clearing Co., Ltd ([www.chinaclear.cn](http://www.chinaclear.cn)). Under Section 336 of the SFO, forms disclosing interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange unless certain conditions are satisfied. Therefore, there could be differences between substantial shareholders' latest shareholdings in the Company and the shareholding information reported to the Hong Kong Stock Exchange;

Citigroup Inc., through a series of its controlled corporations, indirectly held long position in 95,711,832 H Shares of the Company, of which 93,356,502 shares were held in the capacity of approved lending agent, and a short position in 1,643,943 H Shares of the Company.

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

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

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

## **VIII. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As of December 31, 2019, according to the information obtained by the Company and so far as the Directors are aware, interests and short positions held by the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which had been taken or deemed to have under such provisions of SFO) or which would be required, pursuant to Section 352 of the SFO, to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name	Class of shares	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/H Shares of the Company (%)	Long position/ short position/ shares available for lending
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.004	0.02	Long position
2	Zhu Xuebo	H Shares	Beneficiary of the trust (Note 1)	211,957	0.002	0.01	Long position

Note 1: In July 2015, due to the significant fluctuation in share price of the Company, H Shares of the Company were purchased through the targeted asset management scheme for QDII in compliance with the relevant laws and regulations so as to actively help maintain the stability of the capital market.



Save as disclosed above, as at December 31, 2019, the Company was not aware of any other Directors, Supervisors and chief executives of the Company having any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which had been taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be recorded in the register of interests, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any listed securities of the Company and of its subsidiaries.

#### **X. INFORMATION ON PREFERENTIAL SHARES**

During the Reporting Period, the Company did not have any preferential shares.

#### **XI. ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES**

At no time during the Reporting Period has the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, entered into any arrangements to enable the Directors and Supervisors to acquire benefits by means of the purchase of shares in, or debentures of, the Company or any other corporate bodies.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I. CHANGES IN SHAREHOLDING STRUCTURE AND REMUNERATION

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

Currency: RMB

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Changes in shareholding during the year	Reason for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand Yuan)	Whether received remuneration from any connected party of the Company or not
Zhang Wei	Chairman	Male	55	2019-12-16	2022-12-15	-	-	-	-	41.84	No
Zhou Yi	Chairman	Male	50	2016-06-20	2019-12-16	-	-	-	-	142.73	No
	Executive Director			2007-12-06	2022-12-15						
	President			2007-12-06	2019-10-29						
	Chief executive officer, Chairman of the Executive Committee			2019-10-29	2022-12-15						
Ding Feng	Non-executive Director	Male	51	2018-10-22	2022-12-15	-	-	-	-	-	Yes
Chen Yongbing	Non-executive Director	Male	45	2018-10-22	2022-12-15	-	-	-	-	-	Yes
Xu Qing	Non-executive Director	Male	47	2016-06-07	2022-12-15	-	-	-	-	-	Yes
Hu Xiao	Non-executive Director	Female	40	2018-10-22	2022-12-15	-	-	-	-	-	No
Wang Tao	Non-executive Director	Male	51	2019-12-16	2022-12-15	-	-	-	-	-	Yes
Zhu Xuebo	Executive Director	Male	57	2018-10-22	2022-12-15	-	-	-	-	100.98	No
Chen Chuanming	Independent non- executive Director	Male	62	2016-03-18	2022-12-15	-	-	-	-	24.00	No
Liu Hongzhong	Independent non- executive Director	Male	54	2013-11-29	2022-12-15	-	-	-	-	24.00	No
Lee Chi Ming	Independent non- executive Director	Male	66	2015-04-30	2022-12-15	-	-	-	-	24.00	No
Liu Yan	Independent non- executive Director	Female	46	2016-12-21	2022-12-15	-	-	-	-	24.00	No
Chen Zhibin	Independent non- executive Director	Male	54	2018-06-13	2022-12-15	-	-	-	-	24.00	No
Zhai Jun	Employee Supervisor	Male	45	2019-04-26	2022-12-15	-	-	-	-	245.27	No
	Chairman of the Supervisory Committee			2020-02-18	2022-12-15						
Zhang Ming	Supervisor	Male	45	2019-12-16	2022-12-15	-	-	-	-	-	Yes
Yu Lanying	Supervisor	Female	48	2018-10-22	2022-12-15	-	-	-	-	-	Yes
Zhang Xiaohong	Supervisor	Female	52	2019-12-16	2022-12-15	-	-	-	-	-	Yes
Fan chunyan	Former Non-executive Director	Female	43	2018-10-22	2019-12-16	-	-	-	-	-	No
	Supervisor			2019-12-16	2022-12-15						
Gu Chengzhong	Employee Supervisor	Male	54	2019-04-26	2022-12-15	-	-	-	-	195.67	No
Wang Ying	Employee Supervisor	Female	40	2019-12-16	2022-12-15	-	-	-	-	185.54	No
Han Zhencong	Member of the Executive Committee (Proposed)	Male	52	-	2022-12-15	-	-	-	-	-	No
	Chief information officer (Proposed)										

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Changes in shareholding during the year	Reason for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand Yuan)	Whether received remuneration from any connected party of the Company or not
Li Shiqian	Member of the Executive Committee	Male	51	2020-03-10	2022-12-15	-	-	-	-	-	No
Sun Hanlin	Vice President Member of the Executive Committee	Male	54	2007-12-06 2019-12-16	2019-12-16 2022-12-15	-	-	-	-	103.97	No
Jiang Jian	Vice President Member of the Executive Committee	Male	53	2007-12-06 2019-12-16	2019-12-16 2022-12-15	-	-	-	-	103.97	No
Zhang Hui	Member of the Executive Committee Secretary to the Board of Directors	Male	44	2019-12-16 2017-04-26	2022-12-15 2022-12-15	-	-	-	-	281.34	No
Chen Tianxiang	Member of the Executive Committee	Male	41	2020-02-18	2022-12-15	-	-	-	-	354.25	No
Jiao Xiaoning	Chief financial officer	Female	49	2020-03-05	2022-12-15	-	-	-	-	-	No
Jiao Kai	Chief compliance officer General legal counsel	Male	45	2020-02-17 2019-12-16	2022-12-15 2022-12-15	-	-	-	-	-	No
Wang Chong	Chief risk officer	Male	47	2017-03-16	2022-12-15	-	-	-	-	296.17	No
Yu Yimin	Former Chairman of the Supervisory Committee	Male	51	2008-02-22	2019-12-16	-	-	-	-	-	Yes
Chen Ning	Former Supervisor	Male	45	2018-10-22	2019-12-16	-	-	-	-	-	Yes
Yang Yaling	Former Supervisor	Female	38	2018-10-22	2019-12-16	-	-	-	-	-	Yes
Peng Min	Former Employee Supervisor	Female	55	2013-11-29	2019-04-26	-	-	-	-	19.95	No
Zhou Xiang	Former Employee Supervisor	Male	56	2013-03-19	2019-04-26	-	-	-	-	14.70	No
Meng Qinglin	Former Employee Supervisor	Male	51	2016-12-21	2019-12-16	-	-	-	-	388.63	No
Ma Zhaoming	Former Vice President	Male	56	2013-06-21	2019-12-16	-	-	-	-	103.17	No
Wu Zufang	Former Vice President	Male	56	2007-12-06	2019-12-16	-	-	-	-	103.17	No
Shu Ben'e	Former Chief financial officer	Female	55	2007-12-06	2019-12-16	-	-	-	-	436.08	No
Li Yun	Former Chief compliance officer Former General legal counsel	Female	47	2012-06-14 2014-09-11	2019-12-16 2019-12-16	-	-	-	-	353.26	No
Total										3,590.69	

Notes:

1. According to the Announcement on the Resolutions of the First Meeting of the Fifth Session of the Board of Huatai Securities Co., Ltd. (《华泰证券股份有限公司第五届董事会第一次会议决议公告》), Mr. Han Zhencong, Mr. Li Shiqian and Mr. Chen Tianxiang will officially serve as members of the Executive Committee of the Company after applying for and obtaining the appointment qualifications of senior management (manager level) of securities companies. Mr. Han Zhencong will serve as the chief information officer (Concurrent) of the Company, and will officially serve as the chief information officer of the Company after applying for and obtaining the appointment qualification of senior management (manager level) of securities companies. Mr. Jiao Kai will serve as the chief compliance officer and general legal counsel of the Company. Mr. Jiao Kai obtained the appointment qualification of senior management (manager level) of securities companies on January 22, 2020 and the approval from Jiangsu Securities Regulatory Bureau on February 17, 2020, and has officially served as the chief compliance officer of the Company since February 17, 2020. Mr. Chen Tianxiang obtained the appointment qualification of senior management (manager level) of securities companies on February 18, 2020, and has officially assumed the duties of member of the Executive Committee of the Company since February 18, 2020.
2. According to the Announcement on the Resolutions of the First Meeting of the Fifth Session of the Supervisory Committee of Huatai Securities Co., Ltd. (《华泰证券股份有限公司第五届监事会第一次会议决议公告》), Mr. Zhai Jun will serve as the chairman of the fifth session of the Supervisory Committee of the Company with a term of office of three years commencing from the date of consideration and approval by the Supervisory Committee. Mr. Zhai Jun obtained the appointment qualification of chairman of the supervisory committee of securities companies approved by the securities regulatory authority on February 18, 2020, and has officially assumed the duties of chairman of the fifth session of the Supervisory Committee of the Company since February 18, 2020.
3. According to the Announcement on the Resolutions of the Third Meeting of the Fifth Session of the Board of Huatai Securities Co., Ltd. (《华泰证券股份有限公司第五届董事会第三次会议决议公告》), Ms. Jiao Xiaoning will officially serve as the chief financial officer of the Company after applying for and obtaining the appointment qualification of senior management (manager level) of securities companies, during which the duties of chief financial officer will be assumed by Mr. Zhou Yi, the CEO and chairman of the Executive Committee of the Company.
4. According to the new Securities Law and the CSRC's Announcement on Various Issues in Relation to the Cancellation or Adjustment of Certain Administrative Approval Projects of 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)), senior management of securities companies no longer need approval of their qualifications from regulatory authorities before taking office. Ms. Jiao Xiaoning has formally started to perform her duties as the chief financial officer of the Company since March 5, 2020. Mr. Li Shiqian has formally started to perform his duties as a member of the Executive Committee of the Company since March 10, 2020.
5. Total remuneration received by Directors, Supervisors and senior management from the Company during the Reporting Period was implemented in accordance with relevant policies of governing authorities and the Company's relevant remuneration assessment and deferred compensation system.
6. Total pre-tax remuneration received from the Company during the Reporting Period excluded pension insurance and enterprise annuity.
7. The remuneration of the Directors and senior management that are the persons in charge of provincial financial enterprises during the Reporting Period shall be implemented in accordance with the Interim Measures for the Administration of Remuneration of Persons in Charge of Provincial Financial Enterprises in Jiangsu Province (《江蘇省省管金融企業負責人薪酬管理暫行辦法》).
8. During the Reporting Period, Han Zhencong, Li Shiqian, Jiao Xiaoning and Jiao Kai have not yet received any remuneration.

The primary working experiences of current/proposed Directors, Supervisors and senior management are as follows:

Name	Primary work experience
Zhang Wei	Master of business administration, senior engineer and senior economist. He once worked in Jiangsu Electronic Industry Research Institute (江蘇省電子工業綜合研究所). He also served as cadre at department level of Jiangsu Electronic Industry Bureau and the deputy director of Asset Management Division. He worked as secretary to the board of directors and assistant general manager, deputy general manager, general manager and deputy secretary of the party committee of Jiangsu Hiteker High-tech Co., Ltd. (江蘇宏圖高科技股份有限公司). He also served as director, general manager, deputy secretary of the party committee, secretary of the party committee and chairman of the board of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司). Mr. Zhang served as secretary of the party committee of the Company from March 2019 to December 2019 and has been chairman of the Board of Directors and secretary of the party committee of the Company since December 2019.
Zhou Yi	Bachelor of computer communications. Mr. Zhou once taught at Jiangsu Posts & Telecommunications School (江蘇省郵電學校); engaged in technology management at the Telecommunications Center of Jiangsu Posts & Telecommunications Bureau (江蘇省郵電管理局電信中心) and administrative management at Jiangsu Mobile Communication Co., Ltd. (江蘇移動通信有限公司); served as the chairman of the board of directors of Jiangsu Bei'er Co., Ltd. (江蘇貝爾有限公司) and Nanjing Xinwang Telecom Tech Co., Ltd. (南京欣網視訊科技股份有限公司), deputy general manager of Shanghai Beier Fortune Communications Company (上海貝爾富欣通信公司), president of Huatai Securities Limited Liability Company (华泰證券有限責任公司) from February 2007 to December 2007 and director of the same company from September 2007 to December 2007. Mr. Zhou served as Director, President and deputy secretary of the party committee of the Company from December 2007 to October 2011; Director, President and secretary of the party committee of the Company from November 2011 to June 2016; chairman of the Board of Directors, President, and secretary of the party committee of the Company from June 2016 to March 2019; chairman of the Board of Directors, President and party committee member of the Company from March 2019 to October 2019; chairman of the Board of Directors, chief executive officer, chairman of the Executive Committee and party committee member of the Company from October 2019 to December 2019, and has been chief executive officer, chairman of the Executive Committee and party committee member of the Company since December 2019.

Name	Primary work experience
Ding Feng	<p>Master of business administration and senior accountant. He served as assistant accountant of the finance department of China Songhai Industrial Corporation (中國嵩海實業總公司) in Xiamen Special Economic Zone from August 1990 to November 1992; chief accountant of the finance department of China North Industries Corporation Xiamen Branch (中國北方工業廈門公司) from December 1992 to September 1995; deputy section chief of the finance department of Jiangsu International Trust and Investment Company (江蘇省國際信託投資公司) from October 1995 to August 2002; deputy project manager of the finance department of Guoxin Group from August 2002 to September 2004; head of the finance department (manager assistant) and deputy general manager of Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司) from September 2004 to December 2009; deputy general manager of the finance department of Guoxin Group from December 2009 to December 2010; vice president of Jiangsu Guoxin Group Finance Co., Ltd. (國信集團財務有限公司) from December 2010 to December 2011; president and deputy secretary of the Party Committee of Jiangsu Guoxin Group Finance Co., Ltd. from January 2012 to March 2018; and has served as the general manager of finance department of Guoxin Group since March 2018. He has been a Director of the Company since October 2018 with a term of office from December 2019 to December 2022.</p>
Chen Yongbing	<p>Bachelor of economic management. He served as clerk and staff member of the enterprise division of State-owned Assets Administration Bureau of Jiangsu Provincial Government (江蘇省國有資產管理局) from August 1996 to November 2000; a staff member of the Administrative Office of State-owned Assets of the Department of Finance of Jiangsu Province (江蘇省財政廳國有資產管理辦公室) from November 2000 to January 2002; senior staff member of the Administrative Office of State-owned Assets of the Department of Finance of Jiangsu Province from January 2002 to March 2004; cadre at sub-section level of Jiangsu SASAC from March 2004 to June 2004; senior staff member of the Division of Enterprise Reform and Development (企業改革發展處) of Jiangsu SASAC from June 2004 to January 2005; principal staff member of the Division of Enterprise Reform and Development of Jiangsu SASAC from January 2005 to December 2009; principal staff member of the Division of Enterprise Development and Reform (企業發展改革處) of Jiangsu SASAC from December 2009 to May 2014; deputy director of the Division of Enterprise Development and Reform of Jiangsu SASAC from May 2014 to October 2016; deputy head of the investment and development department of Jiangsu Communications Holding Co., Ltd. from October 2016 to January 2018; and has served as head of the investment and development department of Jiangsu Communications Holding Co., Ltd. since January 2018. He has been a Director of the Company since October 2018 with a term of office in this session of Board from December 2019 to December 2022.</p>

Name	Primary work experience
Xu Qing	<p>Master of business administration, an economist. Mr. Xu served as a technician and assistant engineer of Jiangsu Communications Cable Plant (江蘇省通信電纜廠) from August 1993 to November 1998; successively worked as president office's secretary, deputy department chief of securities investment department, deputy director of the president office, assistant to the general manager of optical-fiber cable and communication business department and executive director of Jiangsu Hiteker High-tech Co., Ltd. from November 1998 to January 2006; and has successively served as secretary to the board, director of the group office, director of the Party Committee office of Govtor Capital Group Co., Ltd. from February 2006 to April 2015, assistant to the president, general counsel and general manager of investment and management department of Govtor Capital Group Co., Ltd. from May 2015 to April 2016, and vice president and member of Party Committee of Govtor Capital Group Co., Ltd. since May 2016. He has served as Director of the Company since June 2016 with a term of office in this session of Board from December 2019 to December 2022.</p>
Hu Xiao	<p>Master of business administration. Ms. Hu served as accountant of KPMG Huazhen LLP from September 2002 to July 2003; assistant analyst of the stock research department of China International Capital Corporation Limited from July 2003 to July 2006; manager and then vice president of Citigroup Global Markets Asia Limited from July 2008 to July 2012; vice president and then director of Merrill Lynch (Asia Pacific) Limited from July 2012 to March 2017; and has successively served as director and researcher of the strategic investment department of Alibaba Group Holding Limited since March 2017. She has been Director of the Company since October 2018 with a term of office in this session of Board from December 2019 to December 2022.</p>
Wang Tao	<p>Master of politics and economics. He served as assistant to president of Shenzhen Branch of China Construction Bank and deputy general manager of the finance and accounting department of the head office of China Construction Bank from June 1989. He joined the head office of China Merchants Bank as general manager of the finance and accounting department of the head office in June 2014, and has served as general manager of the retail credit department of the head office since December 2016. He has also served as director of inclusive financial service center of the head office since February 2018. He has been in charge of the establishment of CMB Wealth Management Company Limited (招銀理財有限責任公司) since July 2019 and has been president of CMB Wealth Management Company Limited since November 2019. He has been Director of the Company since December 2019 with a term of office in this session of Board from December 2019 to December 2022.</p>

Name	Primary work experience
Zhu Xuebo	Bachelor of monetary banking. Mr. Zhu worked at Nanjing Artillery Academy and Jiangsu Branch of the People's Bank of China. He joined Huatai Securities in March 2001 and successively served as general manager of human resources department, head of organization department of the Party Committee and assistant to the president, etc.; and has served as deputy secretary of the Party Committee of the Company since March 2013. He has been Director of the Company since October 2018 with a term of office in this session of Board from December 2019 to December 2022.
Chen Chuanming	Doctor of business management, a professor. In 1978, Mr. Chen was selected by the Ministry of Education of China to study social and economic management at the University of Brittany in France (法國上布列塔尼大學). He was assigned to work at the Institute of World Economics and Politics of Chinese Academy of Social Sciences after returning to China in 1981. He has been teaching at Nanjing University since December 1982, during which he studied for the Doctoral degree in economics at the School of Economics of Nankai University from September 1990 to June 1993. Currently, he serves as professor of Nanjing University Business School, and concurrently as vice chairman of Chinese Institute of Business Administration and Jiangsu Association of Science and Technology Innovation. He has served as independent non-executive Director of the Company since March 2016 with a term of office in this session of Board from December 2019 to December 2022.
Liu Hongzhong	Doctor of Finance. Mr. Liu once worked as a lecturer, an associate professor and the dean of Department of World Economics and Department of International Finance at Fudan University, and has been professor of Department of International Finance at Fudan University since May 1999. He has been independent non-executive Director of the Company since November 2013 with a term of office in this session of Board from December 2019 to December 2022.
Lee Chi Ming	Master of business administration. Mr. Lee served as assistant assessor and then assessor of Inland Revenue Department of the Government of Hong Kong from October 1976 to November 1989; the senior manager/director of Licensing Department, director of Corporate Planning, and director of Finance and Administration of the Securities and Futures Commission of Hong Kong from July 1989 to July 2014; and director and managing partner of Nan Guo International Asset Management Limited from October 2014 to February 2020. He has been director and managing partner of Benington Capital Partners Limited since February 2020, and independent non-executive Director of the Company since April 2015 with a term of office in this session of Board from December 2019 to December 2022.



Name	Primary work experience
Liu Yan	Master of comparative law, with qualification as a lawyer both in China and the United States (New York State). Ms. Liu joined Beijing Tian Yuan Law Firm in 1995 and has been partner of Tian Yuan Law Firm since 2002. She has been independent non-executive Director of the Company since December 2016 with a term of office in this session of Board from December 2019 to December 2022.
Chen Zhibin	Doctor of business management, a professor and doctoral student supervisor of the Faculty of Finance and Accounting at Southeast University. Mr. Chen also serves as managerial accounting consultant to the Ministry of Finance and vice director of the governmental accounting committee of the Accounting Society of China. He has been independent non-executive Director of the Company since June 2018 with a term of office in this session of Board from December 2019 to December 2022.
Zhai Jun	Bachelor's degree in auditing. From August 1994 to July 2002, he worked in Jiangsu International Trust and Investment Company (江蘇省國際信託投資公司); from July 2002 to August 2009, he served as the general manager of Nanjing Xuanwumen securities business office, deputy manager of the securities investment department and deputy manager of the brokerage business department of Xintai Securities Co., Ltd. (信泰證券有限責任公司) (acquired by the Company at the end of July 2009); from August 2009 to March 2019, he served as a deputy general manager of the Company's head office of retail customer service, deputy general manager of the head office of brokerage business, general manager of Zhejiang Branch, and general manager of Shanghai Branch of the Company. Since March 2019, he has been director of the general office of the Company. Since April 2019, he has been an employee Supervisor of the Company. Since February 2020, he has been the chairman of the Supervisory Committee of the Company, with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.
Zhang Ming	Master's degree, a senior accountant. He worked at the finance department of Yangzhou No. 2 Power Plant Company Limited (揚州第二發電有限公司) from August 1995 to June 1998, served as the general ledger of the finance department, deputy director of finance department, director of finance department, deputy chief accountant and head of finance department of Yangzhou No. 2 Power Plant Company Limited from July 1998 to December 2009; deputy general manager of the finance department of Jiangsu Guoxin Investment Group (江蘇省國信集團) from December 2009 to December 2016; deputy general manager, chief financial officer and general manager (chief at group departmental level) of the finance department of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) as well as secretary of the board from December 2016 to August 2019, and general manager of the finance department of Jiangsu Guoxin Investment Group since August 2019. Since December 2019, he has been the Supervisor of the Company, with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

**Name****Primary work experience**

- Yu Lanying Master's degree in industrial economics, a principal senior accountant. She served at the finance department of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司) from August 1993 to August 1996. She pursued master's studies of industrial economics in Nanjing University of Science and Technology (南京理工大學) from September 1996 to April 1999, served at the finance and audit department of Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) from May 1999 to December 2002. She worked at the finance and audit division of Jiangsu Communications Industry Group Co., Ltd. (江蘇交通產業集團有限公司) from January 2003 to September 2004, the finance and audit department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from October 2004 to May 2008. She successively served as the vice manager (in charge of work), manager of the finance and accounting division, deputy chief financial officer (departmental level), chief financial officer and Party Committee member of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司) from June 2008 to November 2016. She served as the deputy general manager, chief financial officer and Party Committee member of Jiangsu Expressway Company Limited from November 2016 to March 2018, head of the audit and risk control department of Jiangsu Communications Holding Co., Ltd. from March 2018 to August 2018 and has served as head of the audit and risk control department and supervisor of audit center of Jiangsu Communications Holding Co., Ltd. from August 2018 to November 2019 and head of the financial management department of Jiangsu Communications Holding Co., Ltd. since November 2019. She has served concurrently as Supervisor of the Company since October 2018, with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.
- Zhang Xiaohong Master degree in business administration. Ms. Zhang served as the export sales business manager of Nanjing Native Produce and Animal Byproducts Import and Export Co., Ltd. (南京市土產畜產進出口股份有限公司) from July 1989 to November 1996; business manager of Jiangsu Xinsu Investment Management Co., Ltd. (江蘇鑫蘇投資管理有限公司) from December 1996 to April 2000; manager of Jiangsu Venture Capital Co., Ltd. (江蘇省創業投資公司) from May 2000 to April 2005; and senior investment manager of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司) from May 2005 to July 2016, deputy general manager of the asset management department from August 2016 to February 2017 and has currently served as general manager of the investment operations department since March 2017. She has served as a Supervisor of the Company since December 2019, with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Name	Primary work experience
Fan Chunyan	<p>College degree in financial accounting. Ms. Fan served as the director assistant of the settlement center of the headquarter of Suning.com Group Co., Ltd. from February 2002 to February 2004; deputy general manager and financial director for the Guangzhou region of Suning.com Group Co., Ltd. from February 2004 to August 2011; executive deputy general manager for the Guangzhou Region and assistant to the executive president of the regional headquarter of South China of Suning.com Group Co., Ltd. from August 2011 to January 2013; executive vice president of the e-commerce operation headquarter and executive vice president of the operation headquarter of Suning.com Group Co., Ltd. from January 2013 to September 2014; vice president of Suning Retail Group (蘇寧零售集團) and president of Internet Platform Company (互聯網平台公司) from August 2016 to January 2018; and has served as vice president of Suning Retail Group and president of Internet Platform Company as well as general manager of the customer service management center since January 2018. She served as a Director of the Company from October 2018 to December 2019. She has been a Supervisor of the Company since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.</p>
Gu Chengzhong	<p>Master's degree in coastal engineering. From July 1990 to May 1998, he worked in Nanjing Public Security Bureau. From May 1998 to November 2005, he worked in the technical supervision office, head office of brokerage management, and Nanjing Hanzhong Road securities business office of Huatai Securities Limited Liability Company (华泰证券有限责任公司). From November 2005 to January 2019, he served as a deputy general manager (in charge of work) and general manager of Xi'an North Wenyi Road securities business office, general manager of Xi'an regional center securities business office, general manager of Nanjing Ruijin Road securities business office, and general manager of Nanjing branch of Huatai Securities. He has been the general manager of the compliance and legal department of the Company since January 2019 and an employee representative Supervisor of the Company since April 2019, with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.</p>

Name	Primary work experience
Wang Ying	<p>Master's degree in public administration. She worked in the organization department of the Municipal Committee of Yangzhong and the Municipal Party Committee of Youth League in Yangzhong from August 2000 to June 2004. From June 2004 to January 2016, she worked at the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial People's Government, successively serving as the principal staff member of the enterprise leadership personnel management division, principal staff member of the administrative office, deputy division chief of the public working division, deputy division chief of the Party construction work division and deputy division chief of the enterprise leadership personnel management division, etc. She joined Huatai Securities in January 2016 and has been serving as the head of the Communist Party union working department of the Company since April 2016. She has been an employee representative Supervisor of the Company since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.</p>
Han Zhencong	<p>Doctor of management science and engineering. He served as a secretary of student affairs office, teacher, deputy secretary of Youth League Committee, director of educational affairs section and director of teaching and research office and vice-principal of Jiangsu Post and Telecommunications School (江蘇省郵電學校). He also served as deputy director of Jiangsu Telecom Staff Training Center (江蘇省電信職工培訓中心), manager of enterprise planning department, office director, general manager of Wuxi Branch, deputy general manager, member of the Leading Party Members' Group of Jiangsu Telecom Company Limited (江蘇省電信公司). He was the general manager and secretary of the Leading Party Members' Group of Heilongjiang Branch of China Telecom from September 2009 to February 2012. He was the general manager of the government and enterprise customer business division of China Telecom from February 2012 to July 2016, and was the general manager and secretary of the Party Committee of China Telecom Zhejiang Branch from July 2016 to December 2019. He joined the Company in December 2019 and was proposed to be a member of Executive committee and chief information officer of the Company with a term of office in this session of senior management from December 2019 to December 2022.</p>

Name	Primary work experience
Li Shiqian	<p>Doctor of business economics. He used to be a cadre of supervision bureau, chief officer and deputy director of financial audit division of the internal auditing department, deputy director of general office information division of the PBOC, deputy director of the news and information division of the general office, deputy director and director of the financial and accounting department audit division, director of audit division of the first division of the supervisory administration bureau in China Banking Regulatory Commission (中國銀行業監督管理委員會), member of Party Committee and secretary of the discipline inspection commission of Xinjiang Office of China Banking Regulatory Commission, deputy director of the disposal of illegal fund raising office and deputy director of city bank supervision department of the CBRC. He was deputy director of the city commercial bank supervision department of China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) from September 2018 to May 2019, the monitor of the city commercial bank supervision department of the CBIRC from May 2019 to June 2019, and first class monitor of the city commercial bank supervision department of the CBIRC from June 2019 to December 2019. He joined the Company in December 2019 and has been a member of Executive Committee of the Company since March 2020 with a term of office in this session of senior management from December 2019 to December 2022.</p>
Sun Hanlin	<p>Master of business administration. Mr. Sun once worked as a clerk, officer and deputy chief of the cadre section of human resources division of Jiangsu Branch of the PBOC; deputy chief (presiding) and chief of human resources division of Jiangsu Securities Company (江蘇省證券公司); chief of human resources division, chief of the organization department, general manager of the human resources department, secretary of the discipline inspection commission, chief inspection officer, a member of the Party Committee and vice president of Huatai Securities Limited Liability Company (华泰証券有限公司). He was vice president, secretary of the discipline inspection commission and a member of the Party Committee of the Company from December 2007 to December 2015. He was vice president and a member of the Party Committee of the Company from December 2015 to November 2019. He was vice president of the Company from November 2019 to December 2019, and has been a member of Executive Committee of the Company since December 2019 with a term of office in this session of senior management from December 2019 to December 2022.</p>

Name	Primary work experience
Jiang Jian	<p>Master of agricultural economics and management. Mr. Jiang once taught at Nanjing Agricultural University (南京農業大學). He worked at Jiangsu Securities Company (江蘇省證券公司) as an employee of the human resources division, chief of the training and education section of the human resources division, deputy general manager of the stock affairs department under the investment banking head office, deputy general manager of No. 1 investment banking department, senior manager of No. 1 investment banking department, deputy general manager of the investment banking head office and general manager of the issuance department, general manager of the asset management head office, general manager of the investment banking business Nanjing head office, director of investment banking business and general manager of Nanjing head office, assistant to the president and general manager of Shanghai head office, assistant to the president, secretary to the Board of Directors, assistant to the president and general manager of institutional customer service department, vice president and secretary to the Board of Directors, and a member of the Party Committee. He was vice president, secretary to the Board of Directors and a member of the Party Committee of the Company from December 2007 to April 2017, vice president and a member of the Party Committee of the Company from April 2017 to November 2019 and vice president of the Company from November 2019 to December 2019. He has been a member of Executive Committee of the Company since December 2019 with a term of office in this session of senior management from December 2019 to December 2022.</p>
Zhang Hui	<p>Doctor of technology economics and management. Mr. Zhang once worked at Dongcheng District Personnel Exchange Service Center of Beijing (北京東城區人才交流服務中心), Brilliance Group (華晨集團) Shanghai Office, Tongshang Holdings Co., Ltd. (通商控股有限公司) and Beijing Lianchuang Investment and Management Co., Ltd. (北京聯創投資管理有限公司). He served as a senior manager of the asset management head office of Huatai Securities Limited Liability Company (華泰證券有限責任公司) and deputy general manager of the business office at Nantong Yaogang Road. Mr. Zhang served as the general manager of the business office at Shanghai Ruijin First Road of the Company from January 2008 to February 2010; deputy general manager of securities investment department of the Company from February 2010 to July 2012; general manager of the Company's general affairs department from July 2012 to January 2016; general manager of the human resources department and head of the organization department of the Party Committee of the Company from January 2016 to April 2017; secretary to the Board of Directors, general manager of the human resources department and head of the organization department of the Party Committee of the Company from April 2017 to March 2019; and secretary to the Board of Directors of the Company from March 2019 to December 2019. He has been a member of the Executive Committee and secretary to the Board of Directors of the Company since December 2019, with a term of office in this session of senior management from December 2019 to December 2022.</p>

Name	Primary work experience
Chen Tianxiang	Bachelor's degree in communication engineering. Mr. Chen once was an engineer of Eastcom Co., Ltd. (東方通信股份有限公司), project manager of Nanjing Xinwang Telecom Tech Co., Ltd. (南京欣網視訊科技股份有限公司), senior engineer of the information technology department, website operation manager of customer service center, head of network marketing team and assistant to general manager of financial service center of the Company. He served as the deputy general manager of the head office of brokerage business of the Company from April 2015 to August 2015; deputy general manager of the internet finance department of the Company (in charge of work) from August 2015 to June 2017; and general manager of the internet finance department of the Company since June 2017. He has been a member of the Executive Committee of the Company since February 2020, with a term of office in this session of senior management from December 2019 to December 2022.
Jiao Xiaoning	Master's degree of accounting, an accountant. She once was a cadre of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) Beijing Branch as well as a cadre, deputy chief clerk and chief clerk of the comprehensive division of the accounting department of Ministry of Finance (財政部). She served as the deputy division chief of the second division of standards of the accounting department of Ministry of Finance, investigator of the second division of the system from November 2003 to November 2009; a cadre, investigator, director and leading cadre of the system division of the accounting department of the CSRC from November 2009 to January 2014; deputy inspector and deputy director of the accounting department of the CSRC from January 2014 to January 2020. She joined the Company in January 2020 and has been the chief financial officer of the Company since March 2020, with a term of office in this session of senior management from December 2019 to December 2022.
Jiao Kai	Doctor of finance. Mr. Jiao was once the manager and director assistant of trading operation department, director assistant and deputy director of trading management department, deputy director of executive office and general manager's secretary, and director of board of governors office and deputy director of executive office of Shanghai Stock Exchange. He served as the director of board of governors office and deputy director of executive office, director of CPC Committee Office and director of board of supervisors office of Shanghai Stock Exchange from January 2013 to March 2014; director of Beijing center of Shanghai Stock Exchange from March 2014 to February 2017; general manager of membership department of Shanghai Stock Exchange from February 2017 to December 2019. He joined the Company in December 2019 serving as the general legal counsel of the Company and has been the chief compliance officer of the Company since February 2020 with a term of office in this session of senior management from December 2019 to December 2022.

Name	Primary work experience
Wang Chong	Master of computer and finance. Mr. Wang served as the principal staff member of the treasury department/global financial marketing department of Bank of China (中國銀行) from July 1995 to March 2003; middle office chief of internal risk control for European treasury operations at the London Branch of Bank of China from March 2003 to May 2007; leader of interest rate derivative product and fixed income risks team of J.P. Morgan Securities (JP摩根證券) from June 2007 to January 2010; risk compliance officer of China International Capital Corporation (UK) Limited (中國國際金融有限公司(英國)) from January 2010 to November 2014. He has been general manager of risk management department of the Company since December 2014 and chief risk officer of the Company since March 2017 with a term of office in this session of senior management from December 2019 to December 2022.

#### Explanation of other information

1. During the Reporting Period, none of the Directors, Supervisors or senior management of the Company directly held any share or option of the Company.
2. During the Reporting Period, the Company did not carry out any option incentive scheme for its Directors, Supervisors and senior management. None of the Directors, Supervisors or senior management of the Company held any option of the Company.
3. During the Reporting Period, none of the current or retired Directors, Supervisors or senior management of the Company was punished by any securities regulatory authorities within the past three years.

#### **(II) Option incentives granted to the Directors, Supervisors and Senior Management during the Reporting Period**

During the Reporting Period, the Company did not grant any option incentive to its Directors, Supervisors or senior management.



## II. EMPLOYMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AT PRESENT AND THOSE RETIRED DURING THE REPORTING PERIOD

### (I) *Employment at the Shareholders' companies*

Name of employee	Name of the Shareholder's companies	Position	Commencement of the term of office	Expiration of the term of office
Ding Feng	Jiangsu Guoxin Investment Group Limited (formerly known as Jiangsu Guoxin Asset Management Group Limited (江蘇省國信資產管理集團有限公司))	General manager of the finance department	March 1, 2018	
Chen Yongbing	Jiangsu Communications Holding Co., Ltd.	Head of the investment and development department	January 27, 2018	
Xu Qing	Govtor Capital Group Co., Ltd.	Deputy president	May 16, 2016	
Zhang Ming	Jiangsu Guoxin Investment Group Limited (formerly known as Jiangsu Guoxin Asset Management Group Limited)	General manager of the finance department	August 29, 2019	
Yu Lanying	Jiangsu Communications Holding Co., Ltd.	Head of the financial management department	November 22, 2019	
Zhang Xiaohong	Govtor Capital Group Co., Ltd.	General manager of the investment operation department	March 18, 2017	
Fan Chunyan	Suning.com Group Co., Ltd. (formerly known as Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司))	Vice president of Suning Retail Group and president of Internet Platform Company	August 16, 2016	
		General manager of the customer service management center	January 29, 2018	
Yu Yimin	Jiangsu Guoxin Investment Group Limited (formerly known as Jiangsu Guoxin Asset Management Group Limited)	Full-time external director	January 24, 2018	
	Govtor Capital Group Co., Ltd.	Full-time external director	January 24, 2018	

<b>Name of employee</b>	<b>Name of the Shareholder's companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Chen Ning	Jiangsu Guoxin Investment Group Limited (formerly known as Jiangsu Guoxin Asset Management Group Limited)	General manager of the information technology department	December 22, 2015	April 3, 2019
		General manager of the finance department	December 5, 2016	April 3, 2019
Yang Yaling	Govtor Capital Group Co., Ltd.	General manager of the investment management department	March 13, 2017	
Explanation of the employment at the Shareholders' Companies	Nil			

**(II) Employment at other companies**

Name of employee	Name of other companies	Position	Commencement of the term of office	Expiration of the term of office
Zhang Wei	Jiangsu Purple Gold Cultural Industry Development Fund (Limited Partnership) (江蘇紫金文化產業發展基金(有限合夥))	Deputy chairman and executive partner	January 8, 2016	
	Jiangsu Purple Gold Cultural Industry Investment Fund Phase II (Limited Partnership) (江蘇紫金文化產業二期投資基金(有限合夥))	Deputy chairman	January 8, 2016	January 21, 2020
	Zking Property & Casualty Insurance Co., Ltd. (紫金財產保險股份有限公司)	Chairman of the supervisory committee	May 15, 2009	
Zhou Yi	Huatai Financial Holdings (Hong Kong) Limited	Director	November 28, 2006	
	AssetMark Financial Holdings, Inc.	Director	October 31, 2016	
	CSOP Asset Management Limited (南方東英資產管理有限公司)	Chairman	November 7, 2017	
Ding Feng	Jiangsu United Credit Service Co., Ltd. (江蘇省聯合徵信有限公司)	Director	June 14, 2019	
Chen Yongbing	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)	Director	April 8, 2018	
	Jiangsu Railway Group Co., Ltd. (江蘇省鐵路集團有限公司)	Director	May 17, 2018	
	Jiangsu Port Group Co., Ltd. (江蘇省港口集團有限公司)	Director	July 9, 2018	
	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司)	Supervisor	March 17, 2018	
	Jiangsu United Credit Service Co., Ltd. (江蘇省聯合徵信有限公司)	Director	June 26, 2019	

<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Xu Qing	Jiangsu Addor Equity Investment Fund Management Co., Ltd. (江蘇毅達股權投資基金管理有限公司)	Supervisor	February 9, 2017	
	Jiangsu Gaohui Asset Operation and Management Co., Ltd. (江蘇高匯資產經營管理有限公司)	Legal representative, executive director and general manager	December 28, 2016	
Hu Xiao	Alibaba Group Holding Limited	Director and researcher of strategic investment department	March 6, 2017	
	1919 Wines & Spirits Platform Technology Co., Ltd. (壹玖壹玖酒類平台科技股份有限公司)	Director	October 24, 2018	
	Tianxianpei (Shanghai) Technology Co., Ltd. (天鮮配(上海)科技有限公司)	Director	November 11, 2019	
Wang Tao	CMB Wealth Management Company Limited (招銀理財有限責任公司)	Director and president	November 1, 2019	
Chen Chuanming	Business School of Nanjing University (南京大學商學院)	Professor	November 1, 2006	
	Nanjing Iron & Steel Co., Ltd. (南京鋼鐵股份有限公司)	Independent director	May 7, 2016	
	GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司)	Independent director	March 31, 2016	
	Shanghai Dehui Group Co., Ltd. (上海德匯集團有限公司)	Independent director	March 1, 2016	
	Leysen Jewelry Co., Ltd. (萊紳通靈珠寶股份有限公司)	Director	May 14, 2019	

<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Liu Hongzhong	International Finance Department, School of Economics, Fudan University (復旦大學經濟學院國際金融系)	Professor	May 1, 1999	
	Shenyin & Wanguo Futures Company Limited (申銀萬國期貨有限責任公司)	Independent director	February 1, 2008	
	Donghai Futures Co., Ltd. (東海期貨有限責任公司)	Independent director	June 29, 2009	
	China International Fund Management Co., Ltd. (上投摩根基金管理有限公司)	Independent director	May 28, 2013	
	Shanghai Construction Group Co., Ltd. (上海建工集團股份有限公司)	External director	June 29, 2013	June 28, 2019
	Industrial Securities Co., Ltd. (興業證券股份有限公司)	Independent director	January 12, 2018	
	Bank of Communications International Trust Co., Ltd. (交銀國際信託有限公司)	Independent director	April 20, 2019	
	Jin Jiang International (Holdings) Co., Ltd. (錦江國際集團有限公司)	External director	October 21, 2019	

Name of employee	Name of other companies	Position	Commencement of the term of office	Expiration of the term of office
Lee Chi Ming	Nanguo International Asset Management Limited (南國國際資產管理有限公司)	Managing partner and director	October 27, 2014	February 11, 2020
	China Minsheng DIT Group Limited (中民築友智造科技集團有限公司) (formerly known as China Minsheng Drawin Technology Group Limited (中民築友科技集團有限公司))	Independent non-executive director	December 30, 2014	
	Chung Ying Theatre Company (HK) Limited (中英劇團有限公司)	Director	December 10, 2015	
	Cango Inc.	Independent non-executive director	July 31, 2018	
	Benington Capital Partners Limited	Managing partner and director	February 11, 2020	
Liu Yan	Beijing Tian Yuan Law Firm (北京市天元律師事務所)	Partner	January 1, 2002	
	Huaxin Cement Co., Ltd. (華新水泥股份有限公司)	Independent director	September 26, 2014	
	Yantai Changyu Pioneer Wine Co., Ltd. (煙台張裕葡萄酒股份有限公司)	Independent director	September 24, 2016	May 17, 2019
	WuXi Pharma Tech Co., Ltd. (無錫藥明康德新藥開發股份有限公司)	Independent director	March 17, 2017	
Chen Zhibin	School of Economics and Management of Southeast University (東南大學經管學院)	Professor	July 1, 2012	
	Jiangsu Phoenix Publishing & Media Corporation Limited (江蘇鳳凰出版傳媒股份有限公司)	Independent director	May 10, 2018	

<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Zhai Jun	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)	Director	November 24, 2016	November 25, 2019
Zhang Ming	Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司)	Supervisor	August 20, 2019	
	Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司)	Supervisor	March 8, 2018	August 28, 2019
	Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司)	Director	August 28, 2019	
	Jiangsu International Talents Advisory Services Co., Ltd. (江蘇省國際人才諮詢服務有限公司)	Director	February 20, 2016	
	Jiangsu Sainty Corp., Ltd. (江蘇舜天股份有限公司)	Supervisor	July 12, 2019	
	Suzhou Industrial Park Co., Ltd. (蘇州工業園區股份有限公司)	Supervisor	June 24, 2015	
	China Coal Pingshuo No. 1 Coal Gangue Power Generation Co., Ltd. (中煤平朔第一煤矸石發電有限公司)	Director	September 19, 2019	
	Tongmei Datang Tashan II Power Generation Company Limited (同煤大唐塔山第二發電有限責任公司)	Director	September 17, 2019	
	Yangzhou No. 2 Power Plant Company Limited (揚州第二發電有限責任公司)	Director	June 5, 2018	
	Jiangsu Guoxin Yangzhou Power Generation Co., Ltd. (江蘇國信揚州發電有限責任公司)	Director	June 5, 2018	

Name of employee	Name of other companies	Position	Commencement of the term of office	Expiration of the term of office
Yu Lanying	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)	Chairman of the supervisory committee	April 8, 2018	
	Jiangsu Re-guarantee Group Co., Ltd. (江蘇省信用再擔保集團有限公司)	Supervisor	May 27, 2018	
	Jiangsu Salt Industry Group Co., Ltd. (江蘇省鹽業集團有限責任公司)	Chairman of the supervisory committee	December 3, 2018	
	Jiangsu Jinsuzheng Investment and Development Co., Ltd. (江蘇金蘇證投資發展有限公司)	Director	December 3, 2018	
Zhang Xiaohong	Jiangsu Gaoxin Venture Capital Co., Ltd. (江蘇高新創業投資有限公司)	Director and general manager	June 20, 2018	
	Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司)	Director	November 1, 2019	
	Jiangsu Fenghai New Energy Seawater Desalination Development Co., Ltd. (江蘇豐海新能源淡化海水發展有限公司)	Director	March 5, 2018	
	Jiangsu Software Industry Co., Ltd. (江蘇省軟件產業股份有限公司)	Director	August 10, 2016	
	Jiangsu Proprietary Technology Exchange Center Co., Ltd. (江蘇省技術產權交易市場有限公司)	Director	January 5, 2018	
	Jiangsu Hongtu Electronic Research Institute Co., Ltd. (江蘇省宏圖電子綜合研究所有限公司)	Director	August 31, 2016	
	Jiangsu Talent Innovation and Venture Service Center Co., Ltd. (江蘇省人才創新創業服務中心有限公司)	Director	September 9, 2019	
	RE-energy Electric (Suzhou) Co., Ltd. (蘇州能健電氣有限公司)	Director	August 16, 2016	
	Nanjing Guanya Power Equipment Co., Ltd. (南京冠亞電源設備有限公司)	Director	August 9, 2016	



<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
	Jiangsu United Credit Service Co., Ltd. (江蘇省聯合徵信有限公司)	Supervisor	July 19, 2019	
	Sun Wah Hi-tech (Nanjing) System Software Co., Ltd. (新華科技(南京)系統軟件有限公司)	Supervisor	August 31, 2016	
Gu Chengzhong	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司)	Supervisor	January 18, 2019	
Jiang Jian	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司)	Director	August 10, 2015	September 4, 2019
	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司)	Director	August 19, 2013	
	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司)	Chairman	September 7, 2017	
	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)	Director	May 16, 2012	
Zhang Hui	China Southern Asset Management Co., Ltd. (南方基金管理有限公司)	Director	October 18, 2016	
Chen Tianxiang	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司)	Director	March 30, 2018	
Wang Chong	Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司)	Director	February 28, 2018	
	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司)	Chief risk officer	July 30, 2018	
	Huatai Securities USA Holdings, Inc.	Director	September 28, 2018	
	Huatai Securities (USA), Inc.	Director	September 28, 2018	

<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Yu Yimin	Jiangsu SOHO Investment Group Co., Ltd.(江蘇蘇豪投資集團有限公司)	Chairman	April 1, 2013	
	Jiangsu SOHO Belt and Road Initiative Capital Management Co., Ltd. (江蘇蘇豪一帶一路資本管理有限公司)	Director	December 15, 2015	
	Jiangsu Yunshan Capital Management Co., Ltd. (江蘇雲杉資本管理有限公司)	Director	December 30, 2016	
Chen Ning	Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司)	Director	May 11, 2016	
	Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司)	Supervisor	December 29, 2017	August 29, 2019
Yang Yaling	Jiangsu Govtor Zijin Culture Capital Management Co., Ltd. (江蘇高投紫金文化投資管理有限公司)	Chairman	March 26, 2018	
	Yangzhou Govtor Venture Investment Management Co., Ltd. (揚州高投創業投資管理有限公司)	Chairman	March 26, 2018	
	Hangzhou Donghan Govtor Yangtze River Delta Equity Capital Co., Ltd. (杭州東翰高投長三角股權投資管理有限公司)	Chairman	March 26, 2018	
	Jiangsu Coastal Innovative Capital Management Co., Ltd. (江蘇沿海創新資本管理有限公司)	Director	April 9, 2018	
	Jiangsu Gaohong Investment Management Co., Ltd. (江蘇高弘投資管理有限公司)	Chairman	March 26, 2018	
	Changzhou Gaorui Venture Capital Management Co., Ltd. (常州高睿創業投資管理有限公司)	Chairman	March 26, 2018	
	Suzhou Govtor Venture Capital Management Co., Ltd. (蘇州高投創業投資管理有限公司)	Chairman (& General manager)	March 26, 2018	

Name of employee	Name of other companies	Position	Commencement of the term of office	Expiration of the term of office
	Jiangsu Hi-tech Venture Capital Management Co., Ltd. (江蘇高新創業投資管理有限公司)	Chairman (& General manager)	March 26, 2018	
	Jiangsu Govtor Xinhai Venture Capital Co., Ltd. (江蘇高投鑫海創業投資有限公司)	Chairman	March 26, 2018	
	Zhejiang Donghan Gaotou Yangtze Delta Investment Partnership (浙江東翰高投長三角投資合夥企業)	Assigned representative of executive partner	March 26, 2018	
	Jiangsu Govtor Development Venture Capital Co., Ltd. (江蘇高投發展創業投資有限公司)	Chairman	March 26, 2018	
	Xuzhou Hi-tech Venture Capital Co., Ltd. (徐州高新創業投資有限公司)	Chairman	March 26, 2018	
	Jiangsu Govtor SME Venture Capital Co., Ltd. (江蘇高投中小企業創業投資有限公司)	Chairman	March 26, 2018	
	Jiangsu Yingneng Venture Capital Co., Ltd. (江蘇鷹能創業投資有限公司)	Chairman	March 26, 2018	
	Govtor Mingly Growth Venture Capital Co., Ltd. (高投名力成長創業投資有限公司)	Chairman	March 26, 2018	
	Yancheng Govtor Venture Capital Co., Ltd. (鹽城高投創業投資有限公司)	Chairman	March 26, 2018	
Zhou Xiang	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司)	Supervisor	August 19, 2013	January 18, 2019
	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司)	Supervisor	June 1, 2016	
	Nanjing Huatai Ruixing Investment Management Co., Ltd. (南京華泰瑞興投資管理有限公司)	Supervisor	November 21, 2016	January 25, 2019

<b>Name of employee</b>	<b>Name of other companies</b>	<b>Position</b>	<b>Commencement of the term of office</b>	<b>Expiration of the term of office</b>
Meng Qinglin	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司)	Director	October 16, 2014	
	Jiangsu Equity Exchange Co., Ltd. (江蘇省股權交易中心有限責任公司)	Director	June 1, 2016	
Wu Zufang	Huatai Futures Co., Ltd. (華泰期貨有限公司)	Chairman & Legal representative	April 12, 2017	
Shu Ben'e	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司)	Chairman of the supervisory committee	June 7, 2013	August 21, 2019
	China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)	Supervisor	November 29, 2003	December 16, 2019
	Huatai Futures Co., Ltd. (華泰期貨有限公司)	Vice Chairman	October 17, 2006	
Explanation of other jobs	Nil			

### III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of the Directors, Supervisors and senior management	The Remuneration and Appraisal Committee of the Board is responsible for advising the Board on the remuneration structure and policies of the Directors and senior management of the Company. The Board makes decisions on matters relating to the remuneration of and reward and punishment of senior management in accordance with relevant national policies, and matters relating to the remuneration of Directors and Supervisors shall be determined at the general meeting.
The basis for determining the remuneration of the Directors, Supervisors and senior management	The external Directors and external Supervisors of the Company do not receive remuneration from the Company; standard of remuneration of the independent Directors is determined with reference to that of the listed peers and based on actual situation of the Company; remuneration of internal Directors, employee Supervisors and the senior management applies relevant policies of governing authorities and the remuneration assessment system of the Company, and determined in accordance with job responsibilities and the result of annual performance, as it is linked to position and performance.
Actual payments of remuneration of the Directors, Supervisors and senior management	Please refer to “Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period”
Total remuneration actually obtained by all Directors, Supervisors and senior management at the end of the Reporting Period	Approximately RMB35.9069 million

#### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for Change
Zhang Wei	Chairman	Elected	Elected by the Board
Wang Tao	Non-executive Director	Elected	Elected by the General Meeting
Zhai Jun	Chairman of the Supervisory Committee	Elected	Elected by the Supervisory Committee
Zhang Ming	Supervisor	Elected	Elected by the General Meeting
Zhang Xiaohong	Supervisor	Elected	Elected by the General Meeting
Fan Chunyan	Supervisor	Elected	Elected by the General Meeting
Gu Chengzhong	Employee Supervisor	Elected	Elected by the congress of workers and staff
Zhou Yi	Chief executive officer and chairman of the Executive Committee	Appointed	Appointed by the Board
Han Zhencong	Member of the Executive Committee (Proposed) and chief information officer (Proposed)	Appointed	Appointed by the Board
Li Shiqian	Member of the Executive Committee	Appointed	Appointed by the Board
Sun Hanlin	Member of the Executive Committee	Appointed	Appointed by the Board
Jiang Jian	Member of the Executive Committee	Appointed	Appointed by the Board
Zhang Hui	Member of the Executive Committee	Appointed	Appointed by the Board
Chen Tianxiang	Member of the Executive Committee	Appointed	Appointed by the Board
Jiao Xiaoning	Chief financial officer	Appointed	Appointed by the Board
Jiao Kai	Chief compliance officer and general legal counsel	Appointed	Appointed by the Board
Zhou Yi	Chairman and President	Resigned	Ceased to be Chairman of the Company due to the expiration of term of office, and served as Chief Executive Officer and chairman of the Executive Committee thereafter
Fan Chunyan	Non-executive Director	Resigned	Ceased to be a non-executive Director of the fourth session of the Board and member of the Compliance and Risk Management Committee of the Board due to the expiration of term of office, and served as a Supervisor thereafter
Yu Yimin	Chairman of the Supervisory Committee	Resigned	Ceased to be a Supervisor of the Company due to the expiration of term of office

<b>Name</b>	<b>Position</b>	<b>Change</b>	<b>Reason for Change</b>
Chen Ning	Supervisor	Resigned	Ceased to be a Supervisor of the Company due to the expiration of term of office
Yang Yaling	Supervisor	Resigned	Ceased to be a Supervisor of the Company due to the expiration of term of office
Peng Min	Employee Supervisor	Resigned	Ceased to be an Employee Supervisor of the Company due to reaching the statutory retirement age
Zhou Xiang	Employee Supervisor	Resigned	Ceased to be an Employee Supervisor of the Company due to work arrangements
Meng Qinglin	Employee Supervisor	Resigned	Ceased to be an Employee Supervisor of the Company due to the expiration of term of office
Ma Zhaoming	Vice President	Resigned	Ceased to be Vice President of the Company due to the expiration of term of office
Sun Hanlin	Vice President	Resigned	Ceased to be Vice President of the Company due to the expiration of term of office
Wu Zufang	Vice President	Resigned	Ceased to be Vice President of the Company due to the expiration of term of office
Jiang Jian	Vice President	Resigned	Ceased to be Vice President of the Company due to the expiration of term of office
Shu Ben'e	Chief financial officer	Resigned	Ceased to be chief financial officer due to the expiration of term of office
Li Yun	Chief compliance officer and general legal counsel	Resigned	Ceased to be chief compliance officer and general legal counsel due to the expiration of term of office

Notes:

On April 26, 2019, the Supervisory Committee received the Notice on the Election Results for New Employee Supervisors of the Fourth Session of the Supervisory Committee from the Congress of Workers and Staff of the Company, at which Gu Chengzhong and Zhai Jun were elected as the employee representative supervisors for the fourth session of the Supervisory Committee of the Company. Ms. Peng Min, a former employee representative supervisor, ceased to be an employee representative supervisor of the Company due to the requirement at the statutory retirement age, while Mr. Zhou Xiang, another former employee representative supervisor, ceased to be an employee representative supervisor of the Company due to work changes. Mr. Gu Chengzhong and Mr. Zhai Jun has replaced Ms. Peng Min and Mr. Zhou Xiang since April 26, 2019 in performing the duties of employee representative supervisors of the fourth session of the Supervisory Committee of the Company, and they shall hold the office till the end of the term of the current session of the Supervisory Committee.

On October 29, 2019, the twenty-fifth meeting of the fourth session of the Board considered and approved the Resolution on the Appointments of CEO and Chairman of the Executive Committee of the Company, and appointed Mr. Zhou Yi as CEO and Chairman of the Executive Committee of the Company with a term of office commencing from the date of the Board's consideration and approval till the end of the term of the current session of the Board.

On December 16, 2019, in view of the expiry of the term of members of the Fourth Session of the Board, the 2019 First Extraordinary General Meeting of the Company considered and approved the Resolution on Electing Members (Non-Independent Director) of the Fifth Session of the Board of the Company and the Resolution on Electing Members (Independent Director) of the Fifth Session of the Board of the Company, and elected Zhang Wei, Zhou Yi, Ding Feng, Chen Yongbing, Xu Qing, Hu Xiao, Wang Tao, Zhu Xuebo, Chen Chuanming, Lee Chi Ming, Liu Yan and Chen Zhibin as members of Directors of the Fifth Session of the Board of the Company. In order to fulfil the requirements that the number of independent Directors shall account for no less than one third of the Board, Mr. Liu Hongzhong, the independent Director of the Fourth Session of the Board of the Company, will continue to perform his duties until the new independent Directors is elected and obtain the appointment qualifications approved by the securities regulatory authority.

Meanwhile, the meeting considered and approved the Resolution on Electing Members (Non-Employee Representative Supervisors) of the Fifth Session of the Supervisory Committee of the Company, and elected Zhang Ming, Yu Lanying, Zhang Xiaohong and Fan Chunyan, as well as Gu Chengzhong, Zhai Jun and Wang Ying who are employee representative supervisors elected by the Company's congress of workers and staff, as members of the Fifth Session of the Supervisory Committee of the Company.

Among the new Directors and Supervisors of the Fifth Session of the Board and the Supervisory Committee of the Company, Mr. Zhang Wei and Mr. Wang Tao have obtained the appointment qualification approved by the securities regulatory authority, and will assume the duties of Directors of the fifth session of the Board of the Company with the term of office of three years since today; Mr. Zhang Ming, Ms. Zhang Xiaohong and Ms. Wang Ying have obtained the appointment qualifications approved by the securities regulatory authority, and will assume the duties of Supervisors of the Fifth Session of the Supervisory Committee of the Company with the term of office of three years since today. Ms. Fan Chunyan, a member of the fourth Session of the Board of the Company, shall no longer serve as a Director of the Company upon expiration of her term of office and shall be reassigned as a Supervisor of the Company; Mr. Yu Yimin, Mr. Chen Ning, Ms. Yang Yaling and Mr. Meng Qinglin, members of the fourth session of the Supervisory Committee of the Company, will cease to serve as Supervisors of the Company upon their upcoming expiration of terms of office.

On the same day, the first meeting of the fifth session of the Board of the Company considered and approved the Resolution in relation to Election of the Chairman of the Fifth Session of the Board (《關於選舉公司第五屆董事會董事長的議案》), and elected Zhang Wei as the chairman of the fifth session of the Board of the Company with a term of office of three years commencing from the date of consideration and approval by the Board. Mr. Zhang Wei has obtained the appointment qualification of chairman of securities companies. The meeting considered and approved the Resolution in relation to the Appointment of the Chief Executive Officer and the Chairman of Executive Committee of the Company (《關於聘任公司首席執行官及執行委員會主任的議案》), and appointed Mr. Zhou Yi as the chief executive officer and the chairman of the Executive Committee with a term of office of three years commencing from the date of consideration and approval by the Board. The meeting also considered and approved the Resolution in relation to the Appointments of Senior Management of the Company (《關於聘任公司高級管理人員的議案》), and appointed Mr. Han Zhencong, Mr. Li Shiqian, Mr. Sun Hanlin, Mr. Jiang Jian, Mr. Zhang Hui, and Mr. Chen Tianxiang as members of the Company's Executive Committee. Among them, Mr. Sun Hanlin, Mr. Jiang Jian and Mr. Zhang Hui have obtained the appointment qualifications of senior management (manager level) of securities companies, and has assumed the duties of members of the Executive Committee of the Company since then; Mr. Han Zhencong, Mr. Li Shiqian, and Mr. Chen Tianxiang will officially serve as members of the Executive Committee of the Company after applying for and obtaining the appointment qualifications of senior management (manager level) of securities companies; agreed to appoint Mr. Han Zhencong as chief information officer (concurrent) of the Company, and Mr. Han Zhencong will officially serve as chief information officer of the Company after applying for and obtaining appointment qualification of senior management (manager level) of securities companies; appointed Mr. Jiao Kai as chief compliance officer and general legal counsel of the Company. Mr. Jiao Kai obtained the appointment qualification of senior management (manager level) of securities companies on January 22, 2020, and the approval from the Jiangsu Securities Regulatory Bureau on February 17, 2020, and has officially served as chief compliance officer of the Company since February 17, 2020. Mr. Chen Tianxiang obtained the appointment qualification of senior management (manager level) of securities companies on February 18, 2020, and has officially assumed the duties of members of the Executive Committee of the Company since February 18, 2020. The terms of office of the above senior management are three years commencing from the date of consideration and approval by the Board.



At the first meeting of the fifth session of the Supervisory Committee of the Company, the Resolution in relation to the Election of the Chairman of the Fifth Session of the Supervisory Committee of the Company (《關於選舉公司第五屆監事會主席的議案》) was considered and approved, and Zhai Jun was elected as the chairman of the fifth session of the Supervisory Committee of the Company with a term of office of three years commencing from the date of consideration and approval by the Supervisory Committee. Mr. Zhai Jun has obtained the appointment qualifications of chairman of the supervisory committee of securities companies approved by securities regulatory authority on February 18, 2020, and has officially assumed the duties of chairman of the fifth session of the Supervisory Committee of the Company since February 18, 2020.

The third meeting of the fifth session of the Board of the Company considered and approved the Resolution in relation to the Appointment of Ms. Jiao Xiaoning as the Chief Financial Officer of the Company (《關於聘任焦曉寧女士為公司首席財務官的議案》), and agreed to appoint Ms. Jiao Xiaoning as the chief financial officer of the Company. Ms. Jiao Xiaoning will officially serve as the chief financial officer of the Company after applying for and obtaining the appointment qualification of senior management (manager level) of securities companies, during which the duties of chief financial officer will be assumed by Mr. Zhou Yi, the CEO and chairman of the Executive Committee of the Company on her behalf.

According to the new Securities Law and the CSRC's Announcement on Various Issues in relation to the Cancellation or Adjustment of Certain Administrative Approval Projects of 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)), senior management of securities companies no longer need regulatory authorities to approve their qualifications before taking office. Ms. Jiao Xiaoning has formally started to perform her duties as the chief financial officer of the Company since March 5, 2020. Mr. Li Shiqian has formally started to perform his duties as a member of the Executive Committee of the Company since March 10, 2020.

## **V. SPECIAL COMMITTEES UNDER THE BOARD**

Five special committees, namely, Development Strategy Committee, Compliance and Risk Management Committee, Audit Committee, Nomination Committee and Remuneration and Appraisal Committee were established under the Board, members of which were as follows:

The Development Strategy Committee (a total of five members): Zhang Wei, Zhou Yi, Chen Yongbing, Hu Xiao and Wang Tao and Zhang Wei is the chairman (convener) of the Development Strategy Committee;

The Compliance and Risk Management Committee (a total of three members): Zhou Yi, Xu Qing and Liu Yan and Zhou Yi is the chairman (convener) of the Compliance and Risk Management Committee;

The Audit Committee (a total of three members with the independent non-executive Directors accounting for more than 1/2): Lee Chi Ming, Ding Feng and Chen Zhibin and Lee Chi Ming is the chairman (convener) of the Audit Committee;

The Nomination Committee (a total of three members with the independent non-executive Directors accounting for more than 1/2): Chen Chuanming, Zhu Xuebo and Liu Yan and Chen Chuanming is the chairman (convener) of the Nomination Committee;

The Remuneration and Appraisal Committee (a total of three members with the independent non-executive Directors accounting for more than 1/2): Chen Chuanming, Zhu Xuebo and Chen Zhibin and Chen Chuanming is the chairman (convener) of the Remuneration and Appraisal Committee.

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

### (I) *Information about the staff*

Number of staff employed by the parent company	7,169
Number of staff employed by major subsidiaries	3,042
The total number of staff employed	10,211
Number of retired staff of the parent company and its subsidiaries that need to be paid for the cost	274

<b>Profession Composition</b>	
<b>Profession</b>	<b>Number of staff</b>
Wealth management professionals	5,689
Institution and investment professionals	2,232
Info-tech professionals	1,073
Others	1,217
Total	10,211

<b>Education</b>	
<b>Level of education</b>	<b>Number (persons)</b>
Doctor	128
Master	3,991
Bachelor	4,878
Junior college graduate and below	486
Total	9,483

Note 1: the number of service personnel from the institution we cooperated with for IT business was amounted to 1,800.

Note 2: Due to the internal policies of corporations in the United States, the above statistics do not include those of AssetMark.

### (II) *Remuneration policy*

The Company attaches importance to external competitiveness and internal fairness of salary incentive, and implements a remuneration distribution system based on market standards and weighted by performance evaluation. Staff remuneration of the Company consists of fixed salary, performance bonus and employee benefits.

Pursuant to relevant laws and regulations, the Company makes full payments to social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for staff in accordance with laws. Meanwhile, the Company has established the supplementary medical insurance plan and enterprise annuity plan to improve supplementary medical care and retirement treatment of staff.

### ***(III) Training programs***

In line with the development trend of industry innovation and transformation, the Company continued to centralize its training on the aspects including business innovation, employee orientation, common skills, management capability and cultivation of internal trainers. The Company propelled training programs with a combination of centralized trainings and external trainings as well as on-site trainings and HTSC Cloud Academy trainings; its annual training plan was implemented smoothly. The Company continued to improve and increase the overall dimension of the training system, and built the talent development system HTalent Total Solution with international investment bank professionals training capabilities and customer value-added capabilities from all life careers and all echelons of talent development to HTalent™ based on the two-pronged, international development, digital transformation, and empowerment of people strategy, to develop a comprehensive ecosystem for the continuous growth of Huatai employees and customers. In 2019, adhering to the vision and mission of “empower people, meet the future”, to build the HTalent talent development system and implementation system that covered all life careers and the entire business chain of talent growth, the Company undertook 76 centralized training sessions, 248 live broadcasts, 116 off-site training sessions, with approximately 5,770 participants on site and over 37,000 participants via live broadcasts, and over 428,400 participants by self-studying through the Cloud Academy training. The learning completion rate of the Cloud Academy was 99.0%. In 2019, the Company’s internal trainers provided 840 hours of lectures in total and developed over 650 courses.

## **VII. CUSTOMER SOLICITATION AND CUSTOMER SERVICES BY THE BROKERS COMMISSIONED BY THE COMPANY**

As of December 31, 2019, the Company had a total of 831 securities brokers.

the Company achieved a unified broker management through the improvement of rules and regulations. Broker management system covered qualification management, training management, performance evaluation, behavioral code, certification management and compliance risk control and management, etc. All branches of the Company could implement corporate rules on the daily operation management of sales staff stringently.

## **CORPORATE GOVERNANCE**

### **I. DESCRIPTION OF CORPORATE GOVERNANCE**

As a public company listed in both domestic and overseas, the Company has been operating business in a standard manner and in strict compliance with the requirements set forth in the laws, regulations and regulatory documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements under the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies, the Rules for Governance of Securities Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code and Corporate Governance Report (the relevant code is set out on [https://en-rules.hkex.com.hk/sites/default/files/net\\_file\\_store/new\\_rulebooks/h/k/HKEX4476\\_3828\\_VER10.pdf](https://en-rules.hkex.com.hk/sites/default/files/net_file_store/new_rulebooks/h/k/HKEX4476_3828_VER10.pdf)) as set out in Appendix 14 to the Hong Kong Listing Rules and other relevant laws and regulations as well as the Articles of Association, in order to establish a modern corporate system, and shape a corporate governance structure where checks and balances among the general meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and in accordance with relevant laws and regulations.

#### ***(I) Corporate governance***

During the Reporting Period, the Company conducted its operations and management in a standard and orderly manner. Various rules and regulations have been formulated and continuously refined in strict compliance with the requirements of laws, regulations and regulatory documents to regulate the Company's operations. During the Reporting Period, in order to actively explore and establish new operation and management system, improve the management and operational efficiency of the Company, and clarify the work responsibilities, the Company has revised and improved its Articles of Association in accordance with relevant laws, regulations and normative documents based on its actual conditions where GDRs are issued and listed on the London Stock Exchange. For consistency with the Articles of Association, the Company has accordingly revised the Rules of Procedures of the General Meeting, Rules of Procedures of the Board of Directors, Decision-Making System for External Guarantee and Management System for Raised Funds. Revisions of such systems were approved by the general meeting of Company. Meanwhile, for consistency with the Articles of Association, the Company has also revised the Terms of Reference of the Special Committees of the Board, Terms of Reference of the Secretary to the Board of Directors, Administration Measures for Information Disclosure, System regarding Insider Registration and Management and Internal Reporting System for Material Information, and formulated the Terms of Reference of the CEO and the Executive Committee. Revisions and formulations of such systems were approved by the Board of Directors of the Company. In addition, during the Reporting Period, the Company set up the fifth session of the Board of Directors and the fifth session of the Supervisory Committee upon approval by the Board of Directors, the Supervisory Committee and the general meeting of the Company, combining with the election at the congress of workers and staff. Through the establishment and improvement as well as the full implementation of the above systems, the Company's governance structure and level have been continuously standardized and improved.

The convening, holding and voting procedures of the general meeting, the Board of Directors and the Supervisory Committee of the Company were standard, legal and valid, and the Company disclosed truthful and accurate information in a complete, timely and fair manner. The Company carried out investor relationship management in a standard and professional manner, and carried out inside information management and registration of insiders in strict compliance with the requirements of the System regarding Insider Registration and Management and Confidentiality of the Company and other relevant rules. The Company adhered to the principle of scientificity, standardization and transparency when practicing corporate governance. The Company was once again rated Class A Level AA in the assessment of securities firms conducted by the CSRC in 2019, and was rated as the highest level A in the 2018-2019 information disclosure evaluation of listed companies organized by the Shanghai Stock Exchange during the Reporting Period.

### *1. Shareholders and the General Meeting*

The shareholders' general meeting is the organ of the highest authority of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strict accordance with the relevant provisions of the Articles of Association and the Rules of Procedures for General Meetings to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely. The largest shareholder and the de facto controller of the Company exercised their rights in accordance with the laws, regulations and the Articles of Association, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the general meeting nor appropriated any fund of the Company or requested the Company to provide any external guarantee. The Company was completely independent from its largest shareholder and de facto controller in terms of staff, assets, finance, organization and business.

### *2. Directors and the Board*

The election and change of Directors were in strict compliance with the Articles of Association. The number and composition of the Board conformed to the requirements of the relevant laws and regulations. The Board has continuously improved its rules of procedures. All the Board meetings were duly convened and held, and all voting procedures at the meetings were legal and valid. The Company has established the Working System for Independent Directors, and all the independent Directors have independently and objectively worked to protect the legitimate rights and interests of the Company and its shareholders, and played a role of check and balance in the decision-making process of the Board. All Directors performed their respective responsibilities with due diligence in accordance with relevant requirements, and worked to protect the interests of the Company and all shareholders.

There is no financial, business, family or other significant/related relationship between the Directors, Supervisors and senior management of the Company.

The Company believes that the increasing diversity of the Board is one of the key factors that help support its strategic objectives and maintain sustainable development. Therefore, the Company should, when determining the composition of the Board, consider the diversity of Board members in several aspects, including but not limited to gender, age, cultural, educational background, professional experience, skills, knowledge and popularity in service. The determination of the members should be based on the value of the candidates and the contribution that they could make to the Board. All nominations of the Board should be in the principle of “merit-based”. When the candidates are selected, the benefits from the diversity of Board members should be taken into full consideration according to their objective conditions. The Nomination Committee will report annually on the diversified composition of the Board in the annual report, inspect the implementation of the abovementioned policy on diversification of Board members and review such policy in due course so as to ensure its effectiveness.

During the Reporting Period, the Company set up the fifth session of the Board of Directors, with members including strategic Shareholder representatives introduced through the non-public issuance of A Shares, forming a Board with diversified composition and complementary advantages.

### 3. *Supervisors and the Supervisory Committee*

The election and change of the Supervisors were in strict compliance with the Articles of Association. The number and composition of the Supervisory Committee conformed to the requirements of the relevant laws and regulations. The Supervisory Committee has continuously improved its rules of procedure. All the meetings of the Supervisory Committee were duly convened and held, and all voting procedures at the meetings were legal and valid. The Supervisory Committee is responsible to the general meeting. Based on the principle of being responsible to all shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company’s finance and the performance of duties by the Board and the management of the Company. All Supervisors diligently performed their duties, attended all meetings of the Supervisory Committee and sat in the meetings of the Board as non-voting delegates, made reports to the general meeting and submitted its work report.

### 4. *Senior Management of the Company*

The election and change of the senior management were in strict compliance with the Articles of Association. The procedures for appointment of senior management complied with the Company Law and the Articles of Association. The Company has formulated the Terms of Reference of the CEO and the Executive Committee and the Terms of Reference of the Secretary to the Board and other rules and regulations. The senior management of the Company conducted operations and performed their duties legally and diligently in accordance with the laws, regulations and authorizations of the Board, in order to maximize shareholders’ benefits and social benefits.

## 5. *Information Disclosure and Transparency of the Company*

The Company disclosed information in a truthful, accurate, complete and timely manner in strict compliance with the requirements of laws, rules and relevant regulations, and ensured that all shareholders had an equal access to the relevant information of the Company, thereby ensuring the transparency of the Company. The Company strengthened the management of inside information, worked to ensure the confidentiality of inside information, and safeguarded the principle of fairness in information disclosure in strict compliance with the System regarding Insider Registration and Management and Confidentiality of the Company. The Board designated the secretary to the Board to be responsible for the Company's information disclosure, and the Office of the Board also assisted the secretary in information disclosure. Meanwhile, the Company also arranged dedicated personnel to answer telephone enquiries of investors and questions from investors via e-mails, actively interacted with institutional investors during their on-site surveys, and set up maintained an investor relations section on the Company's website.

## 6. *Stakeholders*

The Company gave full respects to the shareholders, customers, staff and other stakeholders and protected their legitimate rights and interests from the perspective of system building and in each link of business operation, ensured the development of the Company in a sustainable, harmonious, healthy and standard way, in order to achieve all-win results for the Company and all stakeholders, thus maximizing the Company's profits and social benefits.

During the Reporting Period, according to the requirements of the regulatory departments, the Company further improved its organizational structure, institutional building and strengthened management of inside information, and ensured that the actual status of the corporate governance of the Company complied with the requirements of the regulatory documents published by the CSRC regarding the corporate governance of listed companies. Meanwhile, the Company strictly complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report, and met most of the recommended best practices in the Corporate Governance Code.

### **(II) *Formulation and Implementation of Insider Registration and Management System***

The Company formulated the System regarding Insider Registration and Management and Confidentiality in April 2010 in accordance with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association and in light of the actual situation of the Company, which was considered and approved at the 17th meeting of the first session of the Board, in order to strengthen the management of inside information, maintain the confidentiality of inside information, ensure fair information disclosure and protect the legitimate rights and interests of investors.

In December 2011, according to the Provisions on the Establishment of an Insider Registration and Management System by Listed Companies (CSRC Announcement [2011] No. 30) (《關於上市公司建立內幕信息知情人登記管理制度的規定》(證監會公告[2011]30號)) by the CSRC, the Circular on Filing Records of Insiders by Listed

Companies (Shang Zheng Gong Han [2011] No. 1501) (《關於做好上市公司內幕信息知情人檔案報送工作的通知》(上證公函[2011]1501號)) by the Shanghai Stock Exchange and other relevant requirements issued by regulators, the Company made amendments to the System Regarding Insider Registration and Management and Confidentiality, which were considered and approved at the 7th meeting of the second session of the Board.

In March 2015, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the System Regarding Insider Registration and Management and Confidentiality, which were considered and approved at the 16th meeting of the third session of the Board.

In March 2019, for consistency with the Articles of Association, and to actively explore and establish new operation and management system, improve the management and operational efficiency of the Company, and clarify work responsibilities, the Company made amendments to the System Regarding Insider Registration and Management and Confidentiality, which were considered and approved at the 20th meeting of the fourth session of the Board.

During the Reporting Period, the Company made more efforts to maintain the confidentiality of inside information, performed its obligation of insider registration, management and confidentiality diligently, kept records of the names of insiders who had accessed to the inside information at the stage of negotiation, planning, demonstration and consultation and contracting as well as in the processes of reporting, delivery, preparation, auditing, resolution and disclosing before its final disclosure in strict compliance with the requirements of System regarding Insider Registration and Management and Confidentiality, and kept records of information relating to insiders and memos of progress of major events, in order to effectively prevent insider dealing and properly carry out information disclosure.

During the Reporting Period, the Company organized internal investigation into the dealing of shares and derivatives of the Company by insiders, and found that none of the holders of inside information had made use of inside information in share transactions before any significant-price-sensitive-nature information disclosure that may affect the share price of the Company, and the Company has not received any punishment or administrative measure imposed by regulatory departments due to the implementation of the Insider Registration and Management System or the possible involvement in insider dealing.

### ***(III) Corporate Governance Policies and the Board's Responsibilities for Corporate Governance***

The Company has been in strict compliance with the Hong Kong Listing Rules, and followed all the principles in the Corporate Governance Code and the Corporate Governance Report to be its own corporate governance policies. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

- (1) to formulate and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and the senior management;



- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to monitor employees and Directors;
- (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

#### ***(IV) Securities Transactions by Directors, Supervisors and Employees***

During the Reporting Period, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors and Supervisors. According to the domestic regulatory requirements, the Company convened the 13th meeting of the third session of the Board on November 25, 2014 to consider and approve the Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (the "Administrative System") in order to regulate the holding and dealing in the shares of the Company by Directors, Supervisors and senior management. On March 6, 2015, the Company made amendments to the Administrative System in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, which were considered and approved at the 16th meeting of the third session of the Board. The compulsory provisions contained in the Administrative System are stricter than those under the Model Code. Having made all enquiries with Directors, Supervisors and senior management, the Company confirmed that all Directors, Supervisors and senior management had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on corporate governance and operation of the Company, in order to ensure the relevant provisions under the Hong Kong Listing Rules were well observed and to protect the interests of the shareholders. Please refer to "Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period" under "Changes in Shareholding Structure and Remuneration" under "Directors, Supervisors, Senior Management and Staff" in this report for details of the shareholding of the Directors, Supervisors and senior management of the Company.

## II. BRIEF INTRODUCTIONS TO THE GENERAL MEETINGS

Meeting	Convening date	Resolutions	Status	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publication of the resolutions
2018 Annual General Meeting	June 26, 2019	<ol style="list-style-type: none"> <li>1. To consider and approve the 2018 Work Report of the Board of the Company;</li> <li>2. To consider and approve the 2018 Work Report of the Supervisory Committee of the Company;</li> <li>3. To consider and approve the 2018 Final Financial Report of the Company;</li> <li>4. To consider and approve the resolution on the 2018 Profit Distribution of the Company;</li> <li>5. To consider and approve the resolution on the 2018 Annual Report of the Company;</li> <li>6. To consider and approve the resolution on the estimated ordinary transactions with related parties of the Company for 2019;</li> <li>7. To consider and approve the resolution on the estimated investment amount for the proprietary business of the Company for 2019;</li> <li>8. To consider and approve the resolution on the re-appointment of the accounting firm of the Company;</li> <li>9. To consider and approve the resolution on amendments to the Decision-Making System for External Guarantee of Huatai Securities Co., Ltd.;</li> <li>10. To consider and approve the resolution on amendments to the Proceeds Management System of Huatai Securities Co., Ltd.;</li> <li>11. To consider and approve the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>12. To consider and approve the resolution on Amendments to the Rules of Procedures of the General Meeting of Huatai Securities Co., Ltd.;</li> <li>13. To consider and approve the resolution on Amendments to the Rules of Procedures of the Board of Huatai Securities Co., Ltd.;</li> <li>14. To consider and approve the resolution on General Authorization of the Company's Domestic and Foreign Debt Financing Instruments;</li> <li>15. Debriefing of the Work Report of Independent Directors of the Company for 2018;</li> <li>16. Debriefing of the Report on Performance Assessment and Remuneration of the Directors of the Company in 2018;</li> <li>17. Debriefing of the Report on Performance Assessment and Remuneration of the Supervisors of the Company for 2018;</li> <li>18. Debriefing of the Report on Execution of Duty, Performance Assessment and Remuneration of Senior Management of the Company for 2018.</li> </ol>	All resolutions were considered and approved	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>	June 27, 2019
The first extraordinary general meeting in 2019	December 16, 2019	<ol style="list-style-type: none"> <li>1. To consider and approve the resolution in relation to Change of Use of Partial Proceeds from Non-public Issuance of A Shares;</li> <li>2. To consider and approve the resolution on Election of Members of the Fifth Session of the Board (Non-independent Directors) of the Company;</li> <li>3. To consider and approve the resolution on Election of Members of the Fifth Session of the Board (Independent Directors) of the Company;</li> <li>4. To consider and approve the resolution on Election of Members of the Fifth Session of the Supervisory Committee (Non-employee Representative Supervisors) of the Company.</li> </ol>	All resolutions were considered and approved except for sub-resolution 3.05 of NO. 3 resolution	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>	December 17, 2019

## Explanations on general meetings

During the Reporting Period, the Company held two general meetings in total, the details of which were as follows:

1. The 2018 annual general meeting of the Company, with on-site & network voting methods adopted, was held at Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The general meeting was organized by the Board of Directors and hosted by the Chairman – Mr. Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as the Company Law and the Articles of Association and so on. Details of relevant announcements on the resolutions of the general meeting can be found on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the HKEXnews website of the HKEX (<http://www.hkexnews.hk>) and our Company's website (<http://www.htsc.com.cn>) and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on June 27, 2019.
2. The Company's first extraordinary general meeting in 2019, with on-site & network voting methods adopted, was held at Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The general meeting was organized by the Board of Directors and hosted by the Chairman – Mr. Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as the Company Law and the Articles of Association and so on. Details of relevant announcements on the resolutions of the general meeting can be found on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the HKEXnews website of the HKEX (<http://www.hkexnews.hk>) and our Company's website (<http://www.htsc.com.cn>) and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on December 17, 2019.

None of the shareholders of the Company are holders of preference shares with voting rights recovered. Therefore, none of the extraordinary general meetings was convened by holders of preference shares with voting rights restored, nor was any general meeting proposed to be convened, convened or chaired by the holders of preference shares with voting rights recovered during the Reporting Period.

### III. MEETINGS OF THE BOARD DURING THE REPORTING PERIOD

Meeting name	Date	Meeting form and place	Meeting motion	Status
The 20th Meeting of the Fourth Session of the Board	March 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I (HD Video Conference Room), Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong) Limited 58/F, The Center, 99 Queen's Road Central, Hong Kong	<ol style="list-style-type: none"> <li>1. To consider the 2018 Work Report of the President of the Company;</li> <li>2. To consider the 2018 Financial Final Report of the Company;</li> <li>3. To consider the 2019 Financial Budget Report of the Company;</li> <li>4. To consider the proposal on the 2018 Profit Distribution of the Company;</li> <li>5. To consider the 2018 Work Report of the Board of the Company;</li> <li>6. To consider the resolution on the 2018 Annual Report of the Company;</li> <li>7. To consider the resolution on the 2018 Annual Compliance Report of the Company;</li> <li>8. To consider the resolution on the 2018 Annual Risk Management Report of the Company;</li> <li>9. To consider the resolution on the 2018 Annual Internal Control Evaluation Report of the Company;</li> <li>10. To consider the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2018;</li> <li>11. To consider the resolution on the 2018 Social Responsibility Report of the Company;</li> <li>12. To consider the proposal on the estimated ordinary transactions with related parties of the Company for 2019;</li> <li>13. To consider the proposal on the estimated investment amount for the proprietary business of the Company for 2019;</li> <li>14. To consider the resolution on the re-appointment of the accounting firm by the Company;</li> <li>15. To consider the resolution on change of accounting policies of the Company;</li> <li>16. To consider the resolution on providing guarantees for the overseas issued bonds of the Company;</li> <li>17. To consider the resolution on general mandate for domestic and overseas debt financing Instruments of the Company;</li> <li>18. To consider the resolution on formulation of the Basic System for Anti-Money Laundering and Anti-Terrorism Financing of Huatai Securities Co., Ltd. (Trial);</li> <li>19. To consider the resolution on the Key Work Plan for Promoting the Establishment of First-Class Enterprises by Huatai Securities (2019);</li> <li>20. To consider the resolution on appointment of securities affairs representative of the Company;</li> <li>21. To consider the resolution on the organizational structure of the headquarters and adjustment of the duties of relevant departments;</li> <li>22. To consider the Report on Performance Assessment and Remuneration of Directors of the Company for 2018;</li> <li>23. To consider the Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Management of the Company for 2018;</li> <li>24. To consider the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>25. To consider the resolution on amendments to the Rules of Procedures of General Meetings of Huatai Securities Co., Ltd.;</li> <li>26. To consider the resolution on amendments to the Rules of Procedures of Board of Huatai Securities Co., Ltd.;</li> <li>27. To consider the resolution on amendments to the Decision-Making System for External Guarantee of Huatai Securities Co., Ltd.;</li> <li>28. To consider the resolution on amendments to the Management System for Raised Funds of Huatai Securities Co., Ltd.;</li> <li>29. To consider the resolution on amendments to the Terms of Reference of the Special Committees of the Board of Directors of Huatai Securities Co., Ltd.;</li> </ol>	All resolutions were considered and approved

Meeting name	Date	Meeting form and place	Meeting motion	Status
			<ol style="list-style-type: none"> <li>30. To consider the resolution on formulation of the Terms of Reference of the CEO and the Executive Committee of Huatai Securities Co., Ltd.;</li> <li>31. To consider the resolution on amendments to the Terms of Reference of the Secretary to the Board of Directors of Huatai Securities Co., Ltd.;</li> <li>32. To consider the resolution on amendments to the Administration Measures for Information Disclosure of Huatai Securities Co., Ltd.;</li> <li>33. To consider the resolution on amendments to the Management and Confidentiality System for Insider Registration of Huatai Securities Co., Ltd.;</li> <li>34. To consider the resolution on amendments to the Internal Reporting System for Material Information of Huatai Securities Co., Ltd.;</li> <li>35. To consider the resolution on implementation of professional manager system for the senior management;</li> <li>36. To consider the resolution on convening the 2018 General Meeting of the Company;</li> <li>37. Debriefing of the Work Report of Independent Directors of the Company for 2018;</li> <li>38. Debriefing of the Report on Performance of Duties by the Audit Committee of the Board of the Company for 2018;</li> <li>39. Debriefing of the Work Report of the Chief Compliance Officer of the Company for 2018;</li> <li>40. Debriefing of the Work Report on Anti-money Laundering of the Company for 2018;</li> <li>41. Review of the Report on Net Capital and Other Risk Control Indicators of the Company for 2018.</li> </ol>	
The 21st Meeting of the Fourth Session of the Board	April 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I (HD Video Conference Room), Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong) Limited 58/F, The Center, 99 Queen's Road Central, Hong Kong	<ol style="list-style-type: none"> <li>1. To consider the resolution on the First Quarterly Report of the Company for 2019;</li> <li>2. To consider the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>3. To consider the resolution on postponing the 2018 Annual General Meeting of the Company.</li> </ol>	All resolutions were considered and approved

Meeting name	Date	Meeting form and place	Meeting motion	Status
The 22nd Meeting of the Fourth Session of the Board	May 28, 2019	By means of teleconference	To consider the resolution on increasing the registered capital of Huatai Innovation Investment Co., Ltd., a wholly-owned subsidiary of the Company.	The resolution was considered and approved
The 23rd Meeting of the Fourth Session of the Board	June 4, 2019	By means of teleconference.	To consider the resolution on adjustments to the proposal on the 2018 profit distribution of the Company.	The resolution was considered and approved
The 24th Meeting of the Fourth Session of the Board	August 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Simulated Video Conference Room, Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; Simulated Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong) Limited, Floor 58, The Center, 99 Queen's Road Central, Hong Kong; Conference Room of Securities Branch in Hongze Lake Road, Suqian, No. 581, Hongze Lake Road, Suqian.	<ol style="list-style-type: none"> <li>To consider the Resolution on the 2019 Interim Report of the Company;</li> <li>To consider the Special Report on the Deposit and Actual Use of Funds Raised in the First Half of 2019;</li> <li>To consider the Resolution on Revising the Company's Basic System of Risk Management;</li> <li>Examination on the Report on Net Capital and Other Risk Control Indicators of the Company for the First Half of 2019.</li> </ol>	All resolutions were considered and approved
The 25th Meeting of the Fourth Session of the Board	October 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Simulated Conference Room, Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; Simulated Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai.	<ol style="list-style-type: none"> <li>To consider the Resolution on the Third Quarterly Report of the Company for 2019;</li> <li>To consider the Resolution on Appointment of Chief Executive Officer and the Head of Execution Committee of the Company;</li> <li>To consider the Resolution on Formulation of the Remediation Program of Huatai Securities Co., Ltd. for the Issues of On-site Inspection of Anti-Money Laundering by People's Bank of China (《华泰证券股份有限公司關於中國人民銀行反洗錢現場檢查問題的整改方案》);</li> <li>To consider the Proposal on Election of Members of the Fifth Session of the Board (Non-independent Directors) of the Company;</li> <li>To consider the Proposal on Election of Members of the Fifth Session of the Board (Independent Directors) of the Company;</li> <li>To consider the Resolution in Relation to the Change of Use of Partial Proceeds from Non-public Issuance of A shares;</li> <li>To consider the Resolution on Convening the 2019 First EGM of the Company.</li> </ol>	All resolution were considered and approved

Meeting name	Date	Meeting form and place	Meeting motion	Status
The First Meeting of the Fifth Session of the Board	December 16, 2019	By means of on-site meeting. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing.	<ol style="list-style-type: none"> <li>1. To consider the Resolution on Election of the Chairman of the Fifth Session of the Board of the Company;</li> <li>2. To consider the Resolution on the Composition Adjustment of Special Committees of the Fifth Session of the Board of the Company;</li> <li>3. To consider the Resolution on Appointment of Chief Executive Officer and the Head of Execution Committee of the Company;</li> <li>4. To consider the Resolution on Appointment of Senior Management of the Company;</li> <li>5. To consider the Resolution on Appointment of Secretary of the Board and Securities Affairs Representative of the Company;</li> <li>6. To consider the Resolution on Formulation of the Management Measures on Appraisal and Remuneration of Professional Manager of Huatai Securities Co., Ltd.</li> </ol>	All resolutions were considered and approved
The Second Meeting of the Fifth Session of the Board	December 25, 2019	By means of teleconference	To consider the Resolution on Provision of Guarantee for the Company to Issue overseas Bonds.	The resolution was considered and approved

Note: Details of relevant announcements on the resolutions of the Board can be found on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the HKEXnews website of the HKEX (<http://www.hkexnews.hk>) and our Company's website (<http://www.htsc.com.cn>) and China Securities Journal, Shanghai Securities News, Securities Daily as well as Securities Times.

#### IV. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

Meeting name	Date	Meeting form and place	Meeting motion	Status
The 10th Meeting of the Fourth Session of the Supervisory Committee	March 29, 2019	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing.	<ol style="list-style-type: none"> <li>To consider the 2018 Work Report of the Supervisory Committee of the Company;</li> <li>To consider the Proposal on the 2018 Profit Distribution of the Company;</li> <li>To consider the Resolution on the 2018 Annual Report of the Company;</li> <li>To consider the Resolution on the 2018 Annual Internal Control Evaluation Report of the Company;</li> <li>To consider the Special Report on the Deposit and Actual Use of Raised Funds for 2018;</li> <li>To consider the Resolution on Change of Accounting Policies of the Company;</li> <li>To consider the Report on Performance Assessment and Remuneration of the Supervisors of the Company for 2018;</li> <li>Debriefing of the Report on Internal Audit of the Company for 2018;</li> <li>Debriefing of the Internal Audit Work Plan of the Company for 2019.</li> </ol>	All resolutions were considered and approved
The 11th Meeting of the Fourth Session of the Supervisory Committee	April 29, 2019	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing.	To consider the Resolution on the First Quarterly Report of the Company for 2019.	The resolution was considered and approved
The 12th Meeting of the Fourth Session of the Supervisory Committee	June 4, 2019	By means of teleconference	To consider the Resolution on Adjustments to the Proposal on the 2018 Profit Distribution of the Company.	The resolution was considered and approved
The 13th Meeting of the Fourth Session of the Supervisory Committee	August 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room of Securities Branch in Hongze Lake Road, Suqian at No. 581 Hongze Lake Road, Suqian City.	<ol style="list-style-type: none"> <li>To consider the Resolution on 2019 Interim Report of the Company;</li> <li>To consider the Special Report on the Deposit and Actual Use of Funds Raised in the First Half of 2019.</li> </ol>	All resolutions were considered and approved
The 14th Meeting of the Fourth Session of the Supervisory Committee	October 29, 2019	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing.	<ol style="list-style-type: none"> <li>To consider the Resolution on the Third Quarterly Report of the Company for 2019;</li> <li>To consider the Proposal on Election of Members of the Fifth Session of the Supervisory Committee (Non-employee Representative Supervisor) of the Company;</li> <li>To consider the Resolution in relation to Change of Use of Partial Proceeds from Non-public Issuance of A Shares.</li> </ol>	All resolutions were considered and approved
The First Meeting of the Fifth Session of the Supervisory Committee	December 16, 2019	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing.	To consider the Resolution on Election of Chairman of the Fifth Session of the Supervisory Committee of the Company.	The resolution was considered and approved

Note: Details of relevant announcements on the resolutions of the Supervisory Committee can be found on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the HKEXnews website of the HKEX (<http://www.hkxnews.hk>) and our Company's website (<http://www.htsc.com.cn>) and China Securities Journal, Shanghai Securities News, Securities Daily as well as Securities Times.



## V. PERFORMANCE OF DUTIES OF DIRECTORS

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

Name of Director	Whether or not he/she is an independent Director	Times of attendance at Board meetings during the year	Attendance at Board meetings				Whether or not he/she failed to attend the meeting in person for two consecutive times	Attendance at general meetings Times of attendance at general meetings
			Attendance in person	Attendance by means of teleconference	Attendance by proxy	Absence		
Zhang Wei	No	2	2	1	-	-	No	-
Zhou Yi	No	8	8	3	-	-	No	2
Ding Feng	No	8	8	3	-	-	No	2
Chen Yongbing	No	8	6	3	2	-	No	1
Xu Qing	No	8	7	3	1	-	No	2
Hu Xiao	No	8	8	3	-	-	No	1
Fan Chunyan	No	6	5	2	1	-	No	-
Wang Tao	No	2	1	1	1	-	No	-
Zhu Xuebo	No	8	8	3	-	-	No	2
Chen Chuanming	Yes	8	8	3	-	-	No	2
Liu Hongzhong	Yes	8	6	3	2	-	Yes	-
Lee Chi Ming	Yes	8	7	3	1	-	No	-
Liu Yan	Yes	8	6	3	2	-	No	-
Chen Zhibin	Yes	8	7	3	1	-	No	2

During the Reporting Period, Director Liu Hongzhong failed to attend Board meetings in person for two consecutive times for business reasons, and thus entrusted other Directors in writing to exercise voting rights on his behalf.

Number of Board meetings held within the year	8
Of which: number of on-site meetings	1
Number of meetings held by teleconference	3
Number of meetings held on-site and via teleconference	4

### (II) Objections Raised by Independent Directors to Relevant Matters of the Company

During the Reporting Period, no objections were raised by independent non-executive Directors to resolutions passed at Board meetings or other meetings of the Company during the year.

### ***(III) Others***

#### ***1. Board of Directors and the Operation Management***

##### **(1) Composition of the Board**

According to the relevant regulations of Articles of Association of the Company, the Board shall be composed of 13 Directors, with the number of independent Directors accounting for at least 1/3 of the total number. On December 16, 2019, the fifth session of the Board was elected in the Company's first extraordinary general meeting in 2019. As of the end of the Reporting Period, there were 13 members in the Board, including 3 executive Directors (Mr. Zhang Wei, Mr. Zhou Yi, Mr. Zhu Xuebo), 5 non-executive Directors (Mr. Ding Feng, Mr. Chen Yongbing, Mr. Xu Qing, Mrs. Hu Xiao, Mr. Wang Tao) and 5 independent non-executive Directors (Mr. Chen Chuanming, Mr. Liu Hongzhong, Mr. Lee Chi Ming, Mrs. Liu Yan, Mr. Chen Zhibin).

The Directors are elected or changed via the general meeting and shall formally take office from the date on which their appointments are approved by the general meeting and their qualifications of being Directors of securities companies are obtained and approved by the CSRC or its delegated authority. A Director shall serve a term of three years. Directors are eligible for re-election upon the expiration of their terms. However, the successive terms of independent non-executive Directors may not be more than 6 years. According to relevant regulations of Rule 3.13 of the Hong Kong Listing Rules, the Company received the annual written confirmation from each independent non-executive Director with regards to his/her independence. Based on these confirmations and the relevant information available to the Board, the Company continues to confirm their independence.

The Company covered liability insurance for Directors, Supervisors and senior management and other related staff held responsible according to the authorization of the 2014 annual general meeting, to protect them from the compensation liabilities that may arise from performing their duties and to reasonably avoid management risk and legal risk which the Directors, Supervisors and senior management may be exposed to, and to encourage them to earnestly fulfill their duties and responsibilities.

##### **(2) Duties and Responsibilities of the Board**

The Board is the decision-making body of the Company and is accountable to the general meeting. According to the Articles of Association of the Company, the Board shall exercise the following major functions and powers: to convene general meetings and report work to general meetings; to carry out the resolutions of the general meetings; to resolve on the business & investment plans of the Company; to prepare annual financial budget plan and final accounting plan of the Company; to prepare profit distribution plan and loss remedy plan of the Company; to formulate proposals of the Company on increasing or decreasing the registered capital, issuing bonds or other securities and the listing plan; to formulate plans for material acquisition, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to determine, within the authority granted by the general meeting, such matters as external investment, acquisition

and disposal of assets, asset mortgage, external guarantee, entrusted wealth management, related-party transactions, etc.; to decide on the establishment of the Company's internal management organizations; to appoint or dismiss the Company's chief executive officer and secretary to the Board; to appoint or dismiss other senior management of the Company including member of Executive Committee, chief financial officer, chief compliance officer, chief risk officer and chief information officer according to the nominations by the president, and to decide the matters on their remuneration and rewards as well as penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the Company's information disclosure; to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services for the Company; to listen to the work reports of the Executive Committee and review its work; to decide the Company's compliance management objectives and assume the responsibility for the effectiveness of compliance management, including but not limited to: considering and approving the basic system for compliance management and the annual compliance report, evaluating the effectiveness of compliance management, urging to solve problems in compliance management, establishing the mechanism for direct communication with the chief compliance officer, guaranteeing the chief compliance officer's assessment on the senior management, various departments and branches, subsidiaries at all levels, Compliance Department and compliance management personnel; to formulate the risk control system of the Company; to determine Directors' remunerations and distribution plan thereof; to decide to purchase Company's shares due to the circumstances specified in the Articles of Association of the Company; and to exercise other functions and powers authorized by laws, administrative regulations, departmental rules or the Articles of Association.

### (3) Duties and Responsibilities of the Operation Management

The Board is responsible for overall strategies and governance of the Company, and the Operation Management is responsible for the concrete implementation of the development strategies and policies passed by the Board as well as the daily operation and management of the Company. The Operation Management is the supreme operation management body established by the Company for implementation of the routes and policies determined by the Board, and shall exercise the following functions and powers according to the Articles of Association of the Company: to carry out Company's operation policies determined by the Board and decide on material matters during the operation and management of the Company; to formulate and implement the financial budget plan of the Company; to formulate final accounting plan, profit distribution plan and loss remedy plan of the Company; to formulate the registered capital change plans and bonds insurance plans of the Company; to formulate plans for merger, division, change and dissolution of the Company; to formulate Company's business plans and plans for investment, financing and disposal of assets, and report to the Board for approval according to authorization; to formulate Company's plan for establishment of internal management bodies; to prepare and approve the employee benefits plans and promotion and demotion plans; and to exercise other functions and powers authorized by the Board.

(4) Implementation by the Board of Resolutions Passed at General Meetings

- 1) On June 21, 2017, Resolution on General Mandate for Domestic and Overseas Debt Financing Instruments of the Company was reviewed and passed at the Company's general meeting of 2016. According to the resolution, after being approved by Approval for the Public Issuance of Corporate Bonds by Huatai Securities Co., Ltd. to Qualified Investors (Zheng Jian Xu Ke [2018] No. 1756) of the CSRC, the Company publicly issued two tranches of corporate bonds totalling RMB12 billion during the Reporting Period.
- 2) On June 21, 2017, the Resolution on General Mandate for Domestic and Overseas Debt Financing Instruments of the Company was considered and approved at the Company's general meeting of 2016. According to the resolution, during the Reporting Period, Pioneer Reward Limited, a subsidiary of Huatai International (an overseas wholly-owned subsidiary) issued one tranche of USD bonds totalling USD0.5 billion.
- 3) On June 21, 2017, the Resolution on General Mandate for Domestic and Overseas Debt Financing Instruments of the Company was considered and approved at the Company's general meeting of 2016. According to the resolution, after being permitted by the Notice on Verifying the Maximum Outstanding Balance of Short-term Debentures of Huatai Securities Co., Ltd. from the People's Bank of China (Yin Fa [2019] No. 60) 《關於核定华泰證券股份有限公司短期融資券最高待償還餘額的通知》(銀發[2019]60號)) and the Notice on the Matter regarding Maximum Outstanding Balance of Short-term Debentures of Huatai Securities Co., Ltd. (Yin Shi Chang [2019] No. 132) 《關於华泰證券股份有限公司短期融資券最高待償還餘額有關事項的通知》(銀市場[2019]132號)) from the Financial Market Department of the People's Bank of China, during the Reporting Period, the Company issued seven tranches of short-term debentures in aggregate with totaling RMB27 billion.
- 4) On October 22, 2018, a series of resolutions including Resolution on the Issuance and Admission of GDRs on the London Stock Exchange were considered and approved at 2018 First EGM, 2018 First A Shareholders' Class Meeting and 2018 First H Shareholders' Class Meeting. According to the resolution, after examination and/or approval by domestic and foreign regulatory authorities and stock exchanges, the GDRs issued by the Company were listed for trading on Main Market of London Stock Exchange during the Reporting Period. The underlying securities represented by the GDRs under the Issuance were 825,150,000 A shares (including A shares represented by the GDRs issued upon the exercise of any over-allotment option).
- 5) On October 22, 2018, a series of resolutions including Resolution on the Overseas Listing Plan of AssetMark were considered and approved at 2018 First EGM, 2018 First A Shareholders' Class Meeting and 2018 First H Shareholders' Class meeting. According to the resolution, after examination and/or approval by domestic and foreign regulatory authorities and stock exchanges, AssetMark was listed for trading on the New York Stock Exchange in America during the Reporting Period. Following the listing of AssetMark, the Company was still its controlling shareholder.

- 6) On June 26, 2019, Resolution on the 2018 Profit Distribution of the Company was considered and approved at the shareholders' general meeting of 2018 of the Company. According to the resolution, during the Reporting Period, the Company distributed cash dividend of RMB3.00 (tax inclusive) per 10 shares based on the Company's total share capital of 9,076,650,000 shares, with the total cash dividend of RMB2,722,995,000.00. The undistributed profit will be carried forward to the next year for distribution. During the Reporting Period, the profit distribution plan was completed.
- 7) On June 26, 2019, Resolution on the Estimated Ordinary Transactions with Related Parties of the Company for 2019 was considered and approved at the shareholders' general meeting of 2018 of the Company. For details of the actual performance of ordinary transactions with related parties of the Company during the Reporting Period according to the resolution, please refer to "Material Related-party Transactions" under "Major Events" in this report.
- 8) On June 26, 2019, Resolution on the Estimated Investment Amount of the Company's Proprietary Business for 2019 was considered and approved at the Company's general meeting of 2018. According to the resolution, during the Reporting Period, related business indicators of the Company were controlled within the authorized scope of the shareholders' general meeting.
- 9) On June 26, 2019, Resolution on the Re-appointment of the Accounting Firm of the Company was considered and approved at the Company's general meeting of 2018. According to the resolution, during the Reporting Period, the Company continued to appoint KPMG Huazhen LLP to handle 2019 annual financial statements and internal control auditing services for the Company and its holding subsidiaries, and to issue the audit report of A shares and internal control auditing report; the Company also appointed KPMG for auditing services of H Shares for the Company, and to issue the audit report of H Shares.
- 10) On June 26, 2019, Resolution on General Mandate for Domestic and Overseas Debt Financing Instruments of the Company was reviewed and passed at the Company's shareholders' general meeting of 2018. According to the resolution, after being permitted by the Affirmative Decision of Administration License (Yin Shi Chang Xu Zhun Yu Zi [2019] No. 109) of the PBOC, during the Reporting Period, the Company issued one tranche of financial bonds totalling RMB6 billion.

(5) Training of Directors

Trainings are provided to Directors on an on-going basis. The Company attaches great importance to the ongoing training of Directors, to ensure that the Directors form an appropriate understanding of the operation of the Company and its business and they understand their duties and responsibilities as directors as required by the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the London Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements. During the Reporting Period, the Company's Directors attached great importance to updating

professional knowledge and skills, to adapt to the needs of the development of the Company. In addition to participation in regular trainings held by regulatory organizations and self-regulatory organizations and complete required ongoing trainings, the Office of the Board also prepared the Work Newsletter of the Company regularly and sent it to the Directors to enable them to understand the latest policies and regulations and industrial trends and enhance their knowledge and understanding of the culture and operation of the Company. In addition, the Company continuously improved the internal work procedures, established the multi-level information communication mechanism, and set up the information communication platform, in order to ensure the access to information for Directors to perform their duties and constantly improve their overall performance capability.

During the Reporting Period, the main trainings of the Directors of the Company were as follows:

Director Name	Date	Organizer	Content	Training Location
Zhang Wei	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Zhou Yi	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Ding Feng	2019-09-27	Jiangsu Securities Regulatory Bureau	Training for New Senior Management Members of Listed Companies	Nanjing, Jiangsu
	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Chen Yongbing	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Xu Qing	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Hu Xiao	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Shanghai (network video training)
Wang Tao	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Shenzhen, Guangzhou (network video training)
Zhu Xuebo	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Chen Chuanming	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)
Liu Hongzhong	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Shanghai (network video training)
Lee Chi Ming	2019-05-07 to 2019-05-09	Shanghai Stock Exchange	Following-up Training for Independent Directors of Listed Companies	Shanghai
	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Hong Kong (network video training)
Liu Yan	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Beijing (network video training)
Chen Zhibin	2019-03-19 to 2019-03-21	Shanghai Stock Exchange	Following-up Training for Independent Directors of Listed Companies	Shanghai
	2019-08-30	Jiangsu Securities Regulatory Bureau	Training for Audit Committee under the Board of Directors of Listed Companies	Nanjing, Jiangsu
	2019-12-23	The Stock Exchange of Hong Kong	A Guidance on Directors' Duties	Nanjing, Jiangsu (network video training)

## 2. *Chairman and Chief Executive Officer*

Chairman and Chief Executive Officer are two different positions, and according to the provisions of the Articles of Association, the chairman is the legal representative of the Company, responsible for managing the operations of the Board, ensuring that the Board acts in compliance with the best interests of the Company, ensuring the effective operation of the Board, ensuring that the Board has fulfilled its due duties and discussions about all significant and appropriate matters are held so that Directors get accurate, timely and explicit data. Chief Executive Officer manages the daily work of the Company, attends Board meetings, reports to the Board and exercises the functions and powers according to the responsibility scope of the Chief Executive Officer.

According to provisions of A.2.1 of Corporate Governance Code, the roles of the chairman and chief executive shall be separate and should not be performed by the same individual at the same time. On December 16, 2019, at the first meeting of the fifth session of the Board, the Company elected Mr. Zhang Wei as the chairman of the fifth session of the Board and continued to hire Mr. Zhou Yi as the Chief Executive Officer and the Chairman of the Executive Committee of the Company. The Board thinks that this management structure is effective and has enough checks and balances for the Company's operation.

## 3. *Non-executive Directors*

As of the end of the Reporting Period, the Company has 5 non-executive Directors and 5 independent non-executive Directors. For details of their terms of office, please refer to "Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period" under "Changes in Shareholding Structure and Remuneration" under "Directors, Supervisors, Senior Management and Staff" in this report.

## 4. *Performance of Duties by Independent Non-executive Directors*

### (1) Regular reporting of relevant works

In the annual report compilation process, all independent non-executive Directors of the Company have performed full duties according to the requirements of the CSRC and the provisions of the Working System for Independent Directors of the Company.

On January 24, 2019, at the first meeting of the Audit Committee of the fourth session of the Board for 2019, the Audit Committee listened to the report on the arrangement of audit progress of the audit work in 2018, the focus of annual audit and the situation of pre-audit made by relevant personnel from KPMG Huazhen LLP, and made discussion and communication with relevant personnel from KPMG Huazhen LLP. Two out of the three members in the Audit Committee are independent non-executive Directors, who put forward opinions and suggestions to the supplement and perfection of the Auditing Plan of the Company for 2018 from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On February 28, 2019, at the second meeting of the Audit Committee of the fourth session of the Board for 2019, the Audit Committee considered and approved the Resolution on the Auditing Plan of the Company for 2018. Two out of the three members in the Audit Committee are independent non-executive Directors, who examined the Auditing Plan of the Company for 2018 from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On March 28, 2019, at the third meeting of the Audit Committee of the fourth session of the Board for 2019, the Audit Committee examined the Company's Annual Financial Statement in 2018, Annual Report in 2018, Annual Internal Control Evaluation Report in 2018, Report on Performance of Duties by the Audit Committee of the Board in 2018 and Internal Audit Work Plan in 2019, etc., reviewed the "Key Audit Issues" and other important issues involved in the Company's 2018 Annual Audit Report, and listened to the report on the internal audit work of the Company in 2018. Two out of the three members in the Audit Committee are independent non-executive Directors, who examined relevant resolutions and gave opinions from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On August 8, 2019, at the fifth meeting of the Audit Committee of the fourth session of the Board for 2019, the Audit Committee listened to the report on the 2019 mid-term review of the Company's H+G Shares and the audit plan of the Company's 2019 A+H+G Share annual report made by relevant personnel from KPMG Huazhen LLP, and made discussion and communication with relevant personnel from KPMG Huazhen LLP. Two out of the three members in the Audit Committee are independent non-executive Directors, who made discussions, exchanged views and made comments and suggestions from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

(2) Consideration on related-party transactions

On March 29, 2019, all the independent non-executive Directors of the Company gave independent opinions on the Proposal on the Ordinary Transactions with Related Parties of the Company for 2019. They were of the opinion that the relevant related-party transactions were fair with reference to the market price for pricing the transactions without compromising the interests of the Company and other shareholders; the relevant related-party transactions were all derived in the ordinary operation of the Company and would help carry out the businesses of the Company and bring certain income to the Company; the procedures for approval for relevant related-party transactions complied with relevant laws, regulations and regulatory documents as well as the Articles of Association of the Company and the Management System for Related-party Transactions of the Company.



(3) Other performance of duties

On March 29, 2019, all the independent non-executive Directors of the Company gave special clarification and independent opinions on external guarantees carried out by the Company in 2018, gave special clarification and independent opinions on fund intercourse between the Company and the controlling shareholders and other related parties, gave independent opinions on the Proposal on Profit Distribution of the Company in 2018, gave independent opinions on Annual Internal Control Evaluation Report of the Company in 2018, gave independent opinions on the re-appointment of the accounting firm and gave independent opinions on change of accounting policies by the Company. On June 4, 2019, all the independent non-executive Directors of the Company gave independent opinions on adjustments to the Proposal on the 2018 Profit Distribution. On October 29, 2019, all the independent non-executive Directors of the Company gave independent opinions on matters concerning appointment of Mr. Zhou Yi as Chief Executive Officer and chairman of Executive Committee of the Company, gave independent opinions on the matters concerning nomination of candidates for Directors of the fifth session of the Board, and gave independent opinions on matters concerning change of use of partial proceeds from non-public issuance of A Shares the Company. On December 16, 2019, all the independent non-executive Directors of the Company gave independent opinions on matters concerning appointment of senior management personnel at the fifth session of the Board of the Company.

## **VI. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE OF DISSENTING EVENTS**

The Board has established the Development Strategy Committee, Compliance and Risk Management Committee, Remuneration and Appraisal Committee, Nomination Committee and Audit Committee.

### ***(I) Development Strategy Committee of the Board***

The major duties of the Development Strategy Committee of the Board include: 1. Understanding and grasping the overall situation of the Company's operation; 2. Understanding, analyzing and grasping the current situation of international and domestic industries; 3. Understanding and grasping the relevant domestic policies; 4. Studying the short-term, medium-term and long-term development strategies of the Company or relevant issues; 5. Providing consultancy advice on the Company's long-term development strategies, major investments, reforms and other major decisions; 6. Considering and approving the special research reports on development strategies; 7. Publishing daily research reports in a regular or irregular manner; 8. other duties assigned by the Board.

During the Reporting Period, the Development Strategy Committee of the Board convened a total of two meetings, the details of which were as follows:

1. The Development Strategy Committee of the fourth session of the Board convened the first meeting of 2019 by way of teleconference on March 28, 2019, and considered and approved the Resolution on the Key Work Plan for Promoting the Establishment of First-Class Enterprises by Huatai Securities (2019).

- The Development Strategy Committee of the fifth session of the Board convened the first meeting of 2019 by way of teleconference on December 31, 2019, and considered and approved the Resolution on Promoting the Construction of Corporate Culture.

Attendance of members of the Development Strategy Committee at meetings held during the Reporting Period:

<b>Name</b>	<b>Attendance in person/Number of meetings requiring attendance</b>
Zhou Yi	2/2
Hu Xiao	2/2
Liu Hongzhong	1/1
Zhang Wei	1/1
Chen Yongbing	1/1
Wang Tao	1/1

Note: The fifth session of the Board convened the first meeting on December 16, 2019, and considered and approved the Resolution on the Composition of Special Committees of the Fifth Session of the Board. According to the resolution, Zhang Wei, Zhou Yi, Chen Yongbing, Hu Xiao and Wang Tao became members of the Development Strategy Committee, of which Zhang Wei is the chairman (convener) of the Development Strategy Committee.

## ***(II) Compliance and Risk Management Committee of the Board***

The main duties of the Compliance and Risk Management Committee of the Board include: 1. Reviewing and making recommendations on the overall targets and fundamental policies of compliance management and risk management; 2. Reviewing and making recommendations on the setup of compliance management and risk management bodies and their duties; 3. Evaluating and making recommendations on the risks of major decisions which require the Board's review as well as the solutions to these risks; 4. Reviewing and making recommendations on the compliance reports and risk assessment reports that require the Board's review; 5. Other duties prescribed in the Articles of Association.

During the Reporting Period, the Compliance and Risk Management Committee of the Board convened three meetings, the details of which were as follows:

- The Compliance and Risk Management Committee of the fourth session of the Board convened the first meeting of 2019 by way of teleconference on March 28, 2019, and considered and approved the Resolution on the Annual Compliance Report of the Company in 2018, the Resolution on the Annual Risk Management Report of the Company in 2018, the Resolution on Annual Internal Control Evaluation Report of the Company in 2018 and the Resolution on Formulation of the Basic System for Anti-Money Laundering and Anti-Terrorism Financing of Huatai Securities Co., Ltd. (Trial).

2. The Compliance and Risk Management Committee of the fourth session of the Board convened the second meeting of 2019 by way of teleconference on August 28, 2019, and considered and approved the Resolution on the Company's 2019 Interim Compliance Report and the Resolution on Revising the Company's Basic System of Risk Management.
3. The Compliance and Risk Management Committee of the fourth session of the Board convened the third meeting of 2019 by way of teleconference on October 28, 2019, and considered and approved the Resolution on Formulation of the Proposal for Rectification for Anti-Money Laundering Issues Identified by the People's Bank of China in On-Site Inspection of Huatai Securities Co., Ltd.

Attendance of members of the Compliance and Risk Management Committee at meetings held during the Reporting Period is as follows:

<b>Name</b>	<b>Attendance in person/Number of meetings requiring attendance</b>
Ding Feng	3/3
Xu Qing	3/3
Fan Chunyan	3/3
Zhou Yi	—
Liu Yan	—

Note: The fifth session of the Board convened the first meeting on December 16, 2019, and considered and approved the Resolution on the Composition of Special Committees of the Fifth Session of the Board. According to the resolution, Zhou Yi, Xu Qing and Liu Yan became members of the Compliance and Risk Management Committee, of which Zhou Yi is the chairman (convener) of the Compliance and Risk Management Committee.

### ***(III) Audit Committee of the Board***

The main duties of the Audit Committee of the Board include: 1. Supervising and guiding the audit work. It shall manage and guide the internal audit work planning and audit team construction, regularly listen to and review the comprehensive report of audit work, annual audit plan and important audit reports, make judgements on the truthfulness, accuracy and completeness of the audited financial report, and submit them to the Board for reviewing. It shall supervise the Company's financial statement and the completeness of the Company's annual report and account, interim report and quarterly report and review statements as well as major opinions on financial declaration in reports. The Committee shall pay special attention to the following matters: ① Changes in accounting policies and practices; ② Matters concerning significant judgment; ③ Significant adjustments due to the audit; ④ Assumptions of on-going operations of the Company and its qualified opinions; ⑤ Compliance with the accounting standards; and ⑥ Compliance with the listing rules or relevant laws and regulations of the listing place where the financial reporting shall be made; 2. Proposing the engagement or changing of external audit institutions and supervising the professional conduct of external audit institutions, so as to ensure the coordination of internal and external

auditors. Moreover, it shall also ensure that the internal audit institution is given enough resources for operation and appropriate status within the Company and check and supervise its validity; 3. Considering and putting forward suggestions for the appointment, reappointment, remuneration, appointment terms and any other issues about the resignation or dismissal of external auditors. It shall hold the position as the main representative between the Company and the external auditor and supervise their relationship; 4. Discussing with the external auditors about the nature, scope and relevant responsibility of audit and frequently check if the audit procedure is valid and whether the external auditor is objective and independent before carrying out the audit work; 5. Checking the Explanation Letter on Audit offered by external auditors to the management and any major doubts put forward by the auditors to the management about the accounting record, financial account or monitoring system as well as the response of the management and ensure that the Board can timely reply to issues put forward in the Explanation Letter on Audit offered by external auditors to the management; 6. Checking and monitoring the Company's financial supervision, risk management and internal monitoring system and check the financial and accounting policies and practices of the Company and its subsidiaries; 7. Discussing the risk management and internal supervision system with the management so as to ensure that the management has performed its duty and established a valid internal supervision system; Studying the important investigations results and responses of the management related to risk management and internal supervision system actively or as assigned by the Board of Directors; 8. Reporting the above issues to the Board; 9. Checking the Company's following arrangement: Employees of the Company may secretly raise concerns on irregular conducts about financial reporting, internal monitoring, or other aspects. The Audit Committee shall ensure that there is appropriate arrangement for the Company to make fair and independent investigation and take appropriate actions on such issues; 10. Studying other projects defined by the Board; 11. Other responsibilities according to the Company's Articles of Association or the Listing rules or laws and regulations of the place where the Company is listed.

During the Reporting Period, the Audit Committee of the Board convened seven meetings, the details of which were as follows:

1. The first meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by way of on-site & video meetings on January 24, 2019, where committee member Chen Zhibin entrusted the chairman Lee Chi Ming in writing to exercise voting rights on his behalf. At the meeting, the Committee listened to the report on the progress of the audit work in 2018, the focus of annual audit and the situation of pre-audit made by relevant personnel from KPMG Huazhen LLP, and the members discussed and communicated with relevant personnel from KPMG Huazhen LLP. At the meeting, the chairman and independent non-executive Director Lee Chi Ming expressed concerns over the procedure and risk of internal control audit of the Company, and inquired about the impact of such three factors as new income standards, new financial instrument standards and valuation model on the Company's information disclosure, and KPMG Huazhen LLP made corresponding responses and explanations.
2. The second meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by the way of teleconference on February 28, 2019, and the Resolution on the Auditing Plan of the Company for 2018 was considered and approved at the meeting.

3. The third meeting of the Audit Committee of the fourth session of the Board for 2019 was convened in Nanjing on March 28, 2019. At the meeting, the Committee considered and approved the Final Financial Report of the Company in 2018, the Financial Budget Report of the Company in 2019, the Proposal on Profit Distribution of the Company in 2018, the Resolution on Annual Financial Statement of the Company in 2018, the Proposal on Annual Report of the Company in 2018, the Resolution on Annual Internal Control Evaluation Report of the Company in 2018, the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2018, the Proposal on the Estimated Ordinary Transactions with Related Parties of the Company for 2019, the Proposal on the Re-appointment of the Accounting Firm of the Company, the Resolution on Change of Accounting Policies of the Company, the Report on Performance of Duties by the Audit Committee of the Board of the Company in 2018, the Internal Audit Work Plan of the Company in 2019, and the “Key Audit Matters” and Other Important Issues Involved in the Company’s 2018 Annual Audit Report, and listened to the report on the Company’s internal audit work in 2018. At the meeting, the chairman and independent non-executive Director Lee Chi Ming inquired about the ranking of the Company’s income in the industry in 2018 and the composition of budget income in 2019, and Shu Ben’e, officer in charge of finance of the Company, answered Mr. Lee’s inquiries. Committee members successively inquired about the listing time, listing audit work, and internal risk control of AssetMark, and relevant personnel of KPMG Huazhen LLP made explanations to them.
4. The fourth meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by way of teleconference on April 26, 2019, and the Resolution on the Financial Statements for January to March 2019 of the Company was considered and approved at the meeting.
5. The fifth meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by way of on-site & video meetings on August 8, 2019. At the meeting, the Committee listened to the report on the 2019 mid-term review of the Company’s H+G Share and the Company’s 2019 A+H+G Share annual audit plan made by relevant personnel from KPMG Huazhen LLP, and discussed and communicated with relevant personnel from KPMG Huazhen LLP. At the meeting, committee member and independent non-executive Director Chen Zhibin expressed positive opinion toward the audit focus and completeness of audit plan; chairman and independent non-executive Director Lee Chi Ming reminded the auditor of complying with the regulatory requirements of London Stock Exchange and international standards upon GDR listing when carrying out audit work; committee member and independent non-executive Director Chen Yongbing inquired about the continuity of audit plan and the implementation of audit process of the Company, and expressed his hope that the auditor could enhance interaction and communication with the Company in the future. Independent non-executive Directors inquired about the challenges and risks the Company face in the audit work for the next half, and KPMG Huazhen LLP responded that: along with the overseas listing of the Company, the Group faces greater challenges in compliance and risk control and management of its business; therefore, risk control and

understanding of risk appetite should be strengthened, and understanding and studying how the application of Fintech promotes business development would be one of the focuses in the future.

6. The sixth meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by way of teleconference on August 28, 2019, and the Resolution on the Financial Statement of the Company in the First Half of 2019, the Resolution on Interim Report of the Company in 2019, and the Specific Report on the Deposit and Actual Use of Funds Raised in the First Half of 2019 were considered and approved at the meeting.
7. The seventh meeting of the Audit Committee of the fourth session of the Board for 2019 was convened by way of teleconference on October 28, 2019, and the Resolution on the Financial Statements for January to September of 2019 of the Company, and the Resolution in relation to Change of Use of Partial Proceeds from Non-public Issuance of A Shares were considered and approved at the meeting.

Attendance of the members of the Audit Committee at the meetings held during the Reporting Period:

<b>Name</b>	<b>Attendance in person/Number of meetings requiring attendance</b>
Lee Chi Ming	7/7
Chen Yongbing	7/7
Chen Zhibin	6/7
Ding Feng	–

Note: The fifth session of the Board of the Company held the first meeting on December 16, 2019, and considered and approved the Resolution on the Adjustment of Members of Special Committees of the Fifth Session of the Board, Lee Chi Ming, Ding Feng and Chen Zhibin became members of the Audit Committee, of which Lee Chi Ming is the chairman (convener) of the Audit Committee.

***(IV) Nomination Committee of the Board***

The main duties of the Nomination Committee of the Board include: 1. Reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes in the Board in line with the Company’s strategies; 2. Considering and making suggestions on the criteria and procedures for the selection of Directors and senior management members; 3. Searching for qualified candidates for Director and senior management, and selecting from the list of candidates nominated by Directors or making recommendations to the Board; 4. Reviewing and making suggestions on the qualification requirements for Directors and senior management; 5. Assessing the independence of independent non-executive Directors; 6. Making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (in particular the chairman and the president); and 7. Other responsibilities stipulated in the Articles of Association or as required by the Board.

During the Reporting Period, the Nomination Committee of the Board convened two meetings, the details of which were as follows:

1. The first meeting of the Nomination Committee of the fourth session of the Board for 2019 was convened by way of teleconference on October 28, 2019. The Proposal on Appointment of Chief Executive Officer and Chairman of the Executive Committee of the Company, Proposal on Electing Members of the Fifth Session of the Board of Directors (Non-executive Director) of the Company, Proposal on Electing Members of the of the Fifth Session of the Board of Directors (Independent Directors) of the Company was considered and approved at the meeting.
2. The second meeting of the Nomination Committee of the fourth session of the Board for 2019 was convened by way of teleconference on December 16, 2019, and the Proposal on Appointment of Senior Management of the Company was considered and approved at the meeting.

Attendance of the members of the Nomination Committee at the meetings held during the Reporting Period:

<b>Name</b>	<b>Attendance in person/Number of meetings requiring attendance</b>
Chen Chuanming	2/2
Zhu Xuebo	2/2
Liu Yan	2/2

Note: Members of the Nomination Committee were Chen Chuanming, Zhu Xuebo and Liu Yan, of which Chen Chuanming is the chairman (convener) of the Nomination Committee.

#### **(V) Remuneration and Appraisal Committee of the Board**

The main duties of the Remuneration and Appraisal Committee of the Board include:

1. Reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy;
2. Reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. Conducting assessment on and making recommendations to the Directors and senior management: making recommendations on the remuneration packages, including benefits in kind, pensions and compensation payments (including any compensation payable for loss or termination of office or appointment), for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors;
4. Considering salaries paid by comparable companies, time commitment and responsibilities and engagement condition elsewhere in the Group;
5. Reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant

contractual terms, the compensation shall be fair and not be excessive; 6. Reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be reasonable and appropriate; 7. Ensuring that no Director or any of his/her associates is involved in determining their own remuneration; and 8. Other responsibilities stipulated in the Articles of Association.

During the Reporting Period, the Remuneration and Appraisal Committee of the Board convened two meetings, the details of which were as follows:

1. On March 28, 2019, the Remuneration and Appraisal Committee of the fourth session of the Board held its first meeting for 2019 by way of teleconference, and considered and approved the Report on Performance Assessment and Remuneration of the Directors of the Company in 2018 and Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Management of the Company in 2018.
2. On December 16, 2019, the Remuneration and Appraisal Committee of the fourth session of the Board held its second meeting for 2019 by way of teleconference, and considered and approved the Resolution on Formulation of Administrative Measures for Assessment and Remuneration of Professional Manager of Huatai Securities Co., Ltd.

Attendance of the members of the Remuneration and Appraisal Committee at the meetings held during the Reporting Period:

<b>Name</b>	<b>Attendance in person/Number of meetings requiring attendance</b>
Chen Chuanming	2/2
Zhu Xuebo	2/2
Liu Yan	2/2
Chen Zhibin	—

Note: The fifth session of the Board convened the first meeting on December 16, 2019, and considered and approved the Resolution on the Adjustment of Members of Special Committees of the Fifth Session of the Board. According to the resolution, Chen Chuanming, Zhu Xuebo and Chen Zhibin became members of the Remuneration and Appraisal Committee, of which Chen Chuanming is the chairman (convener) of the Remuneration and Appraisal Committee.



## VII. PERFORMANCE OF DUTIES OF SUPERVISORS

The Supervisory Committee is a supervisory body of the Company and shall be accountable to the general meeting. As required by the Company Law and Articles of Association, the Supervisory Committee is responsible for monitoring the Company's financial activities and internal control, and overseeing the legality and compliance of the performance of duties by the Board, senior management and its members.

For the year 2019, in strict compliance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, the Supervisory Committee of the Company earnestly performed its duties as required by law and effectively monitored the Company's financial conditions, the legality and compliance of the Board's significant decisions and the performance of duties by the management, and safeguarded the legitimate rights and interests of the Company and its shareholders acting in the spirit of being accountable to all the shareholders.

### (I) Performance of duties of Supervisors

During the Reporting Period, the Supervisory Committee of the Company convened six meetings. For details, please refer to "IV. Meetings of the Supervisory Committee during the Reporting Period" of this section.

The attendance of members of the Supervisory Committee at the meetings of the Supervisory Committee, Board meetings and general meetings during the Reporting Period were as follows:

Name of Supervisor	Number of meetings of Supervisory Committee requiring attendance	Attendance at meetings of the Supervisory Committee				Whether or not he/she failed to attend the meeting in person for two successive times	Attendance at Board meeting	Attendance at the general meeting
		Attendance in person	Attendance in the way of teleconference	Attendance by proxy	Absence			
Yu Yimin	5	5	1	-	-	No	4	1
Zhai Jun	5	5	1	-	-	No	4	2
Chen Ning	5	1	1	4	-	Yes	-	-
Yu Lanying	6	4	1	2	-	No	3	1
Yang Yaling	5	5	1	-	-	No	4	1
Zhang Ming	1	1	-	-	-	No	1	-
Zhang Xiaohong	1	-	-	1	-	No	-	-
Fan Chunyan	1	-	-	1	-	No	-	-
Peng Min	1	1	-	-	-	No	1	-
Zhou Xiang	1	-	-	1	-	No	-	-
Meng Qinglin	5	4	1	1	-	No	3	1
Gu Chengzhong	5	5	1	-	-	No	4	2
Wang Ying	1	1	-	-	-	No	1	-
Number of meetings of Supervisory Committee convened during the year								6
Of which: number of meetings held on-site								4
Number of meetings in the way of teleconference								1
Number of meetings held on-site and in the way of teleconference								1

During the Reporting Period, due to business engagement, Mr. Chen Ning failed to attend meetings of the Supervisory Committee in person for two consecutive times. He has entrusted another supervisor in writing to exercise the voting right on his behalf.

On April 26, 2019, the Company received the Notice on the Election Results for New Employee Supervisors of the Fourth Session of the Supervisory Committee from the Congress of Workers and Staff, at which Mr. Gu Chengzhong and Mr. Zhai Jun were elected as the employee representative Supervisors for the fourth session of the Supervisory Committee of the Company, and they shall hold the office till the end of the term of the fourth session of the Supervisory Committee. Ms. Peng Min, a former employee representative Supervisor, ceased to be an employee representative Supervisor of the Company due to the requirement at the statutory retirement age, while Mr. Zhou Xiang, another former employee representative Supervisor, ceased to be an employee representative Supervisor due to work changes.

The Company convened the first extraordinary general meeting for 2019 on December 16, 2019, and elected four Supervisors, Mr. Zhang Ming, Ms. Yu Lanying, Ms. Zhang Xiaohong and Ms. Fan Chunyan, as well as three employee representative Supervisors, Mr. Zhai Jun, Mr. Gu Chengzhong and Ms. Wang Ying, who were elected at the congress of workers and staff, seven people in total, as the members of the fifth session of the Supervisory Committee of the Company. Mr. Yu Yimin, Mr. Chen Ning, Ms. Yang Yaling and Mr. Meng Qinglin, members of the fourth session of the Supervisory Committee, ceased to be Supervisors of the Company due to expiration of their terms of office. At the same date, the Company held the first meeting of the fifth session of the Supervisory Committee and elected Mr. Zhai Jun as chairman of the fifth session of the Supervisory Committee. Mr. Zhai Jun will perform his duties as chairman of the fifth session of the Supervisory Committee after his qualification as chairman of the supervisory committee of securities companies is approved. On February 18, 2020, the Company received the Approval for Qualification of Zhai Jun as Chairman of the Supervisory Committee of Securities Company (Su Zheng Jian Xu Ke [2020] No. 8) (《關於核准翟軍證券公司監事會主席任職資格的批覆》(蘇證監許可字[2020]8號)) from the CSRC Jiangsu Office, pursuant to which, Mr. Zhai Jun's qualification as the chairman of the supervisory committee of securities companies was approved. Mr. Zhai Jun will officially perform his duties as the chairman of the Supervisory Committee of the Company from February 18, 2020.

## ***(II) Independent opinions of the Supervisory Committee***

During the Reporting Period, the Supervisory Committee convened 6 meetings in total in the whole year, at which 17 proposals and reports were considered. The Supervisors sat in the Board meetings and general meetings of the Company as nonvoting delegates, monitored the decision-making process of the Board on material matters on a real-time basis, made field trips to the Company's branches and business departments and kept abreast of the management's implementation of the decisions made by the Board through carefully reading the reports of the Company, including Work Newsletter (monthly) and Brief Report on Audit Work (quarterly). On this basis, the Supervisory Committee gave independent opinions on the Company's relevant matters as follows:

1. For the legal operation of the Company: during the Reporting Period, the Company was under legal operation in compliance with relevant laws and regulations such as the Company Law, the Securities Law and the Articles of Association as well as the requirements of the Company's systems. Major operational decisions of the Company were reasonable, and the decision-making procedures were lawful. The Company established a relatively sound internal management system and internal control system, under which various regulations were effectively implemented. During the Reporting Period, the Supervisory Committee found no conducts violating laws, regulations, Articles of Association or damaging the interests of the Company and its shareholders made by Directors and senior management of the Company when performing their duties. During the Reporting Period, there were no material risks in the Company.
2. For the financial aspect: during the Reporting Period, Supervisors of the Company regularly read the main financial information on the operation of the Company in every month, convened meetings of the Supervisory Committee to review quarterly reports, interim reports, annual financial reports, annual evaluation reports on internal control and other documents of the Company, and checked the business and financial conditions of the Company. The Supervisory Committee believed that the financial report of the Company for 2019 had been audited by KPMG Huazhen LLP which had issued a standard audit report without qualified opinions. The Company's financial statements were prepared in compliance with the relevant requirements of the ASBE, which truly reflected the financial conditions and operational achievements of the Company. Regular reports were prepared and reviewed in compliance with relevant laws, regulations and various requirements of the CSRC, the contents of which were true, accurate and complete to reflect the actual conditions of the Company.
3. For the implementation of the System regarding Insider Registration and Management and Confidentiality of the Company: during the Reporting Period, the Company revised the System regarding Insider Registration and Management and Confidentiality of the Company to further improve the registration and management of insider, and orderly carried out the registration, management, disclosure and filing of insider information and kept the confidentiality thereof in accordance with the system, and continued to optimize the working procedures. There were no incidents found in the Company in violation of insider registration and management and confidentiality obligation.
4. During the Reporting Period, the related-party transactions of the Company were fair and reasonable, and no circumstances impairing interests of the Company and shareholders have been found. When the Board of Directors of the Company considered related matters, independent directors expressed independent opinions, affiliated directors abstained from voting, and the voting procedures were legal and valid.

5. Approved by the CSRC, the Company completed the issuance of H Shares in 2015. Funds raised from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG capital verification report (Yan Zi No. 1501031) was issued. According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains/losses of the Company on the basis of raised funds from the issuance of H Shares were RMB78,353,937.65. As of the end of the Reporting Period, RMB30,065,707,759.71 (including interest of raised funds and exchange gains/losses) of funds raised was used in total.

As of the end of Reporting Period, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by an overallotment option, used raised funds of: RMB18,352,613,762.96 for capital intermediary business, such as developing securities margin trading, RMB3,058,768,960.49 for expanding investment and transaction businesses, RMB3,058,768,960.49 for capital increase in Huatai Purple Gold Investment and Huatai Asset Management, RMB3,058,768,960.49 for expanding overseas business, and RMB2,536,787,115.28 for daily operation and other general corporate purposes. Besides the above usages, surplus of the Company's proceeds, about RMB600,335,782.88 (including interest of raised funds and exchange gains/losses), was not used, which was put into the bank account of the Company. As of December 31, 2019, planned usage of the Company's funds raised from H Share issuance was consistent with that disclosed in the prospectus with no change. The Company will continue to put the funds raised from H Share issuance into operation according to the development strategy, market conditions and usage plan of funds raised from the issuance of H Share.

6. Upon the Approval for the Non-Public Issuance of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) issued by the CSRC, in July 2018, the Company non-publicly issued 1,088,731,200 RMB-denominated ordinary shares (A shares) with a par value per share of RMB1 and an issue price per share of RMB13.05, raising RMB14,207,942,160.00. After deducting the RMB74,736,488.79 issuing fees related to the non-public offering (including underwriting sponsorship fee, attorney fee, accountant fee, information disclosure fee, issuance registration fee, stamp duty and other fees), the net funds raised were RMB14,133,205,671.21, which were all in place on July 31, 2018 and were verified by the KPMG Huazhen LLP in the KPMG capital verification report (Yan Zi No. 1800286).

In December 2019, according to the Resolution in Relation to Change of Use of Partial Proceeds from Non-public Issuance of A Shares reviewed and passed in the 2019 first extraordinary general meeting of the Company, the Company adjusted the usage of partial proceeds RMB100 million from "increasing investment in Hong Kong subsidiaries and expanding overseas business" to "further expanding the scale of credit trading businesses including securities margin trading and stock pledge".

As of the end of the Reporting Period, the Company used the funds raised from non-public issuance of A shares as follows: RMB4,900,000,000.00 for further expanding credit trading business such as securities margin trading and stock pledge; RMB8,000,000,000.00 for expanding the investment of fixed income products and increasing the reserves of high-quality liquid assets of the Company; RMB500,000,000.00 for capital increase in Huatai Purple Gold Investment; RMB300,000,000.00 for greater investment in information system and continuous improvement of informatization work; RMB484,212,598.91 (including interest of raised funds) for other working capital arrangements. As of December 31, 2019, all raised funds were used up, and the accumulative amount of RMB14,184,212,598.91 (including current interest income generated from raised funds) were used, and the account designated for the use of raised funds had been cancelled.

7. Upon the Approval of Issuance and Admission of Global Depository Receipts on the London Stock Exchange plc by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1993) (《關於核准华泰證券股份有限公司發行全球存托憑證並在倫敦證券交易所上市的批覆》) (證監許可[2018]1993號) issued by the CSRC, the Company completed the issuance of GDR, in June 2019, the Company completed the issuance of 82,515,000 GDRs in total at an offering price of USD20.50 per GDR, and the total amount of funds raised were USD1,691,557,500.00. After deducting the issuing fees of USD39,961,513.72 related to the GDRs, the net funds raised were USD1,651,595,986.28, which was converted to RMB11,313,036,931.20 as the central parity of RMB against USD as at the date when the proceeds were received. The abovementioned proceeds have been all in place at at June 28, 2019 and have been verified by KPMG Huazhen LLP with the KPMG capital verification report (Yan Zi No. 1900393).

As of the end of the Reporting Period, the funds raised from GDR were used as below: RMB3,547,720,085.15 was used to continuously investing in the Company's current principal businesses, developing various business segments including wealth management, institutional services, investment management, and promoting its business transformation and upgrade; RMB1,000,000,000.00 was used to supplementing working capital and for general corporate purposes. Apart from the above usages, the surplus of the Company's proceeds of RMB7,053,408,564.22 (including interest of raised funds, exchange profit or loss and outstanding issuing fees) was not used and was put into the special bank account of the Company. As of December 31, 2019, planned usage of the Company's funds raised from issuance of GDRs was consistent with that disclosed in the prospectus without change. The Company will continue to put the raised funds into operation successively according to the development strategy, market conditions and usage plan of funds raised from issuance of GDRs.

8. During the Reporting Period, the Company successfully issued two tranches of corporate bonds of RMB12.0 billion in total, two tranches of non-publicly offered corporate bonds of RMB9 billion in total; issued one tranche of corporate financial bonds of RMB6 billion and seven tranches of short-term financing bonds with an accumulative scale of RMB27 billion. The Company issued one tranche of USD bonds with scale of USD500 million. In 2019, the Company issued 4,345 income certificates in total with a scale of RMB77.877 billion. As of December 31, 1,296 income certificates continued to exist with a scale of RMB32.364 billion. All funds raised were used to supplement the Company's working capital, which was consistent with the content disclosed in the prospectus.
9. Written reviews and opinions on the annual report of the Company for 2019 prepared by the Board of Directors were as follows:

The annual report of the Company for 2019 was prepared and reviewed in compliance with the relevant laws, regulations and requirements of regulatory authorities, the contents of which were true, accurate and complete and could reflect the actual conditions of the Company.
10. The Supervisory Committee of the Company reviewed the Assessment Report on Internal Control of the Company for 2019, and had no objections to the contents therein.

## **VIII. RISKS FOUND BY THE SUPERVISORY COMMITTEE IN THE COMPANY**

During the Reporting Period, the Supervisory Committee of the Company had no objections towards the matters under supervision during the Reporting Period.

## **IX. EXPLANATIONS ON THE COMPANY'S INABILITY TO ENSURE INDEPENDENCE OR TO OPERATE INDEPENDENTLY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE**

The shareholding structure of the Company is relatively decentralized without controlling shareholders. Since its inception, the Company has been operating in strict compliance with relevant laws and regulations including the Company Law and the Securities Law as well as the requirements of the Articles of Association. The Company is completely separated from its shareholders in respect of business, staff, assets, organization and finance, owns a complete business system and is capable of operating independently in the market.

### ***1. Information about the independence of business***

In accordance with the requirements of the Company Law and the Articles of Association, the Company conducts business on its own pursuant to the law within the operating scope approved by the CSRC, and has obtained various business materials required for securities business operation with an independent and complete business system and the ability of self-operation. Its business operation is not controlled or affected by its shareholders or related parties. The Company can compete in the market independently. Shareholders and related parties of the Company did not breach the Company's working procedures or intervene in the Company's internal management or the making of its operational decisions.

## **2. *Information about the independence of the staff***

The Company set up a dedicated human resources department, and established independent and complete systems for labor employment, personnel management, salary management and social security. The Directors, Supervisors, and senior management of the Company were selected and employed in compliance with relevant requirements of the Company Law, the Securities Law, and the Measures for the Supervision and Administration of the Professional Qualifications of Directors, Supervisors and Senior Management of Securities Firms and the Articles of Association. The current Directors, Supervisors and senior management of the Company have obtained the qualifications required for working in securities firms. The senior management of the Company held no positions in its largest shareholder and de facto controller and other enterprises under its control. The Company adopts an appointment system for the senior management, a labor contract system for all staff, and enters into Labor Contract with all the staff in accordance with the law. The Company owns independent rights for labor employment and its staff is independent from the shareholders and enterprises under their control without any interference from the shareholders.

## **3. *Information about the integrity of the assets***

The Company owns main business qualifications, land, real estate, vehicles and other operating equipment required for business operation. The above assets are subject to no mortgage, pledge or other guarantees, and the Company is the legal owner of these assets. The assets of the Company are independent from its largest shareholder and other shareholders. As of the end of the Reporting Period, the Company provided no guarantees for the debts of any of its shareholders and their subsidiaries by using its assets or reputation as the collateral. The Company had full control and use right over its assets, and there had been no circumstance under which the interests of the Company were damaged due to the largest shareholder's occupation of any of its assets and funds.

## **4. *Information about organizational independence***

In strict compliance with the requirements of the Company Law and the Articles of Association, the Company has set up a sound corporate governance structure, under which the general meeting, the Board of Directors, the Supervisory Committee, the management and relevant operating management departments have been formed. The general meeting, the Board of Directors, the Supervisory Committee and the management are in good operation and exercise their respective functions and powers pursuant to the law. The Company owns an independent and complete system for securities business operation and management, and conducts business on its own. The organizations are set up and run in compliance with the relevant requirements of the CSRC. The existing offices and premises of the Company are totally separate from its shareholders without the circumstances of sharing organizations with them or their direct intervention in the Company's business activities.

## **5. *Information about financial independence***

As required by the Accounting Standards for Business Enterprises and the Financial Systems of Securities Firms, the Company has established an independent financial accounting and management system, set up an independent accounting department, and employed independent financial accountants. The chief financial officer and financial

personnel of the Company held no positions in its shareholders. The Company has opened an independent bank account, applied for an independent tax registration and paid taxes in accordance with laws and regulations. The Company shared no accounts and taxes with its shareholders and related parties.

As of the end of the Reporting Period, the Company provided no guarantees for its shareholders and other related parties. During the Reporting Period, the Company experienced no peer competition and related-party transactions resulted from shareholding reform, features of the industry and national policies or mergers and acquisitions.

## **X. APPRAISAL MECHANISM FOR THE SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD**

During the Reporting Period, the Company conducted appraisal of its senior management under the principle of goal-sharing, consistency between management and appraisal, and performance linkage. The Remuneration and Appraisal Committee under the Board shall be responsible for the appraisal of senior management of the Company on a yearly basis based on the benefits and the development of the Company. Based on the KPI performance indicators of senior management are universal and typically significant in the industry, with challenging target values set according to the industry. The performance indicators are related not only to the annual operating goals set by the Board, but also to the emphasis and difficulties of relevant work in charge, including company-level indicators, work-related indicators and specific compliance indicators.

At the end of the year, based on the fulfilment of the annual operating goals of the Company and the achievement of indicators of its senior management, as well as the policy for remuneration distribution provided by the Company and supervising departments, the Remuneration and Appraisal Committee would put forward the amount of remuneration and the reward rule for senior management, which would be reported to the Board of Directors for consideration upon approval by voting.

## **XI. RESPONSIBILITY STATEMENT OF INTERNAL CONTROL AND THE ESTABLISHMENT OF INTERNAL CONTROL SYSTEM**

### ***(I) Statement of the Board***

As required by the internal control standard system of the Company, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed, which features the separation among the Shareholders' general meeting, the Board, the Supervisory Committee and senior management. Under such structure, all management members perform their functions and duties within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company. The Company convenes and holds shareholders' general meetings in strict accordance with the Articles of Association, the Rules of Procedures for General Meetings and other relevant provisions to strictly perform its obligations of information disclosure, protect the right to know of all shareholders, and thus to ensure the standard and transparent operation of Shareholders' general meetings. Meanwhile, the Company also strictly regulated its relationships with shareholders,



de facto controllers and related parties to ensure its operational independence. The Board of Directors, the Supervisory Committee as well as the Directors, Supervisors and senior management personnel of the Company undertake that the information in this annual report contains no false record, misleading statement or material omission, and undertake individual and joint legal liabilities for the truthfulness, accuracy and completeness of the information set out in this report.

The objective of internal control of the Company is to reasonably ensure the legality and compliance of the operation and management, the security of the assets, and the truthfulness and completeness of the financial report and its relevant information, to improve operating efficiency and effectiveness, and to promote the accomplishment of the development strategy. Due to the inherent limitations of internal control, only reasonable assurance can be provided for the achievement of the above objectives. In addition, internal control may become inappropriate or the level of compliance with control policies and procedures may become lower due to the changes of situation, so it subjects to certain risks to speculate the effectiveness of internal control in the future based on the results of internal control evaluation.

## ***(II) Structure of the internal control system***

The Board of Directors has set up special committees such as the Compliance and Risk Management Committee, the Audit Committee and the Development Strategy Committee to comprehensively monitor the effective implementation of internal control and self-evaluation of internal control. The Company established internal control construction and a continuous optimization leading group to comprehensively lead internal control standardized project construction and continuously promote the improvement of the internal control system. The Company designates Risk Management Department, Planning and Finance Department, Inspection Department, Legal Compliance Department, etc. as internal control management departments and all departments as internal control implementation departments to fully cooperate with the improvement and self-assessment of the internal control system, actively rectify defects in internal control and give feedback on rectification results as required. The Inspection Department shall be responsible for conducting internal control evaluation independently and implementing internal audit and assessment independently on the Company's internal control measures annually.

## ***(III) Construction and improvement of the internal control system***

The Company strictly follows the Company Law of the PRC, Securities Law of the PRC, Guidelines for Internal Control of Securities Firms, Regulation on Supervision and Administration of Securities Firms, Basic Internal Control Norms for Enterprises, Implementation Guidelines for Enterprise Internal Control and other laws and regulations, and improves the corporate governance structure, compliance risk control system and internal control management system. The Company practices internal control management methods, constantly enhances its ability to restrict itself and effectively prevents and resolves various risks so as to ensure the continuous, stable and rapid development of various businesses thereof. The Company makes clear the internal control organizational structure and division of responsibilities and sets up internal control construction and a continuous optimization leading group to supervise and promote the internal control construction of the Company. The Company's whole businesses, departments, branches and all staff are involved in internal control,

throughout each link from decision-making, implementation, supervision to feedback. During the assessment period, the Company amended relevant systems regarding corporate governance such as the Articles of Association of Huatai Securities Co., Ltd., Rules of Procedures of the General Meeting, Rules of Procedures of the Board of Directors, System regarding Insider Registration and Management and Confidentiality, Terms of Reference of the Special Committees under the Board of Directors; prepared Terms of Reference of the CEO and the Executive Committee, aligning with the Company's organizational reform. The Company prepares and amends in a timely manner the management systems such as the Basic System of Risk Management, the Measures for Management of We Media, the Measures for Purchase, the Measures for Decoration and Reconstruction, the Measures for Recruitment, and improved the basic management. To guide (new) business development, the Company prepared and amended the Measures for Management of Educating STAR Market Stock Investors (科創板業務投資者教育管理辦法), the Measures for Management of Business on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統業務管理辦法), the Measures for Management of the Suitability of STAR Market Stock Investors (科創板股票投資者適當性管理辦法), the Measures for Management of the Collateralized Quotation Repurchase Business of Shenzhen Stock Exchange (深交所質押式報價回購業務管理辦法), Provisional Measures for Stock Connect Global Depository Receipts Brokerage Business of Shanghai Stock Exchange and London Stock Exchange (上海證券交易所與倫敦證券交易所互聯互通全球存托憑證經紀業務暫行辦法), and so on. The Company carried out a comprehensive review and update of the system based on business development, so as to ensure that the system and procedures comply with the principles of comprehensiveness, prudence, effectiveness, timeliness and the like, so as to avoid blank or loopholes in the system and procedures. Starting from prudent operation and identification, prevention and resolution of risks, the Company established risk matrixes for all businesses and develops clear control measures to check the effectiveness of control measures with regular assessment.

#### ***(IV) Basis for the assessment of internal control***

The Company organizes to conduct internal control assessment according to the corporate internal control standard system and the Guidelines for Internal Control of Securities Firms (《證券公司內部控制指引》) and Rules for the Preparation and Reporting of Information Disclosure by Listed Issuers of Securities No. 21 – General Provisions on the Annual Internal Control Assessment Report (《公開發行證券的公司信息披露編報規則第21號 – 年度內部控制評價報告的一般規定》) issued by the CSRC, the Guidelines of the Shanghai Stock Exchange for Internal Control of Listed Companies (《上海證券交易所上市公司內部控制指引》) issued by the Shanghai Stock Exchange and other relevant laws, regulations and regulatory rules.

#### ***(V) Operation of the internal control system***

With a focus on the regulatory requirements, development strategies and operation objectives, the Company continued to deepen the operation of the internal control system, and promoted the comprehensive digital transformation to build its core competitiveness of platform-based, systematic and digitized operations. The Company conducted plat establishment, including but not limited to continuous optimizing the Group's enterprise risk management platform (ERMP), promoted the data centralization of subsidiaries to realize real-time and complete collection and coverage of risks across categories, businesses and regions at group level, the Group completed the construction

of investment portfolio management system (Calypso) project phase II, realized whole coverage in the data of trading businesses on interest rate, equity, commodity, exchange rate, credit products and their derivatives, which made it become the core platform for risk management of group trading business; drove the construction of risk identification system and operation risk and internal control system to be ready for commencement, and to achieve flexibilization of procedure and automation of analysis. The Company propelled periodical assessment of internal control system and effective operation of optimization mechanism, strengthened the risk identification and assessment about innovative and major businesses, developed three-dimensional information security capability of “predicting, defending, detecting, handling and continual monitoring, strengthened emergent drills and emergency handling, improved the emergent handling procedure for operation interruption, implemented the requirements of regulatory systems such as the Guidelines for the Management of Credit Risks of Securities and Measures for the Administration of Information Technology Management of Securities Fund Trading Institutes, and strengthened professional training on and internal control culture publicity to the credit risk and information technology management. The Company organized regular self-assessment of internal control, improved the trigger frequency of irregular self-assessment so as to realize objective and timely assessment of inherent risk, effectiveness of control and residual risk and disclose the defects in internal control design and implementation effectiveness; deepened the analysis of high-residual risk processes and control defects, increased the rectification tracking of defects, strengthened the evaluation of the effectiveness of internal control measures in combination with external risk events, and improved the design and effectiveness of implementation of control measures; carried out training and inspection of internal control on branch organizations and subsidiaries, conducted internal control culture, pointed out weak links in management, supervised the rectification of problems, and improved the management quality. The Inspection Department of the Company issued an internal control evaluation report on the internal control regulation of the Company from an independent perspective, and carried out the rectification of problems found in the internal control in a timely manner with reference to the suggestions of external consulting agencies.

***(VI) Internal supervision of the establishment and implementation of internal control***

Every year, the Company’s Inspection Department will spot check and recheck the control assessment results of various procedures and implement internal control assessment.

***(VII) Internal control defect and its identification***

According to the identification requirements for major defects, important defects and general defects as stipulated by the internal control system of enterprises, the Board of the Company, in consideration of such factors as the scale of the Company, industrial characteristics, risk appetite and risk tolerance, distinguished financial report internal control from non-financial report internal control and determined the internal control defects applicable to the Company and its specific identification standards, which were consistent with those of the previous years.

1. Identification of defects in financial report internal control

According to the above identification standards for defects in financial report internal control, there were no major defects and important defects in financial report internal control of the Company during the Reporting Period.

2. Identification of defects in non-financial report internal control

According to the above identification standards for defects in non-financial report internal control, there were no major defects and important defects in non-financial report internal control of the Company during the Reporting Period.

***(VIII)The Company’s internal control effectiveness assessment***

According to the Basic Norms of Internal Control and its provisions in its supporting guidelines and other regulatory requirements on internal control as well as the Company’s internal control system and assessment methods. We have assessed the Company’s internal control effectiveness on December 31, 2019 (base date of internal control assessment report) based on the daily supervision and specialized supervision of internal control.

According to the identification results of major defects in financial report internal control, on the base date of internal control assessment report, the Company does not have major defects in financial report internal control. The Board of Directors thinks that the Company has maintained effective financial report internal control in all major aspects according to the enterprise internal control standardized system and requirements in relevant regulations.

According to the identification results of major defects in non-financial report internal control, on the base date of internal control assessment report, the Company does not have major defects in non- financial report internal control.

From the base date of internal control assessment report to the date on which the internal control assessment report is sent out, no factor that will affect internal control effectiveness assessment conclusion was occurred.

***(IX) Work plan for internal control in 2020***

In 2020, the Company will continuously promote internal control self-assessment and optimize work scheme and supervise the implementation. The key contents include: facilitating the realization of the “two-wheel drive” strategy of wealth management business and institutional business; dynamically revising and improving the internal control management system; optimizing the internal control system based on the Company change, putting emphasis on the internal control management of important businesses and key fields and improving management measures; assisting digital operations; deepening process monitoring and prevention in advance to continuously improve risk deflection capabilities; strengthening the construction of post risk points to enhance the ability to identify risk points; optimizing defect detection channels and promoting the rectification of problems and defects; strengthening the publicity of internal control management culture and the guidance on the training of its subsidiaries and branches.

## **XII. DISCLOSURE OF SELF-EVALUATION REPORT OF INTERNAL CONTROL**

When disclosing the annual report for 2019, the Company will also disclose the Annual Internal Control Evaluation Report of Huatai Securities Co., Ltd. in 2019 at the same time, which will be published on the website of the Shanghai Stock Exchange (www.sse.com.cn), the HKEXnews website of the HKEX (www.hkexnews.hk) and the Company's official website (www.htsc.com.cn) on March 31, 2020.

## **XIII. INFORMATION ABOUT THE INTERNAL CONTROL AUDITING REPORT**

The KPMG Huazhen LLP engaged by the Company conducted an audit on the internal control of the Company, and issued an internal control auditing report without qualified opinions. When disclosing the annual report for 2019, the Company will also disclose the Internal Control Auditing Report of Huatai Securities Co., Ltd. at the same time, which will be published on the website of the Shanghai Stock Exchange (www.sse.com.cn), the HKEXnews website of the HKEX (www.hkexnews.hk) and the Company's official website (www.htsc.com.cn) on March 31, 2020.

Whether to disclose the internal control auditing report: Yes

## **XIV. BUILDING OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY AND THE INSPECTION AND AUDIT FINISHED BY THE COMPLIANCE AND INSPECTING DEPARTMENT DURING THE REPORTING PERIOD**

The Company always places emphasis on the corporate culture of operation in compliance with laws and regulations, and carries out strict management and prudent and standard operation. During the Reporting Period, in accordance with the relevant laws and regulations and the regulatory requirements, the Company further established a sound compliance management system, improved the organizational structure for compliance management, and continued to strengthen the compliance management of the Company to keep continuous and standardized development of the Company's various businesses.

### ***(I) Organizational Structure for Compliance Management***

Since its establishment, the Company has been adjusting and improving the organizational structure for compliance management and the relevant systems based on the changes of the market environment and regulatory requirements and the development needs of business. According to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (hereinafter referred to as the "Measures") issued by the CSRC in 2017, the Company further clarified the compliance duties of the Board of Directors, Supervisory Committee, senior management, chief compliance officer, and responsible persons of all departments, all branches and subsidiaries at all levels (hereinafter referred to collectively as "all subordinate units") in the Articles of Association and the basic compliance management system. The current compliance organizational system comprehensively reflects the basic requirements of the Measures for "full compliance" and "starting compliance management from the senior management", and a resultant force situation of sound compliance management organizational structure, clear positioning of responsibilities at all levels and full compliance is basically created.

The Board of Directors is the supreme decision-making body for compliance management of the Company, bears ultimate responsibility for the effectiveness of compliance management, decides on the compliance management objectives and is responsible for the effectiveness of compliance management of the Company; the Compliance and Risk Management Committee under the Board of Directors is responsible for overseeing the overall risk management of the Company and controlling the risks within a reasonable range to ensure the internal management system, business rules, significant decisions and main business activities of the Company are in compliance with laws and regulations and the risks are controllable and bearable; the Supervisory Committee is responsible for supervising the compliance management and the performance of compliance management duties by Directors and senior management; the senior management assumes the major responsibilities for compliance management, implements the compliance management objectives of the Company and is responsible for the whole company's compliance management; responsible persons of all subordinate units are responsible for their units' operations in accordance with laws and regulations; all the staff of the Company are responsible for the compliance of the operational matters and professional conducts within the range of their operational activities.

The chief compliance officer is in charge of the compliance of the Company, conducts audit, inspection and supervision on the compliance of the management and professional conducts of the Company and its staff, and helps the operation management effectively identify and manage compliance risks. The chief compliance officer is a member of the Company's senior management, and is appointed by the Board of Directors. The chief compliance officer does not hold any concurrent posts or take charge of any departments that conflict with his/her compliance management duties.

The Company has established a Legal Compliance Department to assist the chief compliance officer in performing specific compliance management duties, mainly including: establishment of the compliance management system of the Company; compliance training, inspection and guidance; assessment and unified disposal of compliance risks; compliance review and compliance reports; cooperation with external compliance supervision and management institutions; anti-money laundering and Chinese Wall; establishment of the legal system of the Company; review of legal documents; handling of legal affairs; assessment of and consultation on legal risks.

All departments and branches of the Company have their own compliance officers. A compliance officer is mainly responsible for the compliance management work of the unit he/she belongs to, performs such duties as carrying out timely and effective supervision, inspection, assessment and reporting on the implementation of compliance policies and procedures by such unit and its staff, and is responsible for the unit's communication and exchange of information with the Legal Compliance Department and other compliance management work in his/her own department. During the Reporting Period, the Company further optimized the compliance management mode of its branches, deepened the vertical management of the branches' compliance management teams, strengthened the compliance risk management work of the branches, enhanced the independence of the branches' compliance risk management teams, ensured the branches' compliance teams to perform their duties independently, and strived to prevent compliance risks of front-line businesses from the source.

The Company issued the Measures for the Compliance Management of Subsidiaries of Huatai Securities Co., Ltd., made detailed arrangements for the basic principles, organizational structure and working mechanism of compliance management of its subsidiaries, and established a sound compliance management system appropriate to the group strategy. Meanwhile, the Company established a special compliance management information reporting mechanism, and all subsidiaries shall report on the operation of compliance management quarterly and report on any major risk or abnormal situation timely after the event so that the Company can grasp the compliance risk management and control of its subsidiaries timely; the Company established a mechanism for regular meetings between compliance chiefs of the parent company and subsidiaries to call together compliance chiefs of the subsidiaries to hold regular meetings quarterly and unblock the communication mechanism between the group's compliance chiefs and the Compliance Department, and built an important platform of notifying the group's compliance risk events, sharing supervision information, exchanging key and difficult points of the compliance management work and forming a resultant force for compliance management; the Company also established a compliance review mechanism for the basic compliance management systems of its subsidiaries, according to which its subsidiaries shall submit the basic compliance management systems formulated or revised by them to the parent company for compliance review. During the Reporting Period, the Company conducted compliance inspections on the securities, alternative, private equity related subsidiaries.

## ***(II) Compliance System Building of the Company***

The Company has established a complete compliance management system and formed various compliance management systems, including the Compliance Management System of Huatai Securities Co., Ltd. (2017 Revision), Measures for the Compliance Management of Subsidiaries, Daily Working Measures for Compliance Management (2017 Revision), Measures for Management of Compliance Management Personnel and Measures for the Implementation of Compliance Accountability. Besides, during the Reporting Period, the Company formulated Administrative System for Anti-money laundering Monitoring List, the Basic System for Anti-Money Laundering and Anti-Terrorism Financing (Trial), and so on; amended Administrative Measures for the Freezing of Assets Relating to Terrorist Activities, Measures for the Administration of Reporting on High Value Transactions and Suspicious Transactions, Regulations on the Management of Securities Investment by Working Staff (Revision), Legal Document Management System, and further improved the compliance system construction.

As of the end of the Reporting Period, the Company has established the following basic compliance management systems: Compliance Management System (Revision), Measures for the Compliance Management of Subsidiaries, Daily Working Measures for Compliance Management (Revision), Measures for Management of Compliance Management Personnel, Measures for the Implementation of Compliance Accountability, Measures for Assessment of the Effectiveness of Compliance Management, Staff Compliance Manual, Regulations on the Management of Securities Investment by Working Staff, Regulations on the Management of Chinese Wall (Revision), the Basic System for Anti-Money Laundering and Anti-Terrorism Financing (Trial), Anti-Money Laundering Confidentiality System (Revision) and System for Internal Audit of Anti-Money Laundering.

### ***(III) Implementation of the Compliance Management Mechanism***

Since the full implementation of the compliance management system, the Company saw continuous improvement of its compliance management work, and continued to benefit from observance with the philosophy of “Creating Value through Compliance Management” and saw significant improvement in the standardization of operations. During the Reporting Period, the Company focused on “improving the efficiency of compliance management and enhancing the actual effect of compliance management”, continued to promote the transformation from passive response to active control in compliance risk management, practically performed all functions of compliance management, created a “three-dimensional” compliance work model, and promoted optimization and upgrading of the working mechanism. The Compliance Department provided all departments and branches with comprehensive compliance consultation, put forward recommendations on common issues in time and monitored and gave guidance over the rectification and improvement of relevant systems and procedures by relevant departments; carried out compliance review comprehensively, clarified the front-line compliance review responsibilities, focused on the application of the compliance management requirements to each link of business, and strengthened cross-examination in order to improve the accuracy and effectiveness of compliance review; further reinforced routine compliance examination, conducted regular and irregular special compliance examination in line with business innovations and regulatory focus, in order to screen potential risks effectively, identify compliance issues in time and supervise the standard rectification; submitted compliance reports to the regulatory institution in time and submitted temporary reports as needed; carried out the special compliance assessment and accountability on all subordinate units according to the compliance assessment and accountability system, which improved the authority and effectiveness of the compliance management work and provided important guarantee for the effective implementation of the compliance management system; held more activities such as special circuit training named “Transform for development” (揚帆轉型、護航發展) for compliance personnel, judicial forums and salon discussions in more depth to cover more staff, so as to effectively equip the business staff with an acuter sense of regulatory requirements and compliance; optimized the compliance management system, promoted the upgrading of the systems for assessing its clients’ money laundering risks and strengthened the building of the group’s Chinese Wall system.

### ***(IV) Information about Inspection Carried out by the Compliance Department during the Reporting Period***

During the Reporting Period, the inspections carried out by the Company’s Compliance Department including: special on-site inspections of the compliance management of branches with an aim to find out and push forward the compliance of the branches; special anti-money laundering inspections of the offices of some branches; special compliance inspections on relevant businesses. In addition, the Company’s Compliance Department conducted compliance inspections on relevant subsidiaries engaging in securities, other activities and private equity. Through the compliance inspections, the Company’s Compliance Department took the pulse of key links of its business and screened potential compliance risks and issues, and promoted relevant units to strengthen their fundamental work and standardize their business management by harnessing some technologies in their business procedures.



**(V) Progress of Audit Work of the Audit Department during the Reporting Period**

During the Reporting Period, the Company's Audit Department, in sync with the work requirements for digitalization enabling "two-pronged" strategy, proactively explored the thread and technical methods for big data audit. Upholding the work concept of "serving the overall situation, highlighting the key points", the Company enhanced the audit on key businesses and procedures, and effectively carried out compliance-and-risk-control-oriented audits on internal control, compliance management, anti-money laundering, financial management and financial accounting, operating guarantee, business management, innovative business, client data and services of each branch and securities business department, and each department and subsidiary of the Company, in terms of legality, compliance and validity.

During the Reporting Period, the Audit Department of the Company completed 163 audit items in total, including regular auditing and auditing for departure of general managers for 22 business and management departments such as the research institute, securities investment department, fixed income department, debt financing department, sales and trading department, network finance department, securities margin trading department, financial innovation department, capital management department, compliance legal department, office, human resources department, party-masses work office, strategic development department, information technology department, general office, central trading room, planning and finance department, wealth management department, financial product department and asset custody department; regular auditing and auditing for departure of general managers for 10 subsidiaries such as Huatai Innovative Investment, Huatai United Securities, Jiangsu Equity Exchange, Huatai Asset Management, Huatai Purple Gold Investment and Huatai Financial Holdings (Hong Kong); auditing for the departure and mandatory leave of general managers of 19 branches in Zhenjiang, Hubei, Yancheng, Nantong, Sichuan, Jiangyin, Nanjing, Taizhou, Changzhou, Zhejiang, Shandong, Yangzhou, Shanghai, Wuxi, Yunnan, Beijing, Jiangxi and Suzhou; auditing for the departure and mandatory leave of general managers of 102 securities branches in Zhongshan North Road, Nanjing, Wuding Road, Shanghai, Rushan Road, Pudong New District, Shanghai, Xueyuan South Road, Beijing, Zhujiang West Road, Guangzhou, Dongsanhuan North Road, Beijing, Jiefang West Road, Wuxi, and Xinshi Road, Suzhou; 9 special audits including assessment report on the effectiveness of corporate compliance management, corporate internal control evaluation, effectiveness evaluation of the dynamic monitoring system for corporate risk control indicators, evaluation of corporate anti-money laundering, specific compliance of branches in Xiamen, regular audit for Shanghai Haiji Investment Development Co., Ltd. (上海海基投資發展有限公司), evaluation of corporate asset custody and service business, and supervision and audit for corporate fund sales business; rectification and tracking of problems discovered in 1 audit item; audit reports have been issued for 162 audit items; 521 audit opinions and suggestions were put forward and 458 problems were rectified, with a rectification completion rate of 87.91%; 450 problems discovered in the previous auditing were tracked and 411 problems were rectified, with a rectification completion rate of 91.33%; according to the Implementing Rules for Penalties of Illegal Behaviors of Subsidiaries and Business Offices of the Company, suggestions were made on penalties for 87 person-times in 83 units.

In order to improve the quality of audit work, effectively serve the Company's wealth management transformation strategy, prevent and mitigate internal and external risks, and ensure the continuous, stable and rapid development of various businesses, the audit department of the Company, during auditing, strengthened the management for audit processes, appropriately specified the focus and scope of audits, implemented the mechanism with team leaders accountable for audit items, conducted audits in accordance with the requirements of business development, and carried out more comprehensive and detailed practices, which were more conducive to audit. During the process of audit, the audit department insisted on taking business specifications and information feedback as the entry point of management and decision-making, timely discovered and reported the pervasive, typical, tendentious and emerging problems in business activities, put forward opinions and suggestions on solving problems from aspects of system and mechanism, grasped the commonness, highlighted the typicality and fed back to the relevant departments of the Company in different forms, making full use of the audit results. Meanwhile, the audit department took risk prevention as the top priority of audit work, strengthened communications with units under auditing and relevant functional departments, and for issues identified during auditing, made sure the fact was clear, the evidence was valid and the judgement was accurate, giving full play to the audit work to improve the Company's risk control level. In addition, the audit department strengthened the construction of audit system, and leveraged the Company's business system and monitoring platform to collect and analyze the sample data of branches, which improved the efficiency of audit work, enhanced the degree of standardization of audit work, met the requirements of standardized management of audit work, and contributed to the innovative development and the improvement of self-restraint mechanism of the Company.

## **XV. OTHER INFORMATION**

### ***(I) Company Secretary***

Pursuant to Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, the Company must appoint an individual as its company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the duties of a company secretary.

Currently, Mr. Zhang Hui and Ms. Kwong Yin Ping Yvonne serve as the joint company secretaries of the Company. Mr. Zhang Hui has abundant experience in corporate management, but does not possess any of the qualifications under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, and may not be able to fully comply with the requirements of the Hong Kong Listing Rules. Accordingly, the Company has appointed Ms. Kwong Yin Ping Yvonne, who is a member of the Hong Kong Institute of Chartered Secretaries and fully complies with the requirements stipulated under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, to act as the other joint company secretary to enable Mr. Zhang Hui to acquire the relevant experience under Note (2) to Rule 3.28 of the Hong Kong Listing Rules, so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. During the Reporting Period, the joint company secretaries of the Company discharged their duties in earnest, and ensured the smooth convening of various meetings of the Board; and promoted effective communications among members of the Board, and among the Directors, shareholders and management of the Company.

During the Reporting Period, pursuant to Rule 3.29 of the Hong Kong Listing Rules, both Mr. Zhang Hui and Ms. Kwong Yin Ping Yvonne had taken no less than 15 hours of professional training to update their skills and knowledge. The primary contact person for Ms. Kwong Yin Ping Yvonne at the Company is Mr. Zhang Hui.

## ***(II) Responsibilities of the Directors and Auditors in respect of the Accounts***

The following statement of responsibilities of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this report. Each responsibility statement shall be understood separately.

The Board of Directors confirmed that it took responsibility for the preparation of the annual report for the year ended December 31, 2019.

The Board of Directors is responsible for presenting a clear and well-defined assessment of the annual and interim reports, stock price sensitive information, and other matters that need to be disclosed according to the Hong Kong Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information for the Board of Directors so that the Board of Directors could make informed assessment on the financial data and position of the Group for examination and approval at the Board meetings.

To the knowledge of all Directors, the Company does not face any events or situations of significant uncertainty likely to give rise to the significant doubt of the Company's capability of sustainable operations. In addition, the Company has arranged appropriate insurance cover for the legal actions and liabilities which the Directors, Supervisors and senior management may be exposed to.

For the purposes of the United Kingdom's Financial Conduct Authority's Transparency Rule 4.1.12(3), Directors of the Company, to the best of his or her knowledge, confirm the following two points:

- (1) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (2) the management report (being this annual report, excluding the audit report referred to above) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

## ***(III) Performance Assessment Results for Directors and Supervisors***

During the Reporting Period, the Directors and Supervisors of the Company had abided by the relevant provisions of laws, administrative laws and regulations as well as Articles of Association, and performed their duties and obligations honestly and diligently.

All the Directors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended Board meetings and various meetings of special committees in accordance with relevant provisions, considered each proposal seriously, offered advice and suggestions on significant strategic decisions and plans, important investment and financing projects, business innovations, related-party transactions, compliance management and internal control, system construction, appointment of senior management, performance assessment, enterprise cultural construction and social responsibilities of the Company, and acted as professional gatekeepers on such issues, which ensured those material decisions to be scientific and standardized as well as the sustainable and innovative development of the Company, and preserved the interests of the shareholders practically.

All the Supervisors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended the meetings of the Supervisory Committee in accordance with relevant provisions, attended the Board meetings, considered each proposal carefully, supervised and inspected the legality of operation, material decisions and important business activities as well as the financial position of the Company, actively protected the legal interests of the Company and its shareholders, promoted the legal operation and standardized management, and ensured the sound development of the Company.

For the details on the performance of duties of the Company's Directors and Supervisors, please refer to the "Performance of Duties of Directors" and "Performance of Duties of Supervisors" under this section in this report.

#### ***(IV) Communication with Shareholders***

The shareholders' general meeting is the organ of the highest authority of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strict accordance with the relevant provisions of the Articles of Association and the Rules of Procedures for General Meetings to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely.

The Company pays great attention to the shareholders' opinions and advice, actively and regularly carries out various investor relations activities to keep communication with shareholders and meet their reasonable needs timely. The Company has formulated a series of relatively perfect rules and regulations such as the Administrative System Regarding Investor Relationship, to manage investor relationship in accordance with the standards, systems and procedures. Meanwhile, the Company has formed good interaction and communication with the investors by actively using various channels such as existing investor service hotlines, a special column for investor relations at the Company's website and reception of on-site researchers.

The Board of Directors of the Company is willing to listen to shareholders' advice and encourages shareholders to attend the general meetings to ask the Board of Directors or the management directly about any doubts they may hold. Shareholders may convene extraordinary general meetings or submit interim proposals to general meetings according to the procedures set out in Article 77 and Article 82 of the Articles of Association, which were published on the website of the Shanghai Stock Exchange, the HKEXnews website of the HKEX and the Company's official website. The Company

will arrange for the Board of Directors to answer the shareholders' questions at its annual general meeting for 2019.

## **(V) Investor Relations**

### *1. Amendment to the Articles of Association of the Company*

During the Reporting Period, the amendment to the Articles of Association of the Company is as follows:

- (1) According to the resolution at the First Extraordinary General Meeting of the Company in 2018, the First A Share Class Shareholder Meeting in 2018 and the First H Share Class Shareholder Meeting in 2018 and the authorization granted in the resolution in regard to the amendment to the Company's Articles of Association, and with the approval and/or admission by domestic and foreign regulatory agencies and stock exchanges, the Company completed the issuance and listing of GDRs on the London Stock Exchange, and also completed the industrial and commercial registration of changes and filing with Jiangsu Securities Regulatory Bureau for the amendments to its Articles of Association during the Reporting Period.

The amendments to the Articles of Association mainly include: amending Article 3, Article 6, Article 22, Article 63, Article 92 and Article 126 according to the Company's actual situation after the issuance of GDRs.

- (2) According to the resolution at the 2018 Annual General Meeting of the Company and the authorization granted in the resolution in regard to the amendments to the Articles of Association, and with the approval by Jiangsu Securities Regulatory Bureau, the Company completed the procedures for registration of the amendments to its Articles of Association during the Reporting Period.

The amendments to the Articles of Association mainly include: to actively explore and establish a new business management system, improve the management and operational efficiency, and specify work responsibilities, the Company proposes to amend certain provisions of the Articles of Association in accordance with relevant requirements under the relevant laws, regulations and regulatory documents.

### *2. Investor relations management*

The investor relations management is one of the most important tasks on the normative development and legitimate operation of the Company and is highly valued by the Board of the Company. The Company planned, arranged and organized various activities to manage investor relations with a strong sense of responsibility, including coordinating on-site interviews to the Company, keeping in contact with regulatory authorities, investors, intermediary agencies and news media and so on.

During the Reporting Period, the Company timely updated information on the “Investor Relations” column on the Company’s website, and answered inquiries from investors of the interactive E-platform on the website of the Shanghai Stock Exchange. The Company has received 7 times of onsite investigations and surveys or telephone interviews from approximately 76 researchers and investment professionals such as securities companies and funds companies at home and abroad in the whole year. The Company also carried out daily consultation work seriously for investors and answered their questions in details. Meanwhile, to assist the issuance of the periodic reports, the Company held 2 presentations for operating performance, proactively attended strategy seminars and investment forums held by domestic or foreign securities institutions, and maintained full communications with investors on issues such as the development trend of the industry, operational results of the Company as well as its business development strategy, which effectively promoted investors’ understanding of the business condition and result performance of the Company, completely marketed the development advantages of the Company, and effectively guided market expectations. The Company persisted in inducing and analyzing various questions proposed by institutional investors and researchers to improve the professionalism, normalization and the quality of investor relations management of the Company.

The Company’s reception of investigations and surveys, communications, and interviews in the full year of 2019:

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
1	2019-02-20	The headquarters of the Company	On-site interview	GF Securities, Ping An Annuity, Taiping Asset, Dacheng Fund, Topfund Investment, etc. (13 persons/times)	
2	2019-05-17	The headquarters of the Company	Telephone interview	Haitong Securities, Tianan Property Insurance, Tebon Securities, Wuju Investment (務聚投資), Baiquan Huizhong (百泉匯中), etc. (15 persons/times)	
3	2019-06-28	The headquarters of the Company	On-site interview	BOCI, V.Stone Fund, Haitong Asset Management, BOC Asset Management, etc. (5 persons/times)	
4	2019-07-09	The headquarters of the Company	On-site and telephone interview	Industrial Securities, Harvest Fund, China Re Asset, Changsheng Fund, CITIC AMC, Industrial Securities Asset Management, Dapu Asset, Kaiyuan Securities, etc. (10 persons/times)	Business development, innovative business development of the Company and the long-term development strategy of the Company, etc.
5	2019-09-05	The headquarters of the Company	On-site interview	CICC Fund, China Wealth Management, China Life AMP, Tebon Securities, Wuju Investment, Sunshine Asset, Nanjing Securities, etc. (15 persons/times)	
6	2019-11-25	The headquarters of the Company	On-site interview	Everbright Securities (2 persons/times)	
7	2019-12-18	The headquarters of the Company	On-site interview	Shenwan Hongyuan, Guotai Junan, Fullgoal Fund, Harvest Fund, China Merchants Fund, Starock Investment, Zhong Ou AMC, HFT Investment, Chang Xin Asset Management, etc. (16 persons/times)	

## ***(VI) Independency of the Auditor***

According to the relevant provisions in Rule 19A.31 of the Hong Kong Listing Rules, annual accounts should be audited by a prestigious certified public accountant (whether it is an individual, a firm or a company), who (whether it is an individual, a firm or a company) also should be independent of the Chinese issuer to the extent that its independent procedures should be substantially the same as those specified in the statements on independence issued in the Companies Ordinance or by the International Federation of Accountants. According to the relevant provisions in Rule C.3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules, the Audit Committee should review and monitor the independence and objectiveness of external auditors as well as the validity of the auditing process in accordance with applicable standards. During the Reporting Period, the Company continued to engage KPMG Huazhen LLP as the auditors of A Shares and KPMG as the auditors of H Shares. The Audit Committee had carried out necessary review and supervision to ensure the independence between the firms and the Company.

## ***(VII) Auditor's Remuneration***

For auditor's auditing service fee during the Reporting Period, please refer to "(XXII) Auditors" under "V. Other Disclosures" under "Management Discussion and Analysis and Report of the Board" in this report.

During the Reporting Period, the auditor did not charge any non-auditing service fee.

## CORPORATE BONDS

### I. BASIC INFORMATION ON CORPORATE BONDS

Unit: 100 million Yuan Currency: RMB

Name of Bond	Abbreviation	Code	Issue date	Expiration date	Balance	Interest rate (%)	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities Co., Ltd. (Ten-year bonds)	13 Huatai 02	122262.SH	2013-06-05	2023-06-05	60.00	5.10	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities Co., Ltd. (First tranche) (Type I)	16 Huatai G1	136851.SH	2016-12-06	2019-12-06	–	3.57	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities Co., Ltd. (First tranche) (Type II)	16 Huatai G2	136852.SH	2016-12-06	2021-12-06	25.00	3.78	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities Co., Ltd. (Second tranche) (Type I)	16 Huatai G3	136873.SH	2016-12-14	2019-12-14	–	3.79	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities Co., Ltd. (Second tranche) (Type II)	16 Huatai G4	136874.SH	2016-12-14	2021-12-14	30.00	3.97	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2018 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First tranche) (Type I)	18 Huatai G1	155047.SH	2018-11-26	2021-11-26	30.00	3.88	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2018 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First tranche) (Type II)	18 Huatai G2	155048.SH	2018-11-26	2023-11-26	10.00	4.17	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First tranche) (Type I)	19 Huatai G1	155240.SH	2019-03-19	2022-03-19	70.00	3.68	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second tranche) (Type I)	19 Huatai G3	155358.SH	2019-04-22	2022-04-22	50.00	3.80	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange



### ***Interest Payment for Corporate Bonds***

On June 5, 2019, the Company paid the interest for “13 Huatai 02” bonds for the period from June 5, 2018 to June 4, 2019 with a total amount of RMB306.0 million (tax inclusive). On November 26, 2019, the Company paid the interest for “18 Huatai G1” and “18 Huatai G2” bonds for the period from November 26, 2018 to November 25, 2019 with a total amount of RMB158.1 million (tax inclusive). On December 6, 2019, the Company paid the interest for “16 Huatai G1” and “16 Huatai G2” bonds for the period from December 6, 2018 to December 5, 2019 with a total amount of RMB219.45 million (tax inclusive) and the repayment of the principal for “16 Huatai G1” bonds amounting to RMB3.5 billion. On December 14, 2019, the Company paid the interest for “16 Huatai G3” and “16 Huatai G4” bonds for the period from December 14, 2018 to December 13, 2019 with a total amount of RMB308.6 million (tax inclusive) and the repayment of the principal for “16 Huatai G3” bonds amounting to RMB5.0 billion.

### ***Other Information on Corporate Bonds***

Arrangements for investors’ appropriateness: target investors are qualified ones who hold A share securities accounts of China Securities Depository and Clearing Corporation Limited, Shanghai Branch and are in compliance with the requirements of the Administrative Measures for Issuance and Trading of Corporate Bonds and relevant laws and regulations (excluding purchasers prohibited by laws and regulations). Investors shall not subscribe by illegal use of others’ accounts or fund accounts, or illegally financing or financing for others. Investors subscribing for this tranche of bonds shall observe relevant laws and regulations and relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.

## **II. ENTRUSTED MANAGERS OF CORPORATE BONDS AND THEIR CONTACTS AND CONTACTS OF THE CREDIT RATING AGENCY**

Entrusted manager of bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301-4316, 43rd Floor, Metro Plaza, 183-187 Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC
	Contact person	Li Peng
Entrusted manager of bonds	Tel. no.	021-60750691
	Name	Shenwan Hongyuan Securities Co., Ltd.
	Office address	45th Floor, 989 Changle Road, Xuhui District, Shanghai, the PRC
Credit rating agency	Contact persons	Yu Shan, Liu Yuan, Xu Mengting
	Tel. no.	010-88013931/021-33389888
	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai, the PRC

Other notes:

The entrusted manager of “13 Huatai 02” bonds is GF Securities Co., Ltd., the entrusted manager of “16 Huatai G1”, “16 Huatai G2”, “16 Huatai G3”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2”, “19 Huatai G1” and “19 Huatai G3” bonds is Shenwan Hongyuan Securities Co., Ltd., and the credit rating agency for each tranche of bonds is Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.

### III. USAGE OF PROCEEDS FROM CORPORATE BONDS

All the proceeds from 2013 corporate bonds have been used to supplement the Company's working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and stock pledged repurchase business, which is in compliance with the requirements of the prospectus. All the proceeds from the two tranches of corporate bonds issued in 2016 have been used to supplement the Company's working capital and mainly for the purposes of capital-based intermediary businesses such as stock pledged and investment businesses such as FICC, which is in line with the covenants undertaken in the prospectus. All the proceeds from the corporate bonds issued in 2018 have been used to supplement working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus. All the proceeds from the corporate bonds issued in 2019 have been used to supplement working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus.

### IV. RATING OF CORPORATE BONDS

On May 15, 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for the corporate bonds "13 Huatai 02", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3", "16 Huatai G4", "18 Huatai G1", "18 Huatai G2" and "19 Huatai G1" issued by the Company, and issued the Report on the Follow-up Credit Rating of the 2013, 2016, 2018 and 2019 Corporate Bonds of Huatai Securities Co., Ltd. (《华泰证券股份有限公司2013年、2016年、2018年、2019年公司債券跟蹤評級報告》) (No.: Brilliance Follow-up Rating [2019]100061), pursuant to which the credit ratings of the Company's bonds "13 Huatai 02", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3", "16 Huatai G4", "18 Huatai G1", "18 Huatai G2" and "19 Huatai G1" were AAA, the credit rating of the Company remained as AAA and the credit rating outlook is stable.

On March 4, 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted credit ratings for the corporate bonds "19 Huatai G1" issued by the Company, and issued the Report on the Credit Rating of the 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche) (《华泰证券股份有限公司2019年面向合格投資者公開發行公司債券(第一期)信用評級報告》) (No.: [Brilliance Bond Rating (2019)010219]), pursuant to which the credit ratings of "19 Huatai G1" was AAA, the credit rating of the Company was AAA and the credit rating outlook is stable. On April 12, 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted credit ratings for the corporate bonds "19 Huatai G3" issued by the Company, and issued the Report on the Credit Rating of the 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche) (《华泰证券股份有限公司2019年面向合格投資者公開發行公司債券(第二期)信用評級報告》) (No.: [Brilliance Bond Rating (2019)010396]), pursuant to which the credit ratings of "19 Huatai G3" was AAA, the credit rating of the Company was AAA and the credit rating outlook is stable.

It is expected that the report on the follow-up credit rating of 2019 corporate bonds will be disclosed within 2 months after the release of the Company's 2019 Annual Report. For detailed contents of the rating results, please refer to the announcements on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## **V. CREDIT ENHANCEMENT MECHANISM, SETTLEMENT PLAN AND OTHER RELEVANT INFORMATION ON CORPORATE BONDS DURING THE REPORTING PERIOD**

The credit enhancement mechanism for the six tranches of corporate bonds issued by the Company is issued unsecured, and the settlement plan is to pay the interest once annually in the duration of the bonds and to pay the principal together with the last installment of interest. During the Reporting Period, there was no change to the credit enhancement mechanism, settlement plan or other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants as set out in the prospectus in relation to the settlement plan, paid the interest for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, so as to protect the legal interest of investors.

## **VI. MEETINGS OF THE HOLDERS OF CORPORATE BONDS**

During the Reporting Period, the Company did not hold any meeting for the holders of corporate bonds.

## VII. PERFORMANCE OF DUTIES BY THE ENTRUSTED MANAGERS OF CORPORATE BONDS

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year 2018) 《华泰证券股份有限公司2013年公司債券受託管理事務報告(2018年度)》, the Interim Report on the Significant Matters Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (2019-10-18) 《华泰证券股份有限公司2013年公司債券重大事項的臨時受託管理事務報告(2019-10-18)》 and the Interim Report on the Significant Matters Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (2019-12-27) 《华泰证券股份有限公司2013年公司債券重大事項的臨時受託管理事務報告(2019-12-27)》. For details, please refer to the relevant announcements published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily, which were also disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the Reporting Period, Shenwan Hongyuan Securities Co., Ltd., as the entrusted manager, issued the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. (Year 2018) 《华泰证券股份有限公司2016年公司債券(第一期)受託管理事務報告(2018年度)》, the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. (Year 2018) 《华泰证券股份有限公司2016年公司債券(第二期)受託管理事務報告(2018年度)》, the Report on the Entrusted Affairs in Relation to the 2018 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. (Year 2018) 《华泰证券股份有限公司2018年公司債券(第一期)受託管理事務報告(2018年度)》, the Interim Report on the Significant Matters Entrusted Affairs in Relation to the Corporate Bonds of Huatai Securities Co., Ltd. (2019-10-21) 《华泰证券股份有限公司公司債券重大事項的臨時受託管理事務報告(2019-10-21)》 and the Interim Report on the Significant Matters Entrusted Affairs in Relation to the Corporate Bonds of Huatai Securities Co., Ltd. (2019-12-26) 《华泰证券股份有限公司公司債券重大事項的臨時受託管理事務報告(2019-12-26)》. For details, please refer to the relevant announcements published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily, which were also disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS UP TO THE END OF THE REPORTING PERIOD

Unit: Thousand Yuan Currency: RMB

Primary indicators	2019	2018	Year-on-year change (%)	Reason for change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	19,008,018	13,265,511	43.29	Increase in the Company's revenue
Net cash (used in)/generated from investing activities	(3,943,473)	(10,488,210)	62.40	Decrease in the investment in available-for-sale financial assets
Net cash (used in)/generated from financing activities	35,669,120	(8,708,572)	N/A	Increase in proceeds from issuance of short-term debt instruments
Cash and cash equivalents at the end of the year	69,198,778	40,792,310	69.64	Increase in cash inflows generated from financing activities
Current ratio	1.40	1.57	(10.83)	
Quick ratio	1.40	1.57	(10.83)	
Gearing ratio	73.40%	66.12%	Increase of 7.28 percentage points	
EBITDA to total debt ratio	7.72%	9.49%	Decrease of 1.77 percentage points	
Times interest earned	2.86	2.04	40.26	Increase in the Company's profit compared to the last year
Times cash-interest earned	0.66	4.87	(86.52)	Decrease in the cash flows from operating activities
Times interest earned of EBITDA	3.05	2.14	42.69	Significant increase in the EBITDA of the Company
Loan repayment ratio	100%	100%		
Interest payment ratio	100%	100%		

*Note: Customer's funds are not included in the above indicators.*

## IX. INTEREST PAYMENT FOR AND REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Unit: 100 million Yuan Currency: RMB

Abbreviation of the bond	Issuing scale	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
16 Huatai C1	50.00	–	3.30	2016-10-14	2021-10-14	Redemption and interest payment
17 Huatai C2	50.00	50.00	4.95	2017-07-27	2020-07-27	Interest payment
18 Huatai C1	10.00	10.00	5.65	2018-03-15	2020-03-15	Interest payment
18 Huatai C2	28.00	28.00	5.20	2018-05-10	2021-05-10	Interest payment
17 Huatai 02	20.00	20.00	4.65	2017-02-24	2020-02-24	Interest payment
17 Huatai 03	40.00	–	5.00	2017-05-15	2019-05-15	Redemption and interest payment
17 Huatai 04	60.00	60.00	5.25	2017-05-15	2020-05-15	Interest payment
17 Huatai 06	50.00	–	4.98	2017-10-19	2019-04-19	Redemption and interest payment
18 Huatai D1	46.00	–	5.00	2018-06-11	2019-06-11	Redemption and interest payment
19 Huatai 02	50.00	50.00	3.94	2019-05-27	2022-05-27	–
19 Huatai 03	40.00	40.00	3.68	2019-10-24	2022-10-20	–
19 Huatai CP001	30.00	–	3.00	2019-04-29	2019-07-29	Redemption and interest payment
19 Huatai CP002	30.00	–	2.60	2019-07-10	2019-10-09	Redemption and interest payment
19 Huatai CP003	40.00	–	2.70	2019-08-08	2019-11-06	Redemption and interest payment
19 Huatai CP004	20.00	–	2.78	2019-09-12	2019-12-11	Redemption and interest payment
19 Huatai CP005	50.00	50.00	2.83	2019-10-11	2020-01-09	–
19 Huatai CP006	50.00	50.00	3.05	2019-11-14	2020-02-12	–
19 Huatai CP007	50.00	50.00	3.02	2019-12-06	2020-03-05	–
19 Huatai Securities	60.00	60.00	3.40	2019-08-21	2022-08-21	–
Financial Bonds						
01						
Offshore Bonds	USD400 million	USD400 million	3.625	2014-10-08	2019-10-08	Redemption and interest payment
Offshore Bonds	USD500 million	USD500 million	3.375	2019-05-23	2022-05-23	Interest payment

Note: 1. “16 Huatai C1” bonds rendered the issuer an option for redemption at the end of the third year

### **1. *Interest payment for and redemption of subordinated bonds***

During the Reporting Period, the Company settled the principal and interest of 16 Huatai C1 (145029), the first tranche of subordinated bonds non-publicly issued by the Company in 2016, with the payment amounting to RMB5,165 million (tax inclusive); paid the interest of 17 Huatai C2 (bond code: 145664), the first tranche of subordinated bonds non-publicly issued by the Company in 2017, for the period from July 27, 2018 to July 26, 2019, with the interest payment amounting to RMB247.5 million (tax inclusive); paid the interest of 18 Huatai C1 (bond code: 150175), the first tranche of subordinated bonds non-publicly issued by the Company in 2018, for the period from March 15, 2018 to March 14, 2019, with the interest payment amounting to RMB56.5 million (tax inclusive); paid the interest of 18 Huatai C2 (bond code: 1503861), the second tranche of subordinated bonds non-publicly issued by the Company in 2018, for the period from May 10, 2018 to May 9, 2019, with the interest payment amounting to RMB145.6 million (tax inclusive).

### **2. *Interest payment for and redemption of non-publicly issued corporate bonds***

During the Reporting Period, the Company paid the interest for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Type II) (17 Huatai 02) for the period from February 24, 2018 to February 23, 2019, with the interest payment amounting to RMB93 million (tax inclusive); the Company paid the interest for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (17 Huatai 03 and 17 Huatai 04) for the period from May 15, 2018 to May 14, 2019, with the interest payment amounting to RMB515 million (tax inclusive), and settled the principal for 17 Huatai 03, with the principal payment amounting to RMB4,000 million; the Company settled the principal and interest for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche) (17 Huatai 06), with the payment amounting to RMB5,124.5 million (tax inclusive); the Company settled the principal and interest for 2018 Non-publicly Issued Short-term Corporate Bonds of Securities Companies (First Tranche) (18 Huatai D1, bond code: 150443), with the payment amounting to RMB4,830 million (tax inclusive).

### **3. *Interest payment for and redemption of short-term financing bonds***

During the Reporting Period, the Company settled the principal and interest for the first tranche of the Short-term Financing Bonds in 2019 (19 Huatai Securities CP001, bond code: 071900031.IB), with the payment amounting to RMB3,022,377,049.18; the Company settled the principal and interest for the second tranche of the Short-term Financing Bonds in 2019 (19 Huatai Securities CP002, bond code: 071900062.IB), with the payment amounting to RMB3,019,393,442.62; the Company settled the principal and interest for the third tranche of the Short-term Financing Bonds in 2019 (19 Huatai Securities CP003, bond code: 071900075.IB), with the payment amounting to RMB4,026,630,136.99; the Company settled the principal and interest for the fourth Short-term Financing Bonds in 2019 (19 Huatai Securities CP004, bond code: 071900098.IB), with the payment amounting to RMB2,013,709,589.04.

### **4. *Interest payment for and redemption of offshore bonds***

Huatai International Finance I Limited, a special purpose company subordinated to Huatai Financial Holdings (Hong Kong), paid the half-year interest of offshore bonds of USD7.25 million on April 8, 2019 and settled the principal and interest on October 8, 2019, with the principal and half-year interest payment amounting to USD407.25 million.

Pioneer Reward Limited, a subsidiary of Huatai International, paid the half-year interest of offshore bonds on November 25, 2019, with the payment amounting to USD8,437,500.

For details of relevant announcements, please refer to the disclosure of the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## **X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company enhanced credit management. As of the end of 2019, the total credit line obtained by the Company from commercial banks exceeded RMB460 billion, representing a continuous increase as compared with that of last year, which effectively supported the development of various businesses of the Company.

The Company enjoyed a good reputation, and repaid bank loans on time during the Reporting Period without extension, reduction or exemption of any loan.

## **XI. PERFORMANCE OF RELEVANT COVENANTS OR UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations of information disclosure and paid the interest for the bonds on time to protect the legal interests of investors. During the Reporting Period, the Company did not default on the redemption and interest payment of issued bonds, and operated stably with satisfactory earnings and there is no risk of the Company failing to make payments on time in the future.

## **XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY**

During the Reporting Period, the Company did not experience any major event as mentioned in Article 45 of the Administrative Measures for Issue and Trading of Corporate Bonds which would have impact on the Company's operation and solvency.



## INDEX OF DOCUMENTS FOR INSPECTION

Index of Documents for Inspection	Financial statements carrying the signature and seal of the Company's legal representative, person in charge of accounting work and head of accounting organ
Index of Documents for Inspection	Audit report carrying the seal of the accounting firm and the signature and seal of the certified public accountant
Index of Documents for Inspection	All company documents and announcements made public on the newspapers designated by the CSRC within the Reporting Period
Index of Documents for Inspection	Articles of Association

Chairman of the Board: Zhang Wei

Date of Submission as Approved by the Board of Directors: March 30, 2020

## INFORMATION DISCLOSURE OF SECURITIES COMPANIES

### I. MAJOR ADMINISTRATIVE APPROVALS OF THE COMPANY

1. Letter of Opinions on the Overseas Listing of Subsidiaries of Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 173) dated January 18, 2019;
2. Regulatory Opinions on Issuance of Short-term Financing Bills by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 196) dated January 22, 2019;
3. Approval for the Establishment of Northwest Branch in Xi'an, Shaanxi Province by Huatai Securities Co., Ltd. (Su Zheng Jian Xu Ke Zi [2019] No. 6) dated February 27, 2019;
4. Approval for Qualification of Gu Chengzhong as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 9) dated March 26, 2019;
5. Approval for Qualification of Zhai Jun as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 10) dated April 4, 2019;
6. Reply on Conducting Market Making Business of Treasury Bond Futures by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 1025) dated May 6, 2019;
7. Letter on the Matters regarding the Spin-off of AssetMark Financial Holdings, Inc. for Overseas Listing by Huatai Securities Co., Ltd. (Zheng Jian Han [2019] No. 192) dated June 6, 2019;
8. Regulatory Opinions on Issuance of Financing Bills by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 1577) dated June 24, 2019;

9. Approval for the Modification of Important Clauses of the Articles of Association by Huatai Securities Co., Ltd. (Su Zheng Jian Xu Ke Zi [2019] No. 20) dated October 23, 2019;
10. Approval for Qualification of Zhang Ming as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 27) dated December 3, 2019;
11. Approval for Qualification of Zhang Xiaohong as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 28) dated December 3, 2019;
12. Reply on Conducting Market Making Business of Commodity Options by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 2929) dated December 6, 2019;
13. Approval for Qualification of Zhang Wei as Chairman of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 29) dated December 11, 2019;
14. Approval for Qualification of Wang Tao as Director of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 31) dated December 13, 2019;
15. Approval for Qualification of Wang Ying as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 32) dated December 13, 2019;
16. Reply on Conducting Market Making Business of Stock Index Options by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2019] No. 3071) dated December 17, 2019.

## **II. RESULTS OF CLASSIFICATION BY REGULATORY AUTHORITIES**

1. In 2017, the Company was rated Class AA under Category A according to the classification of securities companies.
2. In 2018, the Company was rated Class AA under Category A according to the classification of securities companies.
3. In 2019, the Company was rated Class AA under Category A according to the classification of securities companies.

## APPENDIX

### I. MAIN BUSINESS QUALIFICATIONS

The Company was entitled to become the members of the Shanghai Stock Exchange, the Shenzhen Stock Exchange and Securities Association of China, to engage in the clearing of warrants of China Securities Depository and Clearing Corporation Limited and to participate in the clearing of China Securities Depository and Clearing Corporation Limited. Besides, the Company also has the following main business qualifications:

No.	Type of License	Approval Department	Years
1	National interbank market access qualification	PBOC	January 2000
2	Qualification for online entrusted securities brokerage business	CSRC	May 2001
3	Qualification for distributing open-end securities investment funds	CSRC	February 2003
4	Qualification for entrusted investment management business	CSRC	March 2003
5	Value-added telecommunications business license	Jiangsu Communications Administration	July 2004
6	Pilot securities firm for relevant innovative activities	Securities Association of China	March 2005
7	Qualification for underwriting short-term financing bills	PBOC	August 2005
8	License for foreign exchange operation in the securities business	State Administration of Foreign Exchange	November 2006
9	Foreign exchange registration certificate for overseas investment	Jiangsu Provincial Bureau of SAFE	December 2006
10	Qualification for agency business of stock transfer	Securities Association of China	June 2007
11	Qualification of tier-1 dealer on the integrated e-platform for fixed income securities	Shanghai Stock Exchange	August 2007
12	Qualified domestic institutional investor (QDII) qualification for overseas securities investment management business	CSRC	December 2007
13	Qualification to provide intermediary introduction business for Great Wall Weiye Futures Co., Ltd.	CSRC	April 2008
14	Qualified investor qualification in block trade system	Shanghai Stock Exchange	June 2008
15	Qualification to incorporate wholly-owned specialized subsidiaries to engage in direct investment business	CSRC	July 2008
16	Obtain a stock index futures trading code and a hedging limit	China Financial Futures Exchange	June 2010
17	Pilot program of securities margin trading	CSRC	June 2010

<b>No.</b>	<b>Type of License</b>	<b>Approval Department</b>	<b>Years</b>
18	Qualification of the dealer for credit risk mitigation tools and creator for credit risk mitigation certificates	National Association of Financial Market Institutional Investors	December 2010
19	Change the securities brokerage business (the business in Jiangsu, Shanghai, Zhejiang, Anhui, Shandong, Heilongjiang, Jilin, Liaoning, Beijing, Tianjin, Hebei, Henan, Shaanxi, Shanxi, Ningxia, Inner Mongolia, Gansu, Xinjiang, Qinghai only) within the original business scope to securities brokerage business, change the securities underwriting and sponsorship business (the relevant business on the Shanghai Stock Exchange only) to securities underwriting business (the underwriting of government bonds, debt financing instruments of non-financial enterprises only), and reduce the financial advisory business relating to securities trading and securities investment activities	CSRC	August 2011
20	Provide trading seats to insurance institutional investors	China Insurance Regulatory Commission	January 2012
21	Pilot program of bonds collateralized quotation repurchase business	CSRC	January 2012
22	Bonds collateralized quotation repurchase business	Shanghai Stock Exchange	February 2012
23	CSI 300ETF liquidity service provider	Shanghai Stock Exchange	May 2012
24	Innovative brokerage deposit business	CSRC	June 2012
25	Participate in interest rate swap trading by using the Company's proprietary funds	Jiangsu Securities Regulatory Bureau	August 2012
26	Pilot program of margin refinancing	China Securities Finance Corporation Limited	August 2012
27	Pilot program of agreed repurchase type securities trading	CSRC	September 2012
28	Lead underwriting business for non-financial enterprises debt financing instruments in the interbank market	National Association of Financial Market Institutional Investors	November 2012
29	Qualification and transaction code for conducting arbitrage and speculative trading of CSI 300 index - futures	China Financial Futures Exchange	December 2012
30	Agency sale of financial products	Jiangsu Securities Regulatory Bureau	January 2013
31	Qualification for the agreed repurchase type securities trading business	Shenzhen Stock Exchange	January 2013

<b>No.</b>	<b>Type of License</b>	<b>Approval Department</b>	<b>Years</b>
32	Pilot comprehensive custody business for private funds, which can provide comprehensive custody services, such as asset custody, settlement, computation of net value, investment control, custody report and etc., for private securities investment funds (limited partnership)	Institutional Supervision Department of the CSRC	February 2013
33	Qualification of margin refinancing business	China Securities Finance Corporation Limited	February 2013
34	Insurance fund investment manager	China Insurance Regulatory Commission	March 2013
35	Operate recommendation and brokerage business on the National Equities Exchange and Quotations as the lead securities firm	National Equities Exchange and Quotations Company Limited	March 2013
36	Qualification to submit filing materials for witnessing the opening of customers' securities accounts	China Securities Depository and Clearing Corporation Limited	April 2013
37	Qualification of financial bonds (including policy finance bonds) underwriting business	Jiangsu Securities Regulatory Bureau	June 2013
38	Conduct stock pledge-style repo transaction business for securities listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange	Shanghai Stock Exchange and Shenzhen Stock Exchange	June 2013
39	Treasury bonds futures business	Jiangsu Securities Regulatory Bureau	September 2013
40	Qualification to conduct treasury bonds futures arbitrage and hedging businesses	CSRC and China Financial Futures Exchange	September 2013
41	Qualification to conduct asset management share transfer business	Shenzhen Stock Exchange	September 2013
42	Qualification to carry out equity return swaps business	Securities Association of China	September 2013
43	Qualification to conduct pre-issuance of treasury bonds	Shanghai Stock Exchange	October 2013
44	Pass the on-site inspection on stock options	Shanghai Stock Exchange	June 2014
45	Operate market-making business on the National Equities Exchange and Quotations as a market maker, namely market-making qualification on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Company Limited	July 2014
46	Trial market maker on the interbank market	National Inter-Bank Funding Center	July 2014
47	Pilot program of financing by exercising the share incentive scheme business	Shenzhen Stock Exchange	August 2014
48	Qualification of capital payment services for clients that could provide various payment services for investors such as deposits collection, mobile recharging, online store consumption, sales return, water fee and credit card payment	Securities Fund Supervision Department of the CSRC	August 2014

<b>No.</b>	<b>Type of License</b>	<b>Approval Department</b>	<b>Years</b>
49	Qualification of custodian for securities investment funds	CSRC	September 2014
50	Qualification for pilot operations of Internet-based securities business	Securities Association of China	September 2014
51	OTC qualification	Securities Association of China	September 2014
52	Qualification to conduct Southbound trading under A Shares trading seats	Shanghai Stock Exchange	October 2014
53	Pilot program on the OTC market	Securities Association of China	October 2014
54	Pilot program of restricted securities lending under share incentive schemes of listed companies	Shenzhen Stock Exchange	December 2014
55	Qualification of practicing on an authentic basis and brokerage business for stock option businesses	Shenzhen Stock Exchange	December 2014
56	Qualification for stock option trading participant, stock option brokerage and proprietary business trading	Shanghai Stock Exchange	January 2015
57	Qualification for stock options market making business	CSRC	January 2015
58	Main market maker of SSE 50ETF option contracts	Shanghai Stock Exchange	January 2015
59	Qualification of standard interest rate swap and forward centralized settlement of standard bonds	Shanghai Clearing House	April 2015
60	Qualification of participating in the net settlement of bond trade	Shanghai Clearing House	April 2015
61	Provide private equity with valuation and calculation service, share registration service, sales backstage service support and other outsourcing services, as well as other value-added services derived from the above services	Asset Management Association of China	April 2015
62	Qualification of pilot innovative business for one-way video verification of investors' identities	China Securities Depository and Clearing Corporation Limited	June 2015
63	Permission to conduct Southbound trading under Shenzhen-Hong Kong stock connect	Shenzhen Stock Exchange	November 2016
64	Agency qualification for subscription, purchasing and redeeming of gold ETF in spot	Shanghai Gold Exchange	June 2017
65	Pilot program of cross-border business	CSRC	December 2017
66	Qualification of tier-1 dealer on OTC options	CSRC	July 2018
67	Carry out credit derivatives business	CSRC	December 2018

No.	Type of License	Approval Department	Years
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Single business qualifications obtained by the Company in 2019 primarily include

1	Qualification of main market maker of funds listed on the SSE	Shanghai Stock Exchange	January 2019
2	Conduct credit protection contract business	Shanghai Stock Exchange	February 2019
3	Conduct market making business of treasury bond futures	CSRC	May 2019
4	Pilot Program of Foreign Exchange Settlement and Sales Business	State Administration of Foreign Exchange	August 2019
5	Conduct credit protection certificate business	Shanghai Stock Exchange	December 2019
6	Conduct market making business of commodity options	CSRC	December 2019
7	Conduct market making business of stock index options	CSRC	December 2019

## II. LIST OF BRANCH OFFICES AND SECURITIES BRANCHES

### 1. Establishment of Branch Offices of the Company

As of the end of the Reporting Period, the basic information of the establishment of Branch Offices of the Company is as follows:

Unit: Ten Thousand Yuan Currency: RMB

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
1	Anhui Branch	6 & 7F, Block A, Feilishidai Square Commercial Complex, No. 310 Suixi Road, Luyang District, Hefei	August 25, 2014	10,000	230011	Chen Zhijun	0551-64297088	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
2	Beijing Branch	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	May 28, 2010	500	100032	Zhou Erli	010-63211377	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending; agency sale of securities investment funds; agency sale of financial products.
3	Changzhou Branch	No. 9, North Heping Road, Changzhou	April 16, 2014	2,000	213003	Wang Houyin	0519-88139733	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending; agency sale of securities investment funds; agency sale of financial products.
4	Fujian Branch	Unit 10D, Block A, Tefang Portman Wealth Center, No.81 Zhanhong Road, Siming District, Xiamen	September 18, 2014	2,000	361004	Chu Rentang	0592-2997899	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending business; agency sale of financial products; securities underwriting (limited to ancillary works such as project contracting, project information transmission and recommendation and customer relationship maintenance of underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only).



No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
5	Guangdong Branch	Unit 02, 03, 36/F, No. 10 Huaxia Road, Tianhe District, Guangzhou	May 19, 2012	500	510620	Zhao Changtao	020-88830128	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending; agency sale of securities investment funds; agency sale of financial products.
6	Henan Branch	No. 16, Nongye Road East, Jinshui District, Zhengzhou	April 16, 2014	2,000	450008	Tao Mingqing	0371-89998299	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
7	Heilongjiang Branch	3/F, Block B, Aocheng International, No. 239 Xuanhua Street, Nangang District, Harbin, Heilongjiang Province	May 28, 2010	500	150001	Wang Haibin	0451-51994000	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products; management of local business departments.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
8	Hubei Branch	24/F, Unit 6, Building 6-7, Wuhan 1818 Center (Phase 2), No. 109 Zhongbei Road, Shuiguohu Street, Wuchang District, Wuhan	March 19, 2012	500	430070	Yuan Hongbin	027-87739318	Securities brokerage; securities investment consulting; securities underwriting (limited to ancillary works such as project contracting, project information transmission and recommendation and customer relationship maintenance of underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products; management of securities branches at Hubei of Huatai Securities Co., Ltd.
9	Hunan Branch	Rooms 1301-1305, 1313-1316, Building 4 and 5, Huayuanhua Center, No 36, Section 2, Middle Xiangjiang Road, Tianxin District, Changsha, Hunan Province	May 27, 2014	500	410015	Deng Jing	0731-85120568	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending business; agency sale of financial products; securities underwriting and sponsoring (limited to ancillary works such as project contracting, project information transmission and recommendation and customer relationship maintenance).
10	Huai'an Branch	9/F, Building 1, No. 18, Huaihai Road East, Huai'an, Jiangsu Province	March 24, 2014	2,000	223001	Fan Hao	0517-83907001	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
11	Jiangxi Branch	No. 1416, Jinggangshan Avenue, Xihu District, Nanchang, Jiangxi Province	November 3, 2014	500	330002	Wan Bin	0791-86600577	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; intermediary introduction business for the futures companies; agency sale of financial products; management of securities branches at Jiangxi.
12	Jiangyin Branch	(5/F New Baiye Square) No. 8, Futai Road, Jiangyin, Jiangsu Province	August 4, 2014	2,000	214431	Yu Bo	0510-86837528	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
13	Liaoning Branch	Units 1, 2, 3 and 4, 15/F, Block B, Enterprise Square, No. 125 Qingnian Street, Shenhe District, Shenyang City, Liaoning Province	June 3, 2011	500	110004	Chen Min	024-31881777	Securities brokerage; securities investment consulting; margin financing and securities lending business; agency sale of securities investment funds; intermediary introduction business for the futures companies; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only).

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
14	Nanjing Branch	No. 90 Zhongshan Road East, Qinhuai District, Nanjing	April 9, 2010	2,000	210002	Wang Yansheng	025-84791077	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
15	Nantong Branch	Fangtian Building, No. 6 Yaogang Road, Nantong, Jiangsu Province	May 28, 2010	500	226000	Ren Qiaojian	0513-85529888	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
16	Shandong Branch	Rooms 2101&2104, 21/F, Block A, Yinfeng Fortune Plaza, No. 1 West LongAo Road, Lixia District, Jinan City	April 16, 2014	2,000	250061	Li Gang	0531-55686555	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
17	Shanghai Branch	Room 2201, No. 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone	May 28, 2010	500	200120	Lu Chunguang	021-28972296	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
18	Shenzhen Branch	8A, Fund Mansion, No.5999, Yitian Road, Lianhua Street, Futian District, Shenzhen	March 19, 2012	500	518048	Wang Lianfen	0755-82492098	Securities brokerage; securities underwriting (limited to contracting); securities investment consulting; margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
19	Sichuan Branch	No. 2, 16/F, Block 1, Zhongda Junyue Jinsha Office Building, 51 West Qingjiang Road, Qingyang District, Chengdu	May 19, 2012	500	610091	Li Hui	028-61502398	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
20	Suzhou Branch	4/F and 5/F, No. 102 Xinshi Road, Canglang District, Suzhou	May 28, 2010	500	215000	Liu Xiaobing	0512-67579666	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
21	Taizhou Branch	No. 22, Yingchun Road West, Hailing District, Taizhou, Jiangsu Province	August 4, 2014	2,000	225300	Wang Yujie	0523-86234237	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
22	Tianjin Branch	Block HI on 1/F, and Block E-I on 5/F, North Finance Building, No. 5 Youyi Avenue, Hexi District, Tianjin	May 28, 2010	500	300211	Li Yijun	022-59657718	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
23	Wuxi Branch	No. 325, Jiefang Road West, Wuxi, Jiangsu Province	June 11, 2014	2,000	214000	Lu Rong	0510-82723020	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
24	Northwest Branch	Room 21401, Unit 2, Building 2, CROSS Wangxianghui, No.21 Gaoxin Six Road, Zhangba Sub-district Office, High-Tech Zone, Xi'an, Shaanxi Province	August 5, 2019	-	710000	Gao Hong	029-87897055	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only).
25	Xuzhou Branch	No. 104, Block B, 3/F, Block B, Baolong Square, West side of the Government seat of Yunlong District, North side of Heping Ave, Yunlong District, Xuzhou	April 16, 2014	2,000	221001	Wang Minsheng	0516-85602988	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
26	Yancheng Branch	No. 1015, Business Street, Dongjin Road, Bao Long City Square, Yancheng, Jiangsu Province	March 24, 2014	2,000	224002	Zhang Tingwen	0515-88216888	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
27	Yangzhou Branch	No. 406, Wenchang Middle Road, Guangling District, Yangzhou	August 4, 2014	2,000	225001	Ji Chunbo	0514-82196688	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.
28	Yunnan Branch	6/F, Block C, Dushi Mingyuan Community, Middle Renmin Road, Kunming, Yunnan Province	February 25, 2014	500	650021	Yin Tianshui	0871-65951973	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending business; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only).



No.	Name	Address	Date of establishment	Registered capital (or working capital)	Zip code	Person in charge	Contact number	Business scope
29	Zhejiang Branch	Rooms 2302, 2304, 2305, 2306 and 2404, Block 1, Sunyard International Creative Center Building, No. 1750, Jianghong Road, Binjiang District, Hangzhou, Zhejiang Province	March 25, 2013	500	310052	Wang Jie	0571-86698700	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending business; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only).
30	Zhenjiang Branch	No. 11, Changjiang Road, Zhenjiang	March 24, 2014	2,000	212000	Dong Kaisong	0511-85037099	Securities brokerage; securities investment consulting; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); margin financing and securities lending business; agency sale of securities investment funds; agency sale of financial products.

## ***2. Number and distribution of Securities Branches***

As of the end of the Reporting Period, the number and distribution of Securities Branches of the Company are as follows:

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
1		Hefei	Securities Branch in Huaining Road, Hefei	Room 1104, 1211-1213, Block C, Landmark Plaza, No. 288, Huaining Road, Zhengwu District, Hefei City	230022	Fan Huijuan	0551-65175008
2			Securities Branch in Chuangxin Road, Hefei	4F, Block C, Chuangxin Department, No. 2760, Chuangxin Road, High-tech District, Hefei City, Anhui Province	230088	Zhang Jiazhu	0551-62686969
3	Anhui	Ma'anshan	Securities Branch in Huafei Road, Ma'anshan	No. 5-6, Block 10 Zhenzhuyuan II village, Huashan District, Ma'anshan City, Anhui Province	243000	Gao Guosheng	0555-7185517
4		Chuzhou	Securities Branch in Fengle Avenue, Chuzhou	No. 1112 & 1114, Commercial Block S3, No. 1118 Fengle Avenue (Yutianxia South Garden), Chuzhou City, Anhui Province	239001	Zhao Fei	0550-3019976
5		Tongling	Securities Branch in Huaihe Avenue, Tongling	No. 1602 & 1603, 16/F, Shop 142, 1/F, Huijin Building, Tongling Trade Building, Huaihe Avenue, Tongling City, Anhui Province	244000	Hu Jing	0562-2801988
6		Beijing	Securities Branch in Dongsanhuan North Road, Beijing	Inner Flat 01, No. 102, 1/F (01), Block 27, Dongsanhuan North Road, Chaoyang District, Beijing	100062	Yang Junpeng	010-59725337
7			Securities Branch in Suzhou Street, Beijing	Room 901-903, 9/F Weiya Building, Block 18, No. 29 Suzhou Street, Haidian District, Beijing	100080	Li Shuai	010-62523799
8			Securities Branch in International Finance and Economy Center, Xisanhuan, Beijing	Room 403, 4/F, No. 87 Xisanhuan North Road, Haidian District, Beijing	100048	Chen Xi	010-68733708
9	Beijing		Securities Branch in Yonghe Temple, Beijing	Room 501, 5/F, Block F, Room 116, 1/F, & Room 216, 2/F, Block D, No. 28 Andingmen East Street, Dongcheng District, Beijing	100007	Zhao Youqiang	010-84273989
10			Securities Branch in Yuetan South Street, Beijing	3/F Wanfengyihe Business Club, No. 12A Yuetan South Street, Xicheng District, Beijing	100045	Liang Qiuming	010-68058688
11			Securities Branch in Xueyuan South Road, Beijing	Room 107, 1/F, Room 309, 3/F, No. 62 Xueyuan South Road, Haidian District, Beijing	100081	Liu Zhifeng	010-82263313

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
12		Baotou	Securities Branch in Donghe District, Baotou	No. 41, Bayantala Street, Donghe District, Baotou City, Inner Mongolia Autonomous Region	014040	Ma Xiaojun	0472-4136027
13	Inner Mongolia		Securities Branch in Gangtie Main Street, Baotou	Basement Shop 4, Baobin Wall East, No. 19 Gangtie Main Street, Kun District, Baotou City, Inner Mongolia Autonomous Region	014010	Niu Anfang	0472-6867886
14		Hohhot	Securities Branch in Xinhua East Street, Saihan District, Hohhot	Room 1707, 17/F, Block A, Wanda Plaza Complex, No. 26, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	010010	Qi Hong	0471-3251997
15	Hebei	Shijiazhuang	Securities Branch in Zhonghua North Street, Shijiazhuang	No. 50, Huabei Street, Xinhua District, Shijiazhuang	050051	Han Jiancai	0311-66788203
16		Fuzhou	Securities Branch in Wuyi North Road, Fuzhou	19/F, Block 3#, Zhengxiang Center, No. 153 Wuyi North Road, Shuibu Street, Gulou District, Fuzhou City	350009	Wei Xiang	0591-88037887
17		Quanzhou	Securities Branch in Jiuyi Street, Quanzhou	4/F, Baiyuan Building, Jiuyi Street, Licheng District, Quanzhou City	362000	Chen Mingfeng	0595-22187188
18	Fujian	Xiamen	Securities Branch in Xiahe Road, Xiamen	Rooms 201 & 202, Block B, Haiyi Building, No. 668 Xiahe Road, Siming District, Xiamen City	361004	Cai Hao	0592-2997888
19		Zhangzhou	Securities Branch in Shuixian Avenue, Zhangzhou	Flat 03-04, 4/F, Block B, Doubletree Hotel by Hilton, Rongxin, No. 88, Shuixian Avenue, Longwen District, Zhangzhou City, Fujian Province	363000	Liu Huafeng	0592-2977386
20		Foshan	Securities Branch in Denghu East Road, Foshan	Flat A, actually 26/F (nominally 29/F), Block 2, Youbang Financial Centre, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan City	528200	Yang Siyu	0757-29808978
21		Guangzhou	Securities Branch in Zhujiang West Avenue, Guangzhou	17/F (self-edited rooms 05, 06 and 07), No. 15 Zhujiang West Avenue, Tianhe District, Guangzhou City	510000	Zheng Chengbin	020-37279969
22			Securities Branch in Wanda Plaza, Panyu District, Guangzhou	Rooms 103, 105, 107, 109, Huizhi 3rd Road, Nancun County, Panyu District, Guangzhou City	510440	Zhu Daoming	020-39213388
23			Securities Branch in Middle Guangzhou Avenue, Guangzhou	Room 103, No. 307 Middle Guangzhou Avenue, Yuexiu District, Guangzhou City	510220	Chen Xiaomin	020-84133637

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
24			Securities Branch in Huanshi East Road, Guangzhou	Rooms S1201, 1218-23, 12/F, South Tower, No. 371-375 Huanshi East Road, Yuexiu District, Guangzhou City, Guangdong Province	510060	Cheng Feng	020-83853823
25			Securities Branch in Tianhe East Road, Guangzhou City	5/F, No. 65 Tianhe East Road, Tianhe District, Guangzhou City, Guangdong Province	510620	Lin Hao	020-89286707
26			Securities Branch in Tianhecheng, Guangzhou	Rooms 3605, 3606, 3607, 36/F, Yuehai Tianhecheng Building (namely, Tianhecheng East Tower), No. 208 Tianhe Road, Tianhe District, Guangzhou City	510620	Tang Jia	020-22031389
27			Securities Branch in Yuncheng West Road, Guangzhou	Rooms 4002, 4003, 4004, No. 888 Yuncheng West Road, Baiyun District, Guangzhou City	510420	Li Yong	020-86273767
28		Zhongshan	Securities Branch in Xingzheng Road, Zhongshan	Shop No. 1003, Block 1, Zhongshan Central Plaza, No. 1, Xingzheng Road, East District, Zhongshan City	528403	Wang Ruifeng	0760-89823338
29		Shantou	Securities Branch in Zhujiang Road, Shantou	Rooms 09, 11, 13, No. 1001, Block A, Xingyuan Building, South Side of Zhujiang Road, Longhu District, Shantou City, Guangdong Province	515041	Chen Yu	0754-89898179
30	Guangdong	Shenzhen	Securities Branch in Qianhai, Shenzhen	Building B7, Qianhaishengang Fund Town, No. 128, Qianhaiguiwan Road 5, Nanshan Street, Nanshan District, Shenzhen City	518031	Cheng Tao	0755-82873125
31			Securities Branch in Caitian Road, Shenzhen	1/F, 2/F, Block 3, Fuyuan Building, No. 2014-9 Caitian Road, Futain District, Shenzhen City	518026	Ma Jianmin	0755-82993655
32			Securities Branch in Haide 3rd Road, Shenzhen	Rooms 1903, 1904, 1905, East Tower of Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	518059	Zhang Yijiang	0755-86271277
33			Securities Branch in Huangge North Road, Longgang, Shenzhen	Flat A102-2, Plant 1, Longgang Tian'an Cyber Innovation Park, No. 441, Huangge Road, Longcheng Street, Longgang District, Shenzhen City	518172	Xiang Hong	0755-82872960
34			Securities Branch in Baidu International Building, Keyuan Road, Shenzhen	East Tower 33/F, Baidu International Building, Xuefu Road East, Yuehai Street, Nanshan District, Shenzhen City	518040	Wang Shaolian	0755-82531008
35			Securities Branch in Shennan Avenue, Shenzhen	No. 01B, 25/F, Block A, Donghai International Center, No. 7888 Shennan Road, Xiangmihu Street, Futian District, Shenzhen City	518040	Li Chendong	0755-82719339

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
36			Securities Branch in Road 1 of High-tech Park South, Shenzhen	Southeast Side of 8/F, Fucheng Technology Building, No. 003, Road 1 of High-tech Park South, Nanshan District, Shenzhen City	518057	Song Tao	0755-25870808
37			Securities Branch in Hongli Road, Shenzhen	No. BC, 9/F, Block A, CIS Commercial Center, No. 1061 Xiangmei Road, Xiangmihu Street, Futian District, Shenzhen City	518000	Li Xiaoshan	0755-82080300
38			Securities Branch in Fund Building, Shennan Avenue, Shenzhen	8B, Fund Building, No. 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen City	518053	Cao Mengming	0755-26626388
39			Securities Branch in Rongchao Business Center, Yitian Road, Shenzhen	2201-2212, Building A, Rongchao Business Center, No. 6003 Yitian Road, Fuxin Community, Lianhua Street, Futian District, Shenzhen City	518026	Wu Sheng	0755-83767319
40			Securities Branch in Yitian Road, Shenzhen	Flats 02, 03, 04, 17/F, China Travel Service HK Building, No. 4011 Shennan Avenue, Futian District, Shenzhen City	518048	Yang Dongyang	0755-82766226
41			Securities Branch in Zhuzilin 4th Road, Shenzhen	Flats 10H, 10I, 10J, China Economy and Trading Building, No. 18 Zizhu 7th Road, Zhulin Community, Xiangmihu Street, Futian District, Shenzhen City	518041	Gu Guoxu	0755-82027636
42			Securities Branch in Ali cloud Building, Houhai, Shenzhen	Shop 32 & 33, 1/F, Block T4, Ali Center, No. 3329 Keyuan South Road, Nanshan District, Shenzhen City	518048	Chen Shun	0755-27247971
43		Nanning	Securities Branch in Zhongtai Road, Nanning	7/F, South Tower of Beibuwan Building, No. 11 Zhongtai Road, Nanning City	530029	Zhang Han	0771-5570608
44	Guangxi	Wuzhou	Securities Branch in Xidi 3rd Road, Wuzhou	No. 1 of 1/F, No. 19 Xidi 3rd Road, Wuzhou City	543002	Qin Shumin	0774-3862288
45		Haikou	Securities Branch in Guoxing Road, Haikou	Room 3807, 38/F, New Hainan Building, No. 5 Guoxing Road, Meilan District, Haikou City, Hainan Province	570102	Chen Jie	0898-66202789
46	Hainan	Sanya	Securities Branch in Yingbin Road, Sanya	Unit 1201, Yangguang Financial Square, No. 360-1 Yingbin Road, Jiyang District, Sanya City, Hainan Province	572021	He Ruijin	0898-88211669
47	Shanxi	Taiyuan	Securities Branch in Tiyu Road, Taiyuan	No. 58, Tiyu Road, Xiaodian District, Taiyuan City	030001	Wang Guoqi	0351-7775553

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
48	Henan	Zhengzhou	Securities Branch in Jingsan Road, Zhengzhou	Guanghui Building, No. 15, Jingsan Road, Jinshui District, Zhengzhou City	450003	Shi Qianjin	0371-65585005
49			Securities Branch in Nongye Road, Zhengzhou	No. 101, Floors 1-2, Building 1, No. 16, East Nongye Road, Jinshui District, Zhengzhou City	450000	Zhou Rui	0371-60958371
50			Securities Branch in Zijingshan Road, Zhengzhou	18/F, entire floor of Zhengzhou Zhengshanglanhai Plaza Building, No. 2, Erligang, Zijingshan Road, Guancheng District, Zhengzhou City	450008	Xia Mengfei	0371-58670567
51	Heilongjiang	Harbin	Securities Branch in West 16th Street, Harbin	No. 15, West 16th Street, Daoli District, Harbin City, Heilongjiang Province	150010	Zhang Lei	0451-51998718
52			Securities Branch in Xuanhua Street, Harbin	Floors 1-2, Block B, Aochengguoji, No. 239, Xuanhua Street, Nangang District, Harbin City	150001	Wang Jixiang	0451-51998768
53		Mudanjiang	Securities Branch in Xiyitiao Road, Mudanjiang	No. 236, Xiyitiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province	157001	Ma Xiuhui	0453-8111898
54		Suihua	Securities Branch in Zhengyang Street, Zhaodong, Suihua	2/F Office, ICBC Zhaodong Branch, Zhengyang South 10th Street, No. 3, Zhaodong, Suihua City, Heilongjiang Province	151100	Sun Peng	0455-8182228
55		Daqing	Securities Branch in Xinchao Street, Daqing	S10, Commercial Service Building, Phase I Xinchao Jiayuan Community, Ranghulu District, Daqing City, Heilongjiang Province	163400	Zheng Ye	0459-8971477

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
56	Jilin	Changchun	Securities Branch in Minkang Road, Changchun	No. 855 Minkang Road, Nangan District, Changchun City	130041	Cheng Bo	0431-81910599
57			Securities Branch in Ziyou Avenue, Changchun	No. 1000, Ziyou Avenue, Chaoyang District, Changchun City	130021	Guo Jiayin	0431-81919187
58		Jilin	Securities Branch in Jiefang East Road, Jilin City	No. 7 Branch, No. 2 Dongchang Complex Building, No. 62 Jiefang East Road, Changyi District, Jilin City, Jilin Province	132001	Liu Yan	0432-65128799
59	Hubei	Xiaogan	Securities Branch in Zijin Road, Anlu	No. 1, Zijin Road, Anlu City, Hubei Province	432600	Ding Xiang	0712-5231718
60			Securities Branch in Dawu Xiyue Road	Xiyue Avenue, Dawu County, Hubei Province	432800	Chen Junhong	0712-7226466
61			Securities Branch in Xiannv Avenue, Hanchuan	No. 215, Xiannv Avenue, Hanchuan City, Hubei Province	431600	Wang Lin	0712-8296358
62			Securities Branch in Changzheng Road, Xiaogan	No. 29, Changzheng Road, Xiaogan City, Hubei Province	432000	Wang Kai	0712-2326727
63			Securities Branch in West Main Street, Yingcheng	No. 22, Building 1 of Guchengxindu, West Main Street, Yingcheng City	432400	Pan Jianping	0712-3226017
64			Securities Branch in Chaoyang Road, Yunmeng	No. 1, Chaoyang Road, Yunmeng County, Hubei Province	432500	Long Nina	0712-4338338
65		Enshi	Securities Branch in Shizhou Avenue, Enshi	No. 63, Shizhou Avenue, Enshi City, Hubei Province	445000	Zhang Hongkai	0718-8237528
66	Hubei		Securities Branch in Jianshi Yezhou Avenue	No. 109, Yezhou Avenue, Yezhou Town, Jianshi County	445300	Chen Yan	0718-3230098
67			Securities Branch in Badong Chutian Road	No. 5 Chutian Road, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	444300	Wang Xinmao	0718-4332133
68			Securities Branch in Laifeng Fengxiang Road	No. 87, Fengxiang Avenue, Laifeng County	445700	Zhang Xingxin	0718-6288118
69			Securities Branch in Lichuan Nanbin Avenue	Room 106, 107, Block 8, Nanbin Garden No. 66 Nanbin Road, No. 1 Group, Wangjiawan Village, Dongcheng Street Agency, Lichuan City	445400	Qin Xiqiong	0718-7283339
70	Jingzhou	Securities Branch in Middle Beijing Road, Jingzhou	No. 249, Middle Beijing Road, Shashi District, Jingzhou City, Hubei Province	434000	Xu Jian	0716-8249551	
71	Hubei		Securities Branch in Bijiashan Road, Shishou	No. 88, Bijiashan Road, Xiulin Agency, Shishou City	434400	Zuo Feng	0716-7282593
72		Shiyan	Securities Branch in Chaoyang North Road, Shiyan	No. 8, Chaoyang North Road, Zhangwan District, Shiyan City	442000	Li Zhihua	0719-8240158



No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
73	Hubei	Shennongjia Forestry District	Securities Branch in Shennong Avenue, Shennongjia	No. 225, Shennong Avenue, Songbai Town, Shennongjia Forestry District	442400	Liu Chao	0719-3336276
74		Wuhan	Securities Branch in Minzu Avenue, Wuhan	Southeast Side of Green Square, Lu Lane, Donghu Development Zone, Wuhan City	430074	Xu Hui	027-87575660
75			Securities Branch in Zhujiang Road, CBD, Wuhan	Room 4, 26/F, Building 5, Fanhai International SOHO, Wangjiadun CBD, Jiangnan District, Wuhan City	430032	Yu Yanhua	027-83632286
76			Securities Branch in Youyi Avenue, Wuhan	No. 999, Youyi Avenue, Wuhan City	430080	Peng Chao	027-86880966
77			Securities Branch in Shouyi Road, Wuhan	No. 115, Shouyi Road, Wuchang District, Wuhan City	430060	Li Pan	027-88133377
78			Securities Branch in Wuluo Road, Wuhan	Room 1F-21 on 1/F and Room 5-13 on 15/F, Building 3, Disiman International Center, No. 421, Wuluo Road, Wuchang District, Wuhan City	430070	Liu Yong	027-87816068
79			Securities Branch in Xinhua Road, Wuhan	No. 296, Xinhua Street, Jiangnan District, Wuhan City	430015	Liu Hongyan	027-85558889
80		Xiangyang	Securities Branch in Changhong North Road, Xiangyang	No. 19, Changhong North Road, High-tech Zone, Xiangyang City	441000	Zhang Suicui	0710-3278298
81	Huanggang	Securities Branch in Chibi Avenue, Huanggang	No. 25, Chibi Avenue, Huangzhou District, Huanggang City	438000	Ning Yi	0713-8613915	
82		Securities Branch in Yongning Avenue, Wuxue	No. 55, Yongning Avenue East, Wuxue City, Hubei Province	435400	Li Zhongrun	0713-6758589	
83		Securities Branch in Ronghui Road, Macheng	No. 33, Ronghui Road, Macheng City, Hubei Province	438300	Liu Wei	0713-2772385	
84	Yichang	Securities Branch in Changban Road, Dangyang	No. 112, Changban Road, Dangyang City, Hubei Province	444100	You Jianghua	0717-3252238	
85		Securities Branch in Xiling Yi Road, Yichang	No. 10, Xiling Yi Road, Yichang City	443000	Zhang Feng	0717-6229898	
86		Securities Branch in Qingjiang Road, Yidu	No. 23, Lucheng Qingjiang Road, Yidu City	443300	Hu Dewen	0717-4836899	
87		Securities Branch in Park Road, Zhijiang	The junction of Tuanjie Road and Park Road, Majiadian, Zhijiang City	443200	Feng Bo	0718-4200539	
88	Changsha	Securities Branch in Shaoshan North Road, Changsha	3/F, Yixinhuayuan Club, No. 285, Shaoshan Road North, Yuhua District, Changsha City	410007	Chen Siyuan	0731-85561098	

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89	Hunan	Yueyang	Securities Branch in Tianyue Avenue, Pingjiang, Yueyang	Beside to the Local Tax Bureau, Tianyue Avenue, Pingjiang County, Yueyang City	414500	Chen Tao	0730-6297008
90			Securities Branch in Wulipai, Yueyang	3/F, Jiamei Building, Wulipai, Yueyang City	414000	Chen Muyuan	0730-8240599
91		Nanchang	Securities Branch in Supu Road, Nanchang	No. 111, Supu Road, Donghu District, Nanchang City, Jiangxi Province	330006	Han Tao	0791-86270340
92	Jiangxi		Securities Branch in Wenhua Avenue, Xinjian, Nanchang	Room A1, Block 1 of Honggufengshang, No. 1290, Wenhua Avenue, Changleng Town, Xinjian District, Nanchang City, Jiangxi Province	330100	Wu Di	0791-83751699
93		Changzhou	Securities Branch in Dongheng Street, Changzhou	No. 2, Dongheng Street, Changzhou City	213003	Yang Lu	18106123792
94			Securities Branch in Heping North Road, Changzhou	No. 9, Heping North Road	213000	Shen Jianwei	0519-86618298
95			Securities Branch in Taihu East Road, Changzhou	No. 1-10, 11, 12, 26, 27, 28, Fuchen Park, Taihu East Road, Xinbei District, Changzhou City	213000	Yao Haitang	0519-86921660
96			Securities Branch in Middle Yanzheng Avenue, Changzhou	No. 16, Middle Yanzheng Avenue, Wujin District, Changzhou City	213159	Zou Wenjuan	0519-81000818
97			Securities Branch in Dongmen Street, Jintan	No. 500, Dongmen Street, Jintan District, Changzhou City	213200	Guo Xiang	18936880906
98	Jiangsu		Securities Branch in South Street, Liyang	No. 91, South Street, Liyang City	213300	Shi Yuefeng	18961106969
99		Huaian	Securities Branch in Chengde North Road, Huaian	Rooms 2, 3, 4, Building 2, Chengde Mansion, Huaixin District, Huaian City	223300	Hu Xi	0517-84908988
100			Securities Branch in Hongri Avenue, Lianshui, Huaian	Room 104, the Second Shop on the north side of Fuqian Yujingyuan Community, Lianshui County, Huaian City, Jiangsu Province	223400	Zeng Zhushan	0517-82660908
101			Securities Branch in South Hanxin Road, Huaian District, Huaian	No. 2-4 Hanxin South Road, Huaian District, Huaian City, Jiangsu Province	223200	Xu Aijun	0517-85198077
102			Securities Branch in Huaihe East Road, Xuyi, Huaian	No. 45 Huaihe East Road, Xucheng Town, Xuyi County, Huaian City, Jiangsu Province	211700	Kang Le	0517-88219875
103		Nanjing	Securities Branch in Zhenzhu South Road, Lishui	Room 6, Building 109, Guangcheng Oriental City, No. 99 Zhenzhu South Road, Yongyang Town, Lishui District, Nanjing City, Jiangsu Province	211200	Li Guangxiang	025-56235323
104			Securities Branch in Caochangmen Street, Nanjing	18/F, No. 101 Caochangmen Street, Nanjing City	210036	Peng Jinbo	025-86586118

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105			Securities Branch in Changjiang Road, Nanjing	1/F and 2/F, No. 99 Changjiang Road, Nanjing City	210005	Zhang Cuilian	025-84798478
106			Securities Branch in Baota Road, Gaochun, Nanjing	No. 158-8 Baota Road, Chunxi Town, Gaochun District, Nanjing City, Jiangsu Province	211300	Xing Jiabin	025-56816718
107			Securities Branch in Guangzhou Road, Nanjing	No. 189 Guangzhou Road, Nanjing City, Jiangsu Province	210024	Liu Lei	025-58010023
108			Securities Branch in Lushan Road, Nanjing	No. 168 Lushan Road, Jianye District, Nanjing City	210029	Jiang Xianming	025-83539789
109			Securities Branch in Hubu Street, Nanjing	No. 15 Hubu Street, Nanjing City, Jiangsu Province	210002	Geng Kun	025-86895618
110			Securities Branch in Tianyuan East Road, Jiangning, Nanjing	Rooms 801-805, Building 8, Fortune Plaza II, No. 228 Tianyuan East Road, Chunhua Street, Jiangning, Nanjing City	211100	Wu Chunpeng	025-87189599
111			Securities Branch in Jiefang Road, Nanjing	No. 20 Jiefang Road Nanjing City	210016	Zhang Anzhong	025-84620977
112			Securities Branch in Xiongzhou West Road, Liuhe, Nanjing	9/F, Building 1, No. 12 Xiongzhou West Road, Xiongzhou Street, Liuhe District, Nanjing City	211500	Xie Xiangshun	025-57115051
113			Securities Branch in Ningshuang Road, Nanjing	12/F, Building A, Yunmi City, No. 19 Ningshuang Road, Yuhuatai District, Nanjing City, Jiangsu Province	210007	Dai Yang	025-84601105
114			Securities Branch in Yushi Street, Nanjing	No. 96 Yushi Street, Nanjing City, Jiangsu Province	210008	Tian Yu	025-84701234
115			Securities Branch in Zhimaying, Nanjing	No. 26 Zhimaying, Nanjing City	210004	Chu Dongbing	025-52210618
116			Securities Branch in Zhonghua Road, Nanjing	No. 255 Zhonghua Road, Nanjing City, Jiangsu Province	210001	Xu Minfeng	025-52230208
117			The Second Securities Branch in Zhongshan North Road, Nanjing	8/F, No. 219 Zhongshan North Road, Nanjing City	210009	Wang Juan	025-83346819
118			Securities Branch in Zhongshan North Road, Nanjing	1/F and 5/F, Zhongshan Junjing Building, No. 333 Zhongshan North Road, Gulou District, Nanjing City	210003	Zhang Xiaodi	025-83539281
119			The Third Securities Branch in Zhongyang Road, Nanjing	Block 6, No. 399, Zhongyang Road, Nanjing City, Jiangsu Province	210037	Xing Qin	025-83581188
120			Securities Branch in Pusi Road, Nanjing	No. 8-2 Pusi Road, High-tech Industrial Development Zone, Nanjing City, Jiangsu Province	210032	Li Boyang	025-83581189
121		Nan Tong	Securities Branch in Changjiang Road, Haimen	No. 231, Changjiang Road, Haimen Town, Haimen City, Jiangsu Province	226100	Mao Weiping	0513-82227766

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122			Securities Branch in Middle Changjiang Road, Hai'an, Nantong	No. 93 Middle Changjiang Road, Hai'an Town, Hai'an County, Nantong City, Jiangsu Province	226600	Zhai Jiping	0513-88856678
123			Securities Branch in Gongnong Road, Nantong	Rooms 2404-2405, South Building, Harmony City, No. 57 Gongnong Road, Nantong City	226000	Sha Fei	0513-85126758
124			Securities Branch in Middle Renmin Road, Nantong	No. 10 Middle Renmin Road, Nantong City, Jiangsu Province	226001	Bian Xiaohong	0513-85123188
125			Securities Branch in Renmin Road, Rudong, Nantong	Renmin Road West, Juegang Town, Rudong County, Nantong City, Jiangsu Province	226400	Chen Xiaojun	0513-84883333
126			Securities Branch in Shanghai East Road, Nantong	Room 112, Business Block 1, Xinghu Linli, Nantong City, Jiangsu Province	226009	Zhu Bing	0513-83593191
127			Securities Branch in New Century Avenue, Tongzhou, Nantong	01B-2 Office, No. 170, New Century Avenue, High-tech Zone, Nantong	226300	Qian Hang	0513-81692959
128			Securities Branch in Yaogang Road, Nantong	No. 6 Yaogang Road, Nantong City, Jiangsu Province	226006	Xu Ke	0513-85580999
129			Securities Branch in Middle Renmin Road, Qidong	No. 505, Middle Renmin Road, Huilong Town, Qidong City, Jiangsu Province	226200	Zhu Bing	0513-83652208
130			Securities Branch in Fushou Road, Rugao	No. 2-1 & 2-2 Building Phase III, Chengjianjiayuan, Rucheng Town, Rugao City, Jiangsu Province	226500	Ji Xi	0513-81692950
131		Suzhou	Securities Branch in Jinshajiang Road, Changshu	No. 18, Jinshajiang Road, Changshu City, Jiangsu Province	215500	Pan Yi	0512-52895998
132			Securities Branch in Heilongjiang North Road, Kunshan	3/F, Building 3, No. 8 Heilongjiang North Road, Kunshan Development Zone, Jiangsu Province	215300	Liu Xinglin	0512-55219166
133			Securities Branch in Ganjiang West Road, Suzhou	No. 1359, Ganjiang West Road, Suzhou City, Jiangsu Province	215004	Dong Xiaoyan	0512-68270515
134			Securities Branch in Heshan Road, Suzhou	2/F, Building 2, Jinri Jiayuan (No. 56, Heshan Road), High-tech Zone, Suzhou City	215000	Han Zongxu	0512-68785488
135			Securities Branch in Renmin Road, Suzhou	No. 1925, Renmin Road, Suzhou City, Jiangsu Province	215001	Zhang Zhen	0512-67579766
136			Securities Branch in Xiandai Avenue, Suzhou	Room 307 Lejia Building, No. 8 Jiarui Lane, Suzhou Industrial Park, Jiangsu Province	215028	Guo Hangxi	0512-68260646
137			Securities Branch in Xinshi Road, Suzhou	No. 102, Xinshi Road, Canglang District, Suzhou City, Jiangsu Province	215007	Yu Lin	0512-65729996
138			Securities Branch in Taiping South Road, Taicang	No. 36-1 Taiping South Road, Chengxiang Town, Taicang City, Jiangsu Province	215400	Li Shengyu	0512-53589559

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139			Securities Branch in Guangzhou Road, Shengze Town, Wujiang	Room 107, Huiying Mansion, Financial Business Center, North Side of Chenjiaqiao Village Road, Xincheng District, Shengze Town, Wujiang District, Suzhou City	215228	Fan Xiaofeng	0512-63910061
140			Securities Branch in Middle Changjiang Road, Jingang Town, Zhangjiagang	No. 251, Middle Changjiang Road, Jingang Town, Zhangjiagang City, Jiangsu Province	215633	Zhang Lin	0512-56767800
141			Securities Branch in Yangshe East Road, Zhangjiagang	No. 2 Yangshe Road East, Zhangjiagang City, Jiangsu Province	215600	Wang Zhigang	0512-58178288
142			Securities Branch in Wuzhong Avenue, Suzhou	2/F, Wuzhong Commercial Center, Building 1, No. 198 Su Street, Yuexi Subdistrict, Wuzhong Economic Development Zone, Suzhou	215104	Sun Liang	0512-66021881
143			Securities Branch in Gaoxin Road, Wujiang District, Suzhou	No. 946/No.948, Gaoxin Road, Songling Town, Wujiang District, Suzhou City	215200	Zhao Yang	0512-63956208
144		Taizhou	Securities Branch in Jiangyan Road East	No. 23, East Avenue, Luotang Street, Jiangyan District, Taizhou City, Jiangsu Province	225500	Miao Genping	0523-88209518
145			Securities Branch in Middle Renmin Road, Jingjiang	No. 150-3 Middle Renmin Road, Jingjiang City, Jiangsu Province	214500	Dong Jun	0523-89101088
146			Securities Branch in Guoqing West Road, Taixing	D106/D206, Hotel Building 4, Qingyun Garden, Taixing City, Jiangsu Province	225400	Tao Jin	0523-87095597
147			Securities Branch in Jingang South Road, Gaogang, Taizhou	Room 02, Building 6, Dushijiayuan Phase I, Jingang South Road, Gaogang District, Taizhou City, Jiangsu Province	225300	Zhang Zhan	0523-86985597
148			Securities Branch in Middle Yingwu Road, Xinghua, Taizhou	No. 198 Middle Yingwu Road, Xinghua City, Jiangsu province	225700	Su Bin	0523-83256333
149		Wuxi	Securities Branch in Huandong Road, Huashi Town, Jiangyin	No. 680, Huandong Road, Huashi Town, Jiangyin City, Jiangsu province	214421	Zhong Hua	0510-86837400
150			Securities Branch in West Avenue, Zhouzhuang Town, Jiangyin	No. 318, West Avenue, Zhouzhuang Town, Jiangyin City, Jiangsu province	214423	Zheng Jia	0510-86812928
151			Securities Branch in Hongqiao North Road, Changjing Town, Jiangyin	No. 10, Hongqiao North Road, Changjing Town, Jiangyin City, Jiangsu province	214411	Gu Chun	0510-86837472
152			Securities Branch in Yingxiu Road, Qingyang Town, Jiangyin	No. 111, Yingxiu Road, Qingyang Town, Jiangyin City, Jiangsu province	214401	Liu Chaohui	0510-86817241

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153			Securities Branch in Shenpu Road, Lingang, Jiangyin	No. 108 Shenpu Road, Lingang Subdistrict, Jiangyin City, Jiangsu Province	214443	Xu Dalei	0510-86837409
154			Securities Branch in Liangqing Road, Wuxi	1/F, Jiagong Building, No. 56 Liangqing Road, Wuxi City, Jiangsu Province	214000	Wan Lei	0510-82768155
155			Securities Branch in Jiefang West Road, Wuxi	No. 327 Jiefang West Road, Wuxi City, Jiangsu Province	214000	Zhang Lei	0510-82705608
156			Securities Branch in Financial First Street, Wuxi	Unit 01B, First Floor, No. 11, Financial First Street, Taihu New City, Binhu District, Wuxi City	214123	Zhang Ye	0510-85065672
157			Securities Branch in Yongle Road, Wuxi	1/F, Shuili Building, Nanhebang No. 12, Yongle Road, Nanchang District, Wuxi City, Jiangsu Province	214021	You Lingyan	0510-85045101
158			Securities Branch in Jiefang East Road, Yixing	No. 177 Jiefang East Road, Yicheng Subdistrict, Yixing City, Jiangsu Province	214299	Liu Hui	0510-80793526
159		Lianyungang	Securities Branch in Tongguan South Road, Lianyungang	No. 69 Tongguan South Road, Haizhou District, Lianyungang	222001	Liu Lei	0518-85519068
160		Suqian	Securities Branch in Beijing North Road, Shuyang	No. 17 (on the first floor of CCB), Beijing North Road, Shucheng Town, Shuyang County	223600	Feng Lingtong	0527-87880259
161			Securities Branch in Hongze Lake Road, Suqian	No. 581, Hongze Lake Road, Suqian City	223800	Zhang Yang	0527-84390068
162			Securities Branch in Tiyu North Road, Sihong, Suqian	Room 103, Building 23, Fuyuantianjun, Tiyu North Road, Qingyang Town, Sihong County, Jiangsu Province (Sihong County Economic Development Zone, Jiangsu Province)	223900	Zheng Hai	0527-89889601
163			Securities Branch in Middle Beijing Road, Siyang, Suqian	No. 1 Middle Beijing Road, Zhongxing Town, Siyang County	223700	Lu Jing	0527-85181112
164		Xuzhou	Securities Branch in Science Park, Xuzhou	Room 103, F/1 & Rooms 306, 307 and 308, F/3, Technology Building, Technology Avenue, Quanshan District, Xuzhou City	221006	Zhou Xuehong	0516-85850911
165			Securities Branch in Tangmu Road, Pei County, Xuzhou	Tangmu Road, Pei County	221600	Luo Wei	0516-81202066
166			Securities Branch in Qingnian Road, Xuzhou	No. 117 Qingnian Road, Yunlong District, Xuzhou City	221000	Chen Kaisheng	0516-83718027

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167			Securities Branch in Renmin East Road, Suining, Xuzhou	Rooms 104, 205, 206, 214 and 215, Unit 1, Building 1, Hongrui Jiadi, Renmin East Road, Suicheng Town, Suining County	221200	Zhang Lei	0516-81307121
168			Securities Branch in Heping Road, Xuzhou	101-2, Wenyuan Building, No. 59 Heping Road, Yunlong District, Xuzhou City	221116	Jiao Shuai	0516-83538896
169			Securities Branch in Jianguo West Road, Xuzhou	Room 109, F/1 & Room 205, F/2, Caifu Square 1A Building, No. 75 Jianguo West Road, Xuzhou City	221000	Lin Yan	0516-85803998
170			Securities Branch in Daqiao West Road, Xinyi	No. 8 Daqiao West Road, Xinyi, Xuzhou City, Jiangsu Province	221400	Wang Lei	0516-88989808
171			Securities Branch in Zhongyang Avenue, Feng County, Xuzhou	(Shops 2-10, Mingshi Garden), No. 5101 Zhongyang Avenue, Feng County	221700	Chen Yanzhi	0516-66650130
172		Yancheng	Securities Branch in Renmin South Road, Dafeng, Yancheng	Rooms 102, 103 and 104, Building B, Yangguang Mall, Dafeng District, Yancheng	224100	Yang Fei	0515-83928806
173			Securities Branch in Jinhai Middle Road, Dongtai	Rooms 07-1, 07-2 and 06-2, Building 4, Xinning Xinguang Apartment, No. 3 Jinhai Middle Road, Dongtai City, Jiangsu Province	224200	Zhou Dehong	0515-85105761
174			Securities Branch in Chenghe Road, Funing, Yancheng	No. 63(C), Chenghe Road, Funing County	224400	Fu Yacheng	0515-87875111
175			Securities Branch in Xiangyang Avenue, Binhai, Yancheng	Floor 1, Building East, No. NC-14, Xiangyang Avenue, Binhai County, Yancheng City, Jiangsu Province	224500	Xi Jing	0515-87021988
176		Yangzhou	Securities Branch in Tonghu Road, Gaoyou	No. 90 Tonghu Road, Gaoyou City	225600	Guan Yizhi	0514-84666552
177			Securities Branch in Yeting East Road, Baoying, Yangzhou	No. 10, Yeting East Road, Baoying County	225800	Zuo Enlin	0514-88230488
178			Securities Branch in Longcheng Road, Jiangdu, Yangzhou	Room 22, Block 6, Longcheng Buildings, Yin Jiang Community, Fairy Town, Jiangdu District, Yangzhou City, Jiangsu Province	225200	Wang Hongmei	0514-86534998
179			Securities Branch in Wenchang West Road, Yangzhou	(Park International Building) No. 56 Wenchang West Road, Yangzhou City, Jiangsu Province	225000	Cheng Li	0514-85863888
180			Securities Branch in Wenchang Middle Road, Yangzhou	No. 406, Wenchang Middle Road, Yangzhou City, Jiangsu Province	225001	Zhang Jingbao	0514-87055888

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181			Securities Branch in Zhenzhou East Road, Yizheng, Yangzhou	No. 101 Zhenzhou East Road, Zhenzhou Town, Yizheng City, Jiangsu Province	211400	Lu Zaiyan	0514-83962098
182		Zhenjiang	Securities Branch in Cuizhu South Road, Yangzhong	No. 235 Cuizhu South Road, Sanmao Subdistrict, Yangzhong City	212200	Ling Qi	0511-88399933
183			Securities Branch in Guyang Avenue, Dantu, Zhenjiang	Rooms 101-102, Building 56, Shengdiyage, Dantu District, Zhenjiang City	212000	Hou Yeping	0511-85115898
184			Securities Branch in Dongfang Road, Danyang, Zhenjiang	No. 25, Dongfang Road, Development Zone of Danyang City	212300	Yang Jiang	18900662321
185			Securities Branch in Huayang North Road, Jurong, Zhenjiang	No. 8-2 Huayang North Road, Huayang Town, Jurong City	212400	Xu Kai	0511-85979998
186		Dalian	Securities Branch in Shengli East Road, Dalian	No. 2-1, 2-2 and 2-3, Unit 1, No. 227 Market Street; No. 223 and 231, Market Street, Xigang District, Dalian City, Liaoning Province	116013	Tang Wei	0411-82815866
187			Securities Branch in Lianhe Road, Dalian	No. 4, Meiduyuan, Shahekou District, Dalian City, Liaoning Province	116021	Zhang Sai	0411-84342688
188		Panjin	Securities Branch in Shiyou Street, Panjin	Jiguanwei, Shiyou Street, Xinglongtai District, Panjin City	124010	Wang Ran	0427-3257500
189	Liaoning	Shenyang	Securities Branch in Daxi Road, Shenyang	No. 187, Daxi Road, Shenhe District, Shenyang City, Liaoning Province	110014	Wang Hui	024-31976665
190			Securities Branch in Guangrong Street, Shenyang	Floors 2-5, No. 23, Guangrong Street, Heping District, Shenyang City, Liaoning Province	110003	Liu Zhiwei	024-31883577
191			Securities Branch in Qingnian Street, Shenyang	No. 320 (Building group 201), Qingnian Street, Heping District, Shenyang City, Liaoning Province	110004	Zhang Hongxing	024-31883388
192		Yingkou	Securities Branch in Bohai Street, Yingkou	No. 16-A-1, Bohai Street East, Zhanqian District	115000	Jia Jing	0417-3350961
193		Jinan	Securities Branch in Jingqi Road, Jinan	West Hall, 1F, Runheng Building, No. 83, Jingqi Road, Shizhong District, Jinan City	250000	Zhang Qinlei	18660186343
194			Securities Branch in Qianfoshan Road, Jinan	Rooms C106 & C108, Zone C, 1F and rooms B200, B202 & 206, Zone B, 2F, Huate Plaza, No. 17703, Jingshi Road, Lixia District, Jinan City	250061	Li Guoping	0531-82318318
195			Securities Branch in Jiefang Road, Jinan	102 Zhengda Times Square, No. 112, Jiefang Road, Lixia District, Jinan City, Shandong Province	250013	Cheng Gaofeng	0531-85829568
196	Shandong	Yantai	Securities Branch in Changshan Road, Laiyang	No. 32, Changshan Road, Laiyang City, Shandong Province	265200	Zhang Baigang	0535-7999111
197			Securities Branch in Jinhua Street, Yantai	No. 85, Jinhua Street, Zhifu District, Yantai City, Shandong Province	264000	Wang Xiaodong	0535-2150055



No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
198		Qingdao	Securities Branch in Ningxia Road, Qingdao	No. 122, Ningxia Road, Qingdao City	266071	Cui Junfeng	0532-85713938
199		Linyi	Securities Branch in Jinqueshan Road, Linyi	Room 101, Block B, Weitetianyuan Square, Jinqueshan Road, Lanshan District, Linyi City, Shandong Province	276000	Jing Jianfei	0539-7030698
200		Shanghai	Securities Branch in Jiangning Road, Putuo District, Shanghai	Room 901, No. 1158, Jiangning Road, Putuo District, Shanghai	200060	Cheng Shi	021-33532200
201			Securities Branch in Gonghe New Road, Shanghai	Zones A, B, C, 15/F, No. 5199, Gonghe New Road, Baoshan District, Shanghai	200435	Che Yun	021-56761987
202			Securities Branch in Guobin Road, Yangpu District, Shanghai	Rooms 1801-1804, No. 36, Guobin Road, Yangpu District, Shanghai	200433	Xu Shan	021-33621855
203			Securities Branch in Huanghe Road, Shanghai	4/F, No. 333, Huanghe Road, Huangpu District, Shanghai	200003	He Wei	021-63181398
204			Securities Branch in Raffles Square, Huangpu District, Shanghai	Room 3002, No. 268, Central Tibet Road, Huangpu District, Shanghai	200042	Ruan Jing	021-63550001
205			Securities Branch in Weihai Road, Jing'an District, Shanghai	Room 1305, No. 511, Weihai Road, Jing'an District, Shanghai	200041	Rui Xiaoxiao	021-62678287
206			Securities Branch in Mudanjiang Road, Shanghai	5/F, No. 1508, Mudanjiang Road, Baoshan District, Shanghai	201999	Duan Baodong	021-56106616
207	Shanghai		Securities Branch in Wangyuan South Road, Fengxian District, Shanghai	Room 102, No. 2, Block 2, Alley 1529 Wangyuan South Road, Fengxian District, Shanghai	201400	Yang Junjie	021-67136006
208			Securities Branch in Fushan Road, Pudong New District, Shanghai	Rooms 03B-05A, 26/F (actual floor number: 23/F), No. 388, Fushan Road, Shanghai Pilot Free Trade Zone, China	200120	Wang Yuehao	021-20773068
209			Securities Branch in Tianyaoqiao Road, Xuhui District, Shanghai	Rooms 1103, 1105, 1107 and 1109, No. 329, Tianyaoqiao Road, Xuhui District, Shanghai	200030	Zhang Renrong	021-54254885
210			Securities Branch in Xianxia Road, Changning District, Shanghai	No. 1398-1, Xianxia Road, Changning District, Shanghai (Temporary)	200336	Li Zhongyi	021-52983009
211			Securities Branch in Wuding Road, Shanghai	6/F, 7/F, No. 1088, Wuding Road, Jing'an District, Shanghai	200040	Qi Lili	021-62566063
212			Securities Branch in Tibet South Road, Shanghai	Rooms 506-509, 5/F, No. 1313 Tibet South Road, Huangpu District, Shanghai	200011	Shi Cao	021-53078867
213			Securities Branch in Miaoqing Road, Pudong New District, Shanghai	1-3/F, No. 642, Miaoqing Road, Pudong New District, Shanghai	201299	Miao Cong	021-33825017

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
214			Securities Branch in Century Avenue, Pudong New District, Shanghai	Unit 05, 1F, No. 1229, Century Avenue, Shanghai Pilot Free Trade Zone, China	200120	Pan Deng	021-38476005
215		Chengdu	Securities Branch in Jinhui West 2nd Street, Chengdu	Room 2103, 21/F, Unit 1, Building 10, Tianfu Xingu, No. 399, West Section, Fucheng Avenue, Hi-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone	610000	Yang Rui	028-87448096
216			The Second Securities Branch in Nanyihuan Road, Chengdu	5/F, BOC Building, No. 45, Yihuan Road South Section III, Wuhou District, Chengdu City	610041	Gao Xiongwei	028-85512252
217			Securities Branch in Renmin South Road, Chengdu	Rooms 702 & 703, 7/F, Xinxiwang Building, No. 45, Renmin Road South Section IV, Wuhou District, Chengdu City	610031	Li Huiying	028-85590880
218	Sichuan		Securities Branch in Shujin Road, Chengdu	Rooms 301, 302, 410, 411 and 412, Block C, Jinshawanrui Center, No. 1, Shujin Road, Qingyang District, Chengdu City	610091	Li Hui	028-61505176
219			Securities Branch in Zhengdong Central Street, Tianfu New District, Chengdu	Rooms 240, 242, 244 and 246, Zhengdong Central Street, Huayang Subdistrict, Tianfu New District, Chengdu City, Sichuan Province	610213	Wang Hongtao	028-85640443
220			Securities Branch in Tianfu Avenue, Xipu, Chengdu	2/F, Annex 6 of No. 26, Tianfu Avenue, Xipu Town, Pidu District, Chengdu City	611731	Liu Feng	028-87843269
221		Deyang	Securities Branch in Kaifeng North Road, Zhongjiang County, Deyang	No. 22, Block 3, No. 13, Kaifeng North Road, Kaijiang Town, Zhongjiang County, Deyang City, Sichuan Province	618100	Shang Guang	0838-7201167
222	Guizhou	Guiyang	Securities Branch in Zhonghua Road North, Guiyang	No. 3, Postal Communications Production Building, No. 2, Zhonghua Road North, Yunyan District, Guiyang City, Guizhou Province	550001	Xiong Lihan	0851-84109471
223	Chongqing	Chongqing	Securities Branch in Chunhui Road, Chongqing	Annex 6 of No. 89, Chunhui Road, Chunhui Subdistrict, Dadukou District, Chongqing City	400084	He Xiaoping	023-68901837

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
224		Tianjin	Securities Branch in Baidi Road, Tianjin	No. 240, Baidi Road, Nankai District	300192	Zhang Haiyan	022-87893469
225			Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Rooms 209-211, 2/F, Caizhi Building, No. 9, Erwei Road, Dongli Development Zone, Tianjin City	300399	Liu Yongjun	022-84373801
226	Tianjin		Securities Branch in Qinjian Road, Tianjin	Bottom Floor (Business Area), Yunhan Building, No. 185, Qinjian Road, Hongqiao District	300130	Xu Jianguo	022-26532286
227			Securities Branch in Huachang Road, Tianjin	Unit 07, 08, 09, 10, 2/F, Building 1, No. 40, Huachang Road, Hedong District, Tianjin City	300151	Zhang Feng	022-58811908
228	Gansu	Lanzhou	Securities Branch in Gannan Road, Lanzhou	No. 753, Gannan Road, Gulou Lane Subdistrict, Chengguan District, Lanzhou City, Gansu Province	730000	Fu Jie	0931-8106511
229		Xi'an	Securities Branch in Wenyi North Road, Xi'an	1/F and 6/F, Western Culture Plaza, No. 11, Wenyi North Road, Beilin District, Xi'an City, Shaanxi Province	710054	Jia Gang	029-87889991
230			Securities Branch in Zhangba East Road, Xi'an	1/F, Jintai Holiday Flower City, Zhangba East Road, Yanta District, Xi'an City	710065	Hu Kai	029-85587020
231	Qinghai	Xining	Securities Branch in Wusi Road, Xining	Unit 1, 14/F, No. 33, Wusi Road, Chengxi District, Xining City	810000	Liang Xu	0971-6368338
232	Xinjiang	Yining	Securities Branch in Jiefang West Road, Yining City	8/F, Jinrong Building, No. 243, Jiefang West Road, Yining City	835000	Wang Hui	0999-8986569
233	Ningxia	Yinchuan	Securities Branch in Xinhua West Street, Yinchuan	No. 51, Xinhua West Street, Yinchuan City, the Ningxia Hui Autonomous Region	750004	Liu Ming	0951-6019666

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
234		Hangzhou	Securities Branch in Jiefang East Road, Hangzhou	Room 901, Di Kai Yin Zuo, No. 29, Jiefang East Road, Jianggan District, Hangzhou City, Zhejiang Province	310004	Zhao Nan	0571-28809281
235			Securities Branch in Qiushi Road, Hangzhou	Room 501B and 805, North Block of Gongyuan Building, No. 8, Qiushi Road, Xihu District, Hangzhou City, Zhejiang Province	310007	Zhu Weizhou	0571-87756088
236		Ningbo	Securities Branch in Liuting Street, Ningbo	3/F, Office Building, No. 230, Liuting Street, Haishu District, Ningbo City, Zhejiang Province	315010	Ren Xin	0574-87023678
237		Shaoxing	Securities Branch in Fushan, Shaoxing	No. 213 (101 & 102), No. 215 (101 & 102) and No. 217 (233, 234 & 236-241) Huancheng West Road, Shaoxing City, Zhejiang Province	312000	Zhang Zhengxing	0575-85222916
238	Zhejiang	Wenzhou	Securities Branch in Yangguang Avenue, Yongjia	No. 8-13, 1/F, Yangguang Building, Xinqiao Village, Jiangbei Subdistrict, Yongjia County, Zhejiang Province	325102	Liu Jiexing	0577-66992188
239		Zhoushan	Securities Branch in Jiefang East Road, Zhoushan	Rooms 802 & 803, No. 118, No. 116-1, Jiefang East Road, Dinghai District, Zhoushan City, Zhejiang Province	316100	Zhang Mingfeng	0580-3066008
240		Taizhou	Securities Branch in Zhongxin Avenue, Taizhou	Northeast Section, Room 104, Donggang Office Building, No. 183, Zhongxin Avenue, Taizhou City, Zhejiang Province	318000	Chen Huang	0576-89811389
241		Jiaxing	Securities Branch in Fanggong Road, Jiaxing	No. 1115, No. 1119, Fanggong Road, Jiaxing City, Zhejiang Province	314000	Jing Wei	0573-82862312

### III. INFORMATION DISCLOSURES INDEX

1. During the Reporting Period, the Company disclosed the following matters on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the website of the Shanghai Stock Exchange (www.sse.com.cn):

No.	Date	Announcement
1	2019-01-04	Announcement by HTSC on Implementation Results of Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited and Following Stage of the Plan
2	2019-01-10	Announcement by HTSC on Key Financial Information of Business Operation for December 2018
3	2019-01-19	Announcement by HTSC on Obtaining Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
4	2019-02-12	Announcement by HTSC on Key Financial Information of Business Operation for January 2019
5	2019-02-16	Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II)
6	2019-03-07	Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (First Tranche), Announcement by HTSC on Receipt of Registration Notification of Issue of Short-term Debentures from The People's Bank of China, Announcement by HTSC on Key Financial Information of Business Operation for February 2019
7	2019-03-09	Announcement by HTSC on Progress of Increase of Shareholding of Jiangsu Guoxin Investment Group Limited
8	2019-03-14	Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
9	2019-03-15	Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
10	2019-03-18	Announcement on Coupon Rate of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
11	2019-03-20	Announcement on Issuance Results for 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
12	2019-03-28	Announcement on Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche) on Shanghai Stock Exchange

No.	Date	Announcement
13	2019-03-30	2018 Annual Report of HTSC, 2018 Annual Report Summary of HTSC, Special Review Report on Deposit and Actual Use of Huatai Securities Co., Ltd.'s Funds Raised in 2018 by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Special Verification Opinions on Anticipation of Ordinary Transactions with Related Parties in 2019 of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Report on Performance of Duties of Audit Committee under the Board of HTSC in 2018, Annual Internal Control Evaluation Report of HTSC in 2018, 2018 Annual Report on Continuously Performing Supervision on Non-Public Issuance of A Shares by Huatai Securities Co., Ltd. of Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Independent Opinion of HTSC Independent Directors on Matters Concerning 2018 Annual Report of the Company, Independent Opinion of HTSC Independent Directors on Matters Concerning Changes in Accounting Policies of the Company, Announcement by HTSC on the Resolutions of the Twentieth Meeting of the Fourth Session of the Board, Announcement by HTSC on the Resolutions of the Tenth Meeting of the Fourth Session of the Supervisory Committee, Announcement by HTSC on Anticipation of Ordinary Transactions with Related Parties in 2019, Announcement by HTSC on Changes in Accounting Policies, 2018 Annual Auditing Report, Special Explanation on Occupation of Non-operating Funds and Transaction of Other Associated Funds for 2018, Report on Performance of Duties of HTSC's Independent Directors in 2018, Special Report on Deposit and Actual Use of the Funds Raised in 2018 by HTSC, Corporate Social Responsibility Report of HTSC for 2018, Assurance Report on the Special Report on Deposit and Actual Use of the Fund Raised in 2018, 2018 Internal Control Auditing Report
14	2019-04-09	Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche)
15	2019-04-10	Announcement by HTSC on Key Financial Information of Business Operation for March 2019
16	2019-04-17	Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
17	2019-04-18	Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
18	2019-04-19	Announcement on Coupon Rate of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
19	2019-04-22	Announcement on Issuance Results for 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
20	2019-04-25	Announcement by HTSC on Overseas Listing Status of Its Subsidiary AssetMark
21	2019-04-26	Announcement on the Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche) on Shanghai Stock Exchange
22	2019-04-30	Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Category I), Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category I), Announcement by HTSC on Change of Employee Representative Supervisors, Announcement by HTSC on the Resolutions of the Twenty-first Meeting of the Fourth Session of the Board, 2019 First Quarterly Report of HTSC
23	2019-05-07	Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II)
24	2019-05-09	Announcement by HTSC on Key Financial Information of Business Operation for April 2019

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
25	2019-05-10	Notice of HTSC 2018 Annual General Meeting, Document of HTSC 2018 Annual General Meeting
26	2019-05-14	Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Treasury Bond Futures
27	2019-05-15	Report on the Entrusted Management Affairs in Relation to the 2013 Corporate Bonds of HTSC (Year 2018)
28	2019-05-16	Report on Tracking Rating of HTSC and 18 Huatai C1 and 18 Huatai C2 Issued by It, Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018 and 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and 13 Huatai 02, 16 Huatai G1, 16 Huatai G2, 16 Huatai G3, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2 and 19 Huatai G1 Issued by HTSC
29	2019-05-24	Announcement by HTSC on the Listing of Offshore Bonds on The Stock Exchange of Hong Kong Limited, Announcement by HTSC on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries
30	2019-05-29	Announcement by HTSC on 2019 Interest Payment for 2013 Corporate Bonds, Announcement by HTSC on 2019 Interest Payment and Delisting for 2018 Non-publicly Issued Short-term Corporate Bonds of Securities Company (First Tranche), Announcement by HTSC on the Resolutions of the Twenty-second Meeting of the Fourth Session of the Board
31	2019-06-01	Special Verification Opinions on Huatai Securities Co., Ltd. Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd.
32	2019-06-05	Announcement by HTSC on the Resolutions of the Twenty-third Meeting of the Fourth Session of the Board, Independent Opinion of Independent Directors of HTSC on Adjusting Profit Distribution Proposal of the Company in 2018, Announcement by HTSC on the Resolutions of the Twelfth Meeting of the Fourth Session of the Supervisory Committee, Announcement by HTSC Relating to the Issuance of GDRs and Disclosure of the Intention to Float on the London Stock Exchange
33	2019-06-06	Announcement by HTSC on Cancellation of Partial Resolutions and Inclusion of an Interim Proposal for Approval at the 2018 Annual General Meeting, Document of HTSC 2018 Annual General Meeting
34	2019-06-07	Announcement by HTSC on Change in Registered Address of Huatai Securities (Shanghai) Asset Management Co., Ltd., a Wholly-owned Subsidiary of the Company, Announcement by HTSC on Key Financial Information of Business Operation for May 2019
35	2019-06-11	Second Notice of HTSC 2018 Annual General Meeting, Announcement by HTSC on Overseas Listing Status of Its Subsidiary AssetMark
36	2019-06-12	Announcement by HTSC on Approval from UK Financial Conduct Authority for the Prospectus for the Issuance and Admission of GDRs on the London Stock Exchange and Its Publication, Reminder Announcement by HTSC on the Issuance and Admission of the GDRs on London Stock Exchange, Announcement by HTSC on the Qualification of Conducting Brokerage and Dealer Business Obtained by Huatai Securities (USA), Inc.
37	2019-06-13	Report on the Entrusted Management Affairs in Relation to 2016 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. and 2016 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. (Year 2018), Report on the Entrusted Management Affairs in Relation to the Publicly Issued Corporate Bonds (First Tranche) to Qualified Investors of HTSC of 2018 (Year 2018),
38	2019-06-15	Announcement by HTSC Relating to Issuance Price, Issuance Results of GDRs and Relevant Matters
39	2019-06-19	Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Issuance of GDRs and Changes in Shareholdings
40	2019-06-21	Announcement by HTSC Relating to the Issuance and Admission of the GDRs on the London Stock Exchange

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
41	2019-06-22	Announcement by HTSC on Matters Concerning the Maximum Outstanding Balance of Short-term Debentures
42	2019-06-24	Announcement by HTSC Relating to the Exercise of the Over-allotment Option, Stabilisation Actions and End of Stabilisation Period in Relation to the Issuance of GDRs
43	2019-06-26	Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Exercise of the Over-allotment Option on the Issuance of GDRs, Announcement by HTSC Relating to the Receipt of Regulatory Opinion of the CSRC on Issuing Financial Bonds
44	2019-06-27	Announcement by HTSC on Resolutions of 2018 Annual General Meeting, Legal Opinion of HTSC 2018 Annual General Meeting
45	2019-06-28	Announcement of HTSC Relating to Changes in the Shares after the Exercise of the Over-allotment Option in Relation to the Issuance of GDRs, Announcement of HTSC on Increasing Registered Capital by Huatai Innovative Investment Co., Ltd.
46	2019-07-05	Announcement by HTSC on Implementation Results of Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited and Following Stage of the Plan
47	2019-07-09	Announcement by HTSC on Receipt of Affirmative Decision of Administrative Licence from the People's Bank of China Regarding Issue of Financial Bonds, Announcement by HTSC on Key Financial Information of Business Operation for June 2019
48	2019-07-10	Announcement by HTSC on Progress of Increase in Shareholding of Jiangsu Guoxin Investment Group Limited
49	2019-07-12	Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Second Tranche)
50	2019-07-19	Announcement by HTSC on Overseas Listing Status of Its Subsidiary AssetMark
51	2019-07-20	Announcement by HTSC on 2019 Interest Payment for Non-public Issuance 2017 Subordinated Bonds (First Tranche) (Category II)
52	2019-07-27	Special Verification Opinions on the Listing for Trading of Non-Public Issuance of Shares Subject to Selling Restrictions of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Announcement by HTSC on the Listing for Trading of Non-Public Issuance of Shares Subject to Selling Restrictions
53	2019-08-07	Announcement by HTSC on Key Financial Information of Business Operation for July 2019
54	2019-08-08	Announcement by HTSC on Change of Chairman of Huatai Innovative Investment Co., Ltd.
55	2019-08-09	Announcement by HTSC on Implementation of Equity Distribution for 2018 Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Third Tranche)
56	2019-08-22	Announcement by HTSC on Change of Key Persons in charge of Huatai United Securities Co., Ltd.
57	2019-08-23	Announcement by HTSC on Issuance Results for 2019 Financial Bonds (First Tranche)
58	2019-08-24	Announcement by HTSC on Exercise of the Redemption Option as the Issuer of "16 Huatai C1" Subordinated Bonds
59	2019-08-27	First Reminder Announcement by HTSC on Exercise of the Redemption Option as the Issuer of "16 Huatai C1" Subordinated Bonds
60	2019-08-29	Second Reminder Announcement by HTSC on Exercise of the Redemption Option as the Issuer of "16 Huatai C1" Subordinated Bonds



<b>No.</b>	<b>Date</b>	<b>Announcement</b>
61	2019-08-30	Special Report by HTSC on the Deposit and Actual Use of Funds Raised in the First Half of 2019, Announcement by HTSC on the Resolutions of the Twenty Fourth Meeting of the Fourth Session of the Board, Risk Management Basic System of HTSC (Revised in 2019), Announcement by HTSC on the Resolutions of the Thirteenth Meeting of the Fourth Session of the Board, HTSC 2019 Interim Report, HTSC 2019 Interim Report Summary
62	2019-08-31	Third Reminder Announcement by HTSC on Exercise of the Redemption Option as the Issuer of “16 Huatai C1” Subordinated Bonds
63	2019-09-03	Announcement by HTSC Relating to Acquisition of Membership of the London Stock Exchange by an Overseas Subsidiary of the Company
64	2019-09-06	HTSC Key Financial Information of Business Operation for August 2019, Announcement by HTSC Relating to Approval of the State Administration of Foreign Exchange regarding the Operation Qualification of Settlement and Sale of Foreign Exchange Business of the Company
65	2019-09-12	Announcement by HTSC on Changes in Articles of Association and Completing Registration of Business Change on Registered Capital, Articles of Association of HTSC
66	2019-09-13	Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Fourth Tranche)
67	2019-09-26	Announcement by HTSC on Redemption Results and Delisting of “16 Huatai C1” Subordinated Bonds
68	2019-10-10	Announcement by HTSC on Impending Expiry of Moratorium on GDRs Redemption
69	2019-10-12	First Reminder Announcement by HTSC on the GDRs available for Redemption
70	2019-10-14	Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Fifth Tranche)
71	2019-10-15	Second Reminder Announcement by HTSC on GDRs Available for Redemption, Announcement by HTSC on Key Financial Information of Business Operation for September 2019
72	2019-10-17	Announcement by HTSC on Accumulative Increase of New Borrowings in Current Year Exceeding Net Assets at the End of Previous Year by 20%, Third Reminder Announcement by HTSC on GDRs Available for Redemption
73	2019-10-22	Extraordinary Report by GF Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Major Events of 2013 Corporate Bonds (10 years) of Huatai Securities Co., Ltd., Extraordinary Report by Shenwan Hongyuan Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Major Events of Corporate Bonds of Huatai Securities Co., Ltd.
74	2019-10-26	Announcement by HTSC on Changes in Articles of Association, HTSC Articles of Association, Reminder Announcement by HTSC on Volume of GDRs below 50% of the Issue Volume Approved by the CSRC
75	2019-10-30	Independent Opinion of HTSC Independent Directors on Changes of Partial Use of Funds Raised from Non-publicly Issued A-shares, Notice of HTSC Convening the First Extraordinary General Meeting in 2019, Documents of HTSC First Extraordinary General Meeting in 2019, Announcement by HTSC on the Resolutions of the Twenty Fifth Meeting of the Fourth Session of the Board, Independent Opinion of HTSC Independent Directors on Appointing the Chief Executive Officer and the Chairman of the Executive Committee, Independent Opinion of HTSC Independent Directors on Nominating Candidates for Directors of the Company, Personal Statements of Nominators of HTSC Independent Director Candidates, Personal Statements of HTSC Independent Director Candidates, Announcement by HTSC on the Resolutions of the Fourteenth Meeting of the Fourth Session of the Supervisory Committee, Announcement by HTSC on Changes of the Use of Partial Funds Raised from Non-publicly Issued A-shares, Huatai Securities 2019 Third Quarterly Report, Special Verification Opinions by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd. on Huatai Securities Co., Ltd.’s Changes of Use of Partial Funds Raised from Non-publicly issued A-shares

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
76	2019-11-07	Announcement by HTSC on Key Financial Information of Business Operation for October 2019
77	2019-11-15	Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Sixth Tranche)
78	2019-11-19	Announcement by HTSC on 2019 Interest Payment for 2018 Corporate Bonds Publicly Issued to Qualified Investors (First Tranche)
79	2019-11-27	Announcement by HTSC on 2019 Interest Payment and Delisting for 2016 Corporate Bonds (First Tranche) (Category I)
80	2019-11-29	Second Notice of HTSC 2019 First Extraordinary General Meeting, Announcement by HTSC on 2019 Interest Payment for 2016 Corporate Bonds (First Tranche) (Category II)
81	2019-12-05	Announcement by HTSC on 2019 Interest Payment and Delisting for 2016 Corporate Bonds (Second Tranche) (Category I)
82	2019-12-06	Announcement by HTSC on Key Financial Information of Business Operation for November 2019
83	2019-12-07	Announcement by HTSC on 2019 Interest Payment for 2016 Corporate Bonds (Second Tranche) (Category II), Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Seventh Tranche)
84	2019-12-10	Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Commodity Options
85	2019-12-17	Announcement by HTSC on Resolutions of the First Extraordinary General Meeting in 2019, Legal Opinion of HTSC on the First Extraordinary General Meeting in 2019, Announcement by HTSC on Resolution of the First Meeting of the Fifth Session of the Board, Independent Opinion of HTSC Independent Directors on Appointment of Senior Management Personnel, Announcement by HTSC on Resolutions of the First Meeting of the Fifth Session of the Supervisory Committee, Announcement by HTSC on Election of Employee Representative Supervisors of the Fifth Session of the Supervisory Committee
86	2019-12-20	Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Stock Index Options
87	2019-12-26	Announcement by HTSC on the Resolutions of the Second Meeting of the Fifth Session of the Board
88	2019-12-28	Extraordinary Report by Shenwan Hongyuan Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Major Events of Corporate Bonds of Huatai Securities Co., Ltd., Extraordinary Report by GF Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Corporate Bonds of Huatai Securities Co., Ltd.

2. During the Reporting Period, the Company disclosed the following matters on the HKEXnews website of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)):

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
1	2019-01-03	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2018, Overseas Regulatory Announcement – Announcement by HTSC on Implementation Results of the Shareholding Increase Plan and the Following Stage of the Shareholding Increase Plan of Jiangsu Guoxin Investment Group Limited
2	2019-01-09	Announcement on Key Financial Information of Business Operation for December 2018
3	2019-01-18	Overseas Regulatory Announcement – Announcement by HTSC on Obtaining Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
4	2019-02-01	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2019
5	2019-02-11	Announcement on Key Financial Information of Business Operation for January 2019
6	2019-02-15	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II)
7	2019-03-06	Announcement by HTSC on Key Financial Information of Business Operation for February 2019, Announcement on Receipt of Registration Notification of Issue of Short-term Debentures from the People’s Bank Of China, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 28, 2019, Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (First Tranche)
8	2019-03-08	Overseas Regulatory Announcement – Announcement by HTSC on Progress of Increase of Shareholding of Jiangsu Guoxin Investment Group Limited
9	2019-03-14	Overseas Regulatory Announcement – Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
10	2019-03-15	Overseas Regulatory Announcement – Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
11	2019-03-18	Overseas Regulatory Announcement – Announcement on Coupon Rate of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
12	2019-03-19	Date of Board Meeting
13	2019-03-20	Overseas Regulatory Announcement – Announcement on Issuance Results for 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
14	2019-03-28	Overseas Regulatory Announcement – Announcement on the Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche) on Shanghai Stock Exchange

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
15	2019-03-29	Proposed Amendments to the Articles of Association and Relevant Corporate Governance Documents, 2018 Corporate Social Responsibility Report, Results Announcement for the Year Ended December 31, 2018, Overseas Regulatory Announcement – 2018 Annual Report by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd.’s on Continuous Supervision of Non-publicly Issued A-shares of Huatai Securities Co., Ltd., Special Review Report by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd. on Deposit and Actual Use of Funds Raised by Huatai Securities Co., Ltd. in 2018, Special Verification Opinions by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd. on Anticipation of Ordinary Transactions with Related Parties in 2019 of Huatai Securities Co., Ltd., 2018 Internal Control Auditing Report, Verification Report on Special Report on Deposit and Actual Use of Funds Raised in 2018, Special Explanations on Occupation of Non-operating Funds and Transactions of Other Associated Funds for 2018, Independent Opinion of HTSC Independent Directors on Matters Concerning Changes in Accounting Policies of the Company, Independent Opinion of HTSC Independent Directors on Matters Concerning 2018 Annual Report of the Company, Special Report on Deposit and Actual Use of the Funds Raised in 2018, Annual Internal Control Evaluation Report of HTSC in 2018, Report on Performance of Duties of Audit Committee by the Board of HTSC in 2018, Report on Performance of Duties of HTSC’s Independent Directors in 2018, Announcement by HTSC on Changes in Accounting Policies, Announcement by HTSC on the Resolutions of the Twentieth Meeting of the Fourth Session of the Board, Announcement by HTSC on the Resolutions of the Tenth Meeting of the Fourth Session of the Supervisory Committee, Announcement by HTSC on Anticipation of Ordinary Transactions with Related Parties in 2019, 2018 Annual Report of HTSC, 2018 Annual Report Summary of HTSC
16	2019-04-04	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2019
17	2019-04-08	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche)
18	2019-04-09	Announcement on Key Financial Information of Business Operation for March 2019
19	2019-04-15	Date of Board Meeting
20	2019-04-18	Overseas Regulatory Announcement – Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
21	2019-04-22	Overseas Regulatory Announcement – Announcement on Coupon Rate of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
22	2019-04-23	Overseas Regulatory Announcement – Announcement on Issuance Results of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
23	2019-04-24	Proposed Spin-off of AssetMark in The United States
24	2019-04-25	Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders, 2018 Annual Report

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
25	2019-04-26	Overseas Regulatory Announcement – Announcement on Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche) on the Shanghai Stock Exchange
26	2019-04-29	Proposed Changes of Employee Representative Supervisors, 2019 First Quarterly Report, Proposed Amendments to the Articles Of Association, Overseas Regulatory Announcements – Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Category I), Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category I), Announcement by HTSC on the Resolutions of the Twenty-first Meeting of the Fourth Session of the Board
27	2019-05-06	Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II)
28	2019-05-08	Announcement on Key Financial Information of Business Operation for April 2019
29	2019-05-09	Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders, Form of Proxy of Holders of H-shares for use at the Annual General Meeting to be Held on June 26, 2019, Reply Slip for Holders of H-shares for Attending the Annual General Meeting to be Held on June 26, 2019, Notice of Annual General Meeting, Circular of 2018 Annual General Meeting, Overseas Regulatory Announcement – Notice on Convening the 2018 HTSC Annual General Meeting, Documents of 2018 HTSC Annual General Meeting
30	2019-05-13	Overseas Regulatory Announcement – Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Treasury Bond Futures
31	2019-05-15	Overseas Regulatory Announcement – Report on Tracking Rating of HTSC and “18 Huatai C1” and “18 Huatai C2” Issued by It, Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018 and 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and “13 Huatai 02”, “16 Huatai G1”, “16 Huatai G2”, “16 Huatai G3”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2” and “19 Huatai G1” Issued by It
32	2019-05-23	Overseas Regulatory Announcement – Announcement by HTSC on the Listing of Offshore Bonds on The Stock Exchange of Hong Kong Limited, Announcement by HTSC on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries
33	2019-05-28	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2013 Corporate Bonds, Announcement by HTSC on 2019 Interest Payment and Delisting for 2018 Non-publicly Issued Short-term Corporate Bonds of Securities Company (First Tranche), Announcement by HTSC on the Resolutions of the Twenty-second Meeting of the Fourth Session of the Board
34	2019-05-31	Overseas Regulatory Announcement – Special Verification Opinions on Huatai Securities Co., Ltd. Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd.
35	2019-06-04	Announcement by HTSC Relating to the Issuance of GDRs and Disclosure of the Intention to Be Listed on the London Stock Exchange, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2019, Overseas Regulatory Announcement – Announcement by HTSC on the Resolutions of the Twenty-third Meeting of the Fourth Session of the Board, Independent Opinion of Independent Directors of HTSC on Adjusting Profit Distribution Proposal of the Company in 2018, Announcement by HTSC on the Resolutions of the Twelfth Meeting of the Fourth Session of the Supervisory Committee

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
36	2019-06-05	Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders, Revised Notice of the Annual General Meeting, 2018 Profits Distribution Plan and Revised Notice of the Annual General Meeting, Overseas Regulatory Announcement – Announcement by HTSC on Cancellation of Partial Resolutions and Inclusion of an Interim Proposal for Approval at the 2018 Annual General Meeting, Documents of 2018 HTSC Annual General Meeting
37	2019-06-06	Announcement on Key Financial Information of Business Operation for May 2019, Overseas Regulatory Announcement – Announcement by HTSC on Change in Registered Address of Huatai Securities (Shanghai) Asset Management Co., Ltd., a Wholly-owned Subsidiary of the Company
38	2019-06-10	Second Notice of HTSC 2018 Annual General Meeting, Announcement by HTSC on the Non-objection Letter from the CSRC for the Proposed Spin-off of AssetMark in the United States
39	2019-06-11	Announcement by HTSC on Approval from UK Financial Conduct Authority for the Prospectus for the Issuance and Admission of GDRs on the London Stock Exchange and Its Publication, Overseas Regulatory Announcement – Reminder Announcement by HTSC on the Issuance and Admission of the GDRs on London Stock Exchange, Announcement by HTSC on the Qualification of Conducting Brokerage and Dealer Business Obtained by Huatai Securities (USA), Inc.
40	2019-06-14	Announcement on Issuance Price, Issuance Results of GDRs and Relevant Matters
41	2019-06-18	Overseas Regulatory Announcement – Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Issuance of GDRs and Changes in Shareholdings
42	2019-06-20	Next Day Disclosure Return, Announcement on the Issuance and Admission of the GDRs on London Stock Exchange
43	2019-06-21	Overseas Regulatory Announcement – Announcement by HTSC on Matters Concerning the Maximum Outstanding Balance of Short-term Debentures
44	2019-06-23	Announcement by HTSC on the Exercise of the Over-allotment Option, Stabilisation Actions and End of Stabilisation Period in Relation to the Issuance of GDRs
45	2019-06-25	Overseas Regulatory Announcement – Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Exercise of the Over-allotment Option on the Issuance of GDRs, Announcement by HTSC Relating to the Receipt of Regulatory Opinion of the CSRC on Issuing Financial Bonds
46	2019-06-27	Next Day Disclosure Return, Announcement of HTSC Relating to Changes in the Shares after the Exercise of the Over-allotment Option in Relation to the Issuance of GDRs, Announcement by HTSC on Resolutions of 2018 Annual General Meeting; Payment of Final Dividends; Approval and Effectiveness of the Articles of Association, Overseas Regulatory Announcement – Announcement by HTSC on Increase of Registered Capital of Huatai Innovative Investment Co., Ltd.
47	2019-07-03	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended June 30, 2019
48	2019-07-04	Announcement by HTSC on Implementation Results of Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited and Following Stage of the Plan
49	2019-07-08	Announcement on Key Financial Information of Business Operation for June 2019, Overseas Regulatory Announcement – Announcement by HTSC on Receipt of Affirmative Decision of Administrative Licence from the People's Bank of China Regarding Issue of Financial Bonds
50	2019-07-09	Overseas Regulatory Announcement – Announcement by HTSC on Progress of Increase in Shareholding of Jiangsu Guoxin Investment Group Limited
51	2019-07-11	Overseas Regulatory Announcement – Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Second Tranche)

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
52	2019-07-18	Latest information on the Proposed Spin-Off of AssetMark In the United States
53	2019-07-19	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2017 Subordinated Bonds (First Tranche) (Category II)
54	2019-07-26	Overseas Regulatory Announcement – Special Verification Opinions on the Listing for Trading of Non-Public Issuance of Shares Subject to Selling Restrictions of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Announcement by HTSC on the Listing for Trading of Non-Public Issuance of Shares Subject to Selling Restrictions
55	2019-08-06	Announcement on Key Financial Information of Business Operation for July 2019, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended July 31, 2019
56	2019-08-07	Overseas Regulatory Announcement – Announcement by HTSC on Change of Chairman of Huatai Innovative Investment Co., Ltd.
57	2019-08-08	Overseas Regulatory Announcement – Announcement by HTSC on Implementation of Equity Distribution for 2018 Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Third Tranche)
58	2019-08-19	Date of Board Meeting
59	2019-08-21	Overseas Regulatory Announcement – Announcement by HTSC on Change of Key Persons-in-charge of Huatai United Securities Co., Ltd.
60	2019-08-22	Overseas Regulatory Announcement – Announcement by HTSC on Issuance Results for 2019 Financial Bonds (First Tranche)
61	2019-08-23	Overseas Regulatory Announcement – Announcement by HTSC on Exercise of the Redemption Option as the Issuer of “16 Huatai C1” Subordinated Bonds
62	2019-08-26	Overseas Regulatory Announcement – First Reminder Announcement by HTSC on Exercise of the Redemption Option as the Issuer of “16 Huatai C1” Subordinated Bonds
63	2019-08-28	Overseas Regulatory Announcement – Second Reminder Announcement by HTSC on Exercise of the Redemption Option as the Issuer of “16 Huatai C1” Subordinated Bonds
64	2019-08-29	Interim Results Announcement for the Six Months Ended June 30, 2019, Overseas Regulatory Announcement – Special Report by HTSC on the to Deposit and Actual Use of Funds Raised in the First Half of 2019, Announcement by HTSC on the Resolutions of the Twenty Fourth Meeting of the Fourth Session of the Board, Risk Management Basic System of HTSC (Revised in 2019), Announcement by HTSC on the Resolutions of the Thirteenth Meeting of the Fourth Session of the Supervisory Committee, HTSC 2019 Interim Report, HTSC 2019 Interim Report Summary
65	2019-09-02	Overseas Regulatory Announcement – Announcement by HTSC Relating to Acquisition of Membership of the London Stock Exchange by an Overseas Subsidiary of the Company
66	2019-09-05	Announcement on Key Financial Information of Business Operation for August 2019, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended August 31, 2019, Overseas Regulatory Announcement – Announcement by HTSC Relating to Approval of the State Administration of Foreign Exchange regarding the Operation Qualification of Settlement and Sale of Foreign Exchange Business of the Company
67	2019-09-11	Changes in Articles of Association and Articles of Association of the Company and Completing Registration of Business Change on Registered Capital
68	2019-09-25	Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders, 2019 Interim Report, Overseas Regulatory Announcement – Announcement by HTSC on Redemption Results and Delisting of “16 Huatai C1” Subordinated Bonds
69	2019-10-08	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended September 30, 2019
70	2019-10-09	Announcement by HTSC on Impending Expiry of Moratorium on GDRs Redemption

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
71	2019-10-11	First Reminder Announcement by HTSC on the GDRs Available for Redemption
72	2019-10-14	Announcement on Key Financial Information of Business Operation for September 2019, Overseas Regulatory Announcement – Second Reminder Announcement by HTSC on the GDRs Available for Redemption, Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Fifth Tranche)
73	2019-10-16	Overseas Regulatory Announcement – Announcement by HTSC on Accumulative Increase of New Borrowings in Current Year Exceeding Net Assets at the End of Previous Year by 20%, Third Reminder Announcement by HTSC on GDRs Available for Redemption
74	2019-10-17	Date of Board Meeting
75	2019-10-25	Articles of Association, Overseas Regulatory Announcement – Announcement by HTSC on Changes in Articles of Association, Reminder Announcement by HTSC on Volume of GDRs below 50% of the Issue Volume Approved by the CSRC
76	2019-10-29	Partial Changes of Use of Funds Raised from Non-publicly Issued A-Shares, Notice of Proposed Appointment of Members of the Fifth Session of the Board, Proposed Appointment of Members of the Fifth Session of the Supervisory Committee and the First Extraordinary General Meeting of 2019, Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders, Form of Proxy of Holders of H-shares for Use at the 2019 First Extraordinary General Meeting to be Held on December 16, 2019, Reply Slip for Holders of H-shares for Attending the Extraordinary General Meeting to be Held on December 16, 2019, Notice of Extraordinary General Meeting, Proposed Appointment of Members of the Fifth Session of the Board and Proposed Appointment of Member of the Fifth Session of the Supervisory Committee, Changes of Use of Partial Funds Raised from Non-publicly issued A-shares, 2019 Third Quarterly Report, Overseas Regulatory Announcements – Special Verification Opinions by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd. on Huatai Securities Co., Ltd.’s Changes of Use of Partial Funds Raised from Non-publicly issued A-shares, Personal Statements of Nominators of HTSC Independent Director Candidates, Personal Statements of HTSC Independent Director Candidates, Announcement by HTSC on the Resolutions of the Fourteenth Meeting of the Fourth Session of the Supervisory Committee, Independent Opinion of HTSC Independent Directors on Nominating Candidates for Directors of the Company, Announcement by HTSC on the Resolutions of the Twenty Fifth Meeting of the Fourth Session of the Board, Independent Opinion of HTSC Independent Directors on Appointing the Chief Executive Officer and the Chairman of the Executive Committee, Independent Opinion of HTSC Independent Directors on Changes of Partial Use of Funds Raised from Non-publicly Issued A-shares, Notice of HTSC Convening the First Extraordinary General Meeting in 2019
77	2019-11-06	Announcement on Key Financial Information of Business Operation for October 2019, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended October 31, 2019
78	2019-11-14	Overseas Regulatory Announcement – Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Sixth Tranche)
79	2019-11-18	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2018 Corporate Bonds Publicly Issued to Qualified Investors (First Tranche)
80	2019-11-26	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment and Delisting for 2016 Corporate Bonds (First Tranche) (Category I)
81	2019-11-28	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2016 Corporate Bonds (First Tranche) (Category II), Second Notice of 2019 First Extraordinary General Meeting
82	2019-12-03	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended November 30, 2019



<b>No.</b>	<b>Date</b>	<b>Announcement</b>
83	2019-12-04	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment and Delisting for 2016 Corporate Bonds (Second Tranche) (Category I)
84	2019-12-05	Announcement on Key Financial Information of Business Operation for November 2019
85	2019-12-06	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2016 Corporate Bonds (Second Tranche) (Category II), Announcement by HTSC on Issuance Results for 2019 Short-term Debentures (Seventh Tranche)
86	2019-12-09	Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Commodity Options
87	2019-12-16	Poll Results of the First Extraordinary General Meeting in 2019, Appointment of the Fifth Session of the Board of Directors; Appointment of the Fifth Session of the Supervisory Committee; Role Distribution of the Fifth Session of the Board of Directors; and Appointment of the Chairman, Supervisor, Chief Executive Officer, Directors and their Roles and Functions, Overseas Regulatory Announcement – Announcement by HTSC on Resolution of the First Meeting of the Fifth Session of the Board, Announcement by HTSC on Resolutions of the First Meeting of the Fifth Session of the Supervisory Committee, Announcement by HTSC on Election of Employee Representative Supervisors of the Fifth Session of the Supervisory Committee, Independent Opinion of HTSC Independent Directors on Appointment of Senior Management Personnel
88	2019-12-19	Overseas Regulatory Announcement – Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Stock Index Futures
89	2019-12-26	Overseas Regulatory Announcement – Announcement by HTSC on the Resolutions of the Second Meeting of the Fifth Session of the Board

HUATAI SECURITIES CO., LTD.

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019

# Independent auditor's report

## To the shareholders of Huatai Securities Co., Ltd.

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

### **Opinion**

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 10 to 157 which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

## Independent auditor's report (continued)

### **Key audit matters (continued)**

<b>Assessing the fair value of financial instruments</b>	
<i>Refer to Note 62 to the consolidated financial statements and the accounting policies in Note 2(8).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.</p> <p>Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 2 and level 3 financial instruments, estimates need to be developed which can involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"><li>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;</li><li>• assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;</li><li>• reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;</li><li>• engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</li><li>• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</li></ul>

## Independent auditor's report (continued)

### **Key audit matters (continued)**

<b>Loss allowances of financial assets measured at amortised cost</b>	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.</p> <p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, the loan balances to collateral ratio and the stock holding concentration of the borrower, the industry sector and the operation of the issuer, and the liquidity, restriction on sales and price volatility of the stock will also be taken into account in the judgement.</p>	<p>Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances;</li> <li>• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;</li> <li>• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;</li> </ul>

## Independent auditor's report (continued)

### Key audit matters (continued)

<b>Loss allowances of financial assets measured at amortised cost (continued)</b>	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> <li>• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;</li> <li>• evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers, the industry sector and the operation of the stock issuer, and the liquidity, restriction on sales and price volatility of the stock;</li> <li>• for selected samples of the financial assets measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;</li> <li>• recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively;</li> <li>• evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.</li> </ul>

## Independent auditor's report (continued)

### **Key audit matters (continued)**

<b>Consolidation of structured entities</b>	
<i>Refer to Note 57 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;</li> <li>• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected: <ul style="list-style-type: none"> <li>- inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>- evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</li> </ul> </li> </ul>

## Independent auditor's report (continued)

### **Key audit matters (continued)**

#### **Consolidation of structured entities (continued)**

*Refer to Note 57 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).*

<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</p>	<ul style="list-style-type: none"><li>• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected (continued):<ul style="list-style-type: none"><li>- evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;</li><li>- evaluating management's judgement over whether the structured entity should be consolidated or not;</li></ul></li><li>• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li></ul>



## Independent auditor's report (continued)

### ***Information other than the consolidated financial statements and auditor's report thereon***

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 the 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 are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent auditor's report (continued)

### ***Auditor's responsibilities for the audit of the consolidated financial statements (continued)***

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.
- 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.

## Independent auditor's report (continued)

### ***Auditor's responsibilities for the audit of the consolidated financial statements (continued)***

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with 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.

KPMG Huazhen LLP  
*Certified Public Accountants*  
8th Floor, KPMG Tower  
Oriental Plaza  
1 East Chang An Avenue  
Beijing  
China

30 March 2020

Consolidated statement of profit or loss  
For the year ended 31 December 2019  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<u>Year ended 31 December</u>	
	Note	2019	2018 (Note)
<b>Revenue</b>			
Fee and commission income	4	13,011,269	10,819,910
Interest income	5	8,682,693	9,482,368
Net investment gains	6	9,179,944	3,374,651
<b>Total revenue</b>		<u>30,873,906</u>	<u>23,676,929</u>
Other income and gains	7	1,562,875	829,805
<b>Total revenue and other income</b>		<u>32,436,781</u>	<u>24,506,734</u>
Fee and commission expenses	8	(3,723,642)	(2,757,773)
Interest expenses	9	(6,561,019)	(6,466,970)
Staff costs	10	(7,693,154)	(5,372,341)
Depreciation and amortisation expenses	11	(1,197,068)	(625,897)
Tax and surcharges	12	(151,890)	(139,711)
Other operating expenses	13	(3,533,560)	(2,786,691)
Net provision for impairment loss on financial assets	14	(719,549)	(862,694)
Net reversal of / (provision for) impairment loss on other assets		2,617	(5,295)
<b>Total expenses</b>		<u>(23,577,265)</u>	<u>(19,017,372)</u>

The notes on pages 22 to 157 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 55(h).

Consolidated statement of profit or loss (continued)  
For the year ended 31 December 2019  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<i>Year ended 31 December</i>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>
			<i>(Note)</i>
<b>Operating profit</b>		8,859,516	5,489,362
Share of profit of associates and joint ventures		<u>2,726,449</u>	<u>959,309</u>
<b>Profit before income tax</b>		11,585,965	6,448,671
Income tax expense	15	<u>(2,528,752)</u>	<u>(1,287,784)</u>
<b>Profit for the year</b>		<u><u>9,057,213</u></u>	<u><u>5,160,887</u></u>
Attributable to:			
Shareholders of the Company		9,001,644	5,032,738
Non-controlling interests		<u>55,569</u>	<u>128,149</u>
		<u><u>9,057,213</u></u>	<u><u>5,160,887</u></u>
Basic earnings per share (in Renminbi per share)	19	<u><u>1.04</u></u>	<u><u>0.66</u></u>
Diluted earnings per share (in Renminbi per share)	19	<u><u>1.03</u></u>	<u><u>0.66</u></u>

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 22 to 157 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 55(h).

Consolidated statement of profit or loss  
and other comprehensive income  
For the year ended 31 December 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018 (Note)
<b>Profit for the year</b>		9,057,213	5,160,887
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
- Net change in fair value		494,709	(1,311,689)
Income tax impact		(123,677)	327,923
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income		5,460	22,043
Share of other comprehensive income of associates and joint ventures		95,531	72,640
Exchange differences on translation of financial statements in foreign currencies		162,258	339,244
<b>Total other comprehensive income for the year, net of tax</b>	18	634,281	(549,839)
<b>Total comprehensive income for the year</b>		9,691,494	4,611,048
Attributable to:			
Shareholders of the Company		9,611,074	4,479,437
Non-controlling interests		80,420	131,611
<b>Total</b>		9,691,494	4,611,048

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 22 to 157 form part of these financial statements.

# Consolidated statement of financial position

## As at 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		<u>As at 31 December</u>	
	Note	2019	2018 (Note)
<b>Non-current assets</b>			
Property and equipment	20	4,668,116	3,548,153
Investment properties	21	527,089	586,334
Goodwill	22	2,333,862	2,099,412
Other intangible assets	23	5,711,457	5,462,012
Interest in associates	25	14,974,547	12,527,828
Interest in joint ventures	26	664,458	649,833
Debt investment at amortised cost	27	15,128,953	13,854,878
Financial assets at fair value through other comprehensive income	28	11,232,633	10,098,382
Financial assets held under resale agreements	29	-	2,812,194
Financial assets at fair value through profit or loss	30	6,966,333	5,155,176
Refundable deposits	31	12,653,540	7,836,506
Deferred tax assets	32	202,825	225,135
Other non-current assets	33	260,669	259,751
<b>Total non-current assets</b>		<u>75,324,482</u>	<u>65,115,594</u>
<b>Current assets</b>			
Accounts receivable	34	5,511,168	3,090,165
Other receivables and prepayments	35	880,271	1,555,090
Margin accounts receivable	36	69,006,280	46,188,885
Debt investment at amortised cost	27	4,610,805	2,419,286
Financial assets held under resale agreements	29	18,466,280	40,744,371
Financial assets at fair value through profit or loss	30	245,829,339	117,089,156
Financial assets at fair value through other comprehensive income	28	1,125,342	358,361
Derivative financial assets	37	1,858,041	1,933,958
Clearing settlement funds	38	6,755,604	3,023,370
Cash held on behalf of brokerage clients	39	82,959,838	58,947,013
Cash and bank balances	40	49,853,188	28,200,625
<b>Total current assets</b>		<u>486,856,156</u>	<u>303,550,280</u>
<b>Total assets</b>		<u>562,180,638</u>	<u>368,665,874</u>

The notes on pages 22 to 157 form part of these financial statements.

Consolidated statement of financial position  
As at 31 December 2019 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

		<u>As at 31 December</u>	
	Note	2019	2018 (Note)
<b>Current liabilities</b>			
Short-term bank loans	42	5,724,131	3,015,791
Short-term debt instruments issued	43	46,425,196	21,124,000
Placements from other financial institutions	44	11,362,598	5,813,487
Accounts payable to brokerage clients	45	89,817,920	59,492,176
Employee benefits payable	46	2,573,753	2,869,042
Other payables and accruals	47	86,836,626	53,793,086
Contract liabilities	48	19,179	7,442
Current tax liabilities		388,154	284,436
Financial assets sold under repurchase agreements	49	109,719,045	40,095,054
Financial liabilities at fair value through profit or loss	50	4,689,620	2,874,584
Derivative financial liabilities	37	1,278,399	776,102
Long-term bonds due within one year	51	14,716,533	24,844,616
Long-term bank loans due within one year	53	-	15,820
<b>Total current liabilities</b>		<u>373,551,154</u>	<u>215,005,636</u>
<b>Net current assets</b>		<u>113,305,002</u>	<u>88,544,644</u>
<b>Total assets less current liabilities</b>		<u>188,629,484</u>	<u>153,660,238</u>
<b>Non-current liabilities</b>			
Long-term bonds	52	49,899,825	38,046,114
Long-term bank loans	54	850,997	1,682,949
Non-current employee benefits payable	46	6,360,633	5,045,990
Deferred tax liabilities	32	2,566,800	1,810,176
Financial liabilities at fair value through profit or loss	50	2,690,563	2,325,405
Other payables and accruals	47	605,958	-
<b>Total non-current liabilities</b>		<u>62,974,776</u>	<u>48,910,634</u>
<b>Net assets</b>		<u>125,654,708</u>	<u>104,749,604</u>

The notes on pages 22 to 157 form part of these financial statements.



Consolidated statement of financial position  
As at 31 December 2019 (continued)  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<u>As at 31 December</u>	
	Note	2019	2018 (Note)
<b>Equity</b>			
Share capital	55	9,076,650	8,251,500
Reserves	55	90,282,418	75,725,973
Retained profits	55	<u>23,178,411</u>	<u>19,416,104</u>
Total equity attributable to shareholders of the Company		122,537,479	103,393,577
Non-controlling interests		<u>3,117,229</u>	<u>1,356,027</u>
<b>Total equity</b>		<u><u>125,654,708</u></u>	<u><u>104,749,604</u></u>

Approved and authorised for issue by the board of directors on 30 March 2020.

\_\_\_\_\_  
Zhang Wei  
Chairman of the Board,  
Director

\_\_\_\_\_  
Chen Chuanming  
Director

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 22 to 157 form part of these financial statements.

Consolidated statement of changes in equity  
For the year ended 31 December 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company						Total	Non-controlling interests	Total equity	
	Reserves									
	Share capital (Note 55)	Capital reserve (Note 55)	Surplus reserve (Note 55)	General reserve (Note 55)	Fair value reserve (Note 55)	Translation reserve (Note 55)	Retained profits (Note 55)			
<b>As at 1 January 2019</b>	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604
<b>Changes in equity for 2019</b>										
Profit for the year	-	-	-	-	-	-	9,001,644	9,001,644	55,569	9,057,213
Other comprehensive income	-	-	-	-	472,023	137,407	-	609,430	24,851	634,281
Total comprehensive income	-	-	-	-	472,023	137,407	9,001,644	9,611,074	80,420	9,691,494
Issuance of GDRs (representing A shares)	825,150	10,614,306	-	-	-	-	-	11,439,456	-	11,439,456
Capital injection by non-controlling shareholders	-	(80,411)	-	-	-	-	-	(80,411)	977,294	896,883
Recognition on decrease of interests in subsidiaries without a change in control	-	511,659	-	-	-	-	-	511,659	654,229	1,165,888
Equity-settled share-based payments	-	300,798	-	-	-	-	-	300,798	49,907	350,705
Appropriation to surplus reserve	-	-	628,860	-	-	-	(628,860)	-	-	-
Appropriation to general reserve	-	-	-	1,887,482	-	-	(1,887,482)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,722,995)	(2,722,995)	(648)	(2,723,643)
Others	-	84,321	-	-	-	-	-	84,321	-	84,321
<b>As at 31 December 2019</b>	9,076,650	70,290,533	5,118,691	14,084,427	393,572	395,195	23,178,411	122,537,479	3,117,229	125,654,708

The notes on pages 22 to 157 form part of these financial statements.

Consolidated statement of changes in equity  
For the year ended 31 December 2019 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company						Total	Non-controlling interests	Total equity	
	Reserves									
	Share capital (Note 55)	Capital reserve (Note 55)	Surplus reserve (Note 55)	General reserve (Note 55)	Fair value reserve (Note 55)	Translation reserve (Note 55)	Retained profits (Note 55)			
<b>As at 31 December 2017</b>	7,162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	87,335,938	1,253,974	88,589,912
<b>Impact on initial application of IFRS 9</b>	-	-	34,366	60,799	(715,018)	-	549,914	(69,939)	(151)	(70,090)
<b>As at 1 January 2018</b>	7,162,769	45,820,627	3,953,854	10,068,982	810,632	(77,994)	19,527,129	87,265,999	1,253,823	88,519,822
<b>Changes in equity for 2018</b>										
Profit for the year	-	-	-	-	-	-	5,032,738	5,032,738	128,149	5,160,887
Other comprehensive income	-	-	-	-	(889,083)	335,782	-	(553,301)	3,462	(549,839)
Total comprehensive income	-	-	-	-	(889,083)	335,782	5,032,738	4,479,437	131,611	4,611,048
Issuance of A shares	1,088,731	13,044,475	-	-	-	-	-	14,133,206	-	14,133,206
Acquisition of non-controlling interests without a change in control	-	(5,242)	-	-	-	-	(4,373)	(9,615)	(8,696)	(18,311)
Recognition on disposal of subsidiaries	-	-	-	-	-	-	-	-	(7,996)	(7,996)
Appropriation to surplus reserve	-	-	535,977	-	-	-	(535,977)	-	-	-
Appropriation to general reserve	-	-	-	2,127,963	-	-	(2,127,963)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,475,450)	(2,475,450)	(12,715)	(2,488,165)
<b>As at 31 December 2018 (Note)</b>	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 22 to 157 form part of these financial statements.

**Consolidated statement of cash flows**  
**For the year ended 31 December 2019**  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

	<u>Year ended 31 December</u>	
Note	2019	2018 (Note)
<b>Cash flows from operating activities:</b>		
Profit before income tax	11,585,965	6,448,671
Adjustments for:		
Interest expenses	6,561,019	6,466,970
Share of profit of associates and joint ventures	(2,726,449)	(959,309)
Depreciation and amortisation expenses	1,197,068	625,897
Net provision for impairment losses	716,932	867,989
Expenses recognised from equity-settled share-based payment	172,620	-
Net gains on disposal of property and equipment and intangible assets	(447)	(36)
Foreign exchange gains	(147,877)	(30,505)
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost	(1,641,893)	(1,302,327)
Net gains arising from derecognition of debt investment at amortised cost	(11,842)	-
Unrealised fair value changes in financial instruments through profit or loss	(3,497,517)	755,282
Unrealised fair value changes in derivatives	1,440,211	(2,518,204)
	<u>13,647,790</u>	<u>10,354,428</u>
Operating cash flows before movements in working capital	<u>13,647,790</u>	<u>10,354,428</u>

The notes on pages 22 to 157 form part of these financial statements.

Consolidated statement of cash flows  
For the year ended 31 December 2019 (continued)  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Note	<u>Year ended 31 December</u>	
		2019	2018 (Note)
<b>Cash flows from operating activities</b>			
<b>(continued):</b>			
Increase in refundable deposits		(4,817,034)	(533,396)
(Increase)/decrease in margin accounts receivable		(22,811,713)	16,784,013
Increase in accounts receivable, other receivables and prepayments		(2,073,020)	(5,636,305)
Decrease in financial assets held under resale agreements		21,900,719	20,704,167
Increase in financial instruments at fair value through profit or loss		(113,046,695)	(18,351,440)
(Increase)/decrease in restricted bank deposits		(5,493,562)	4,479,681
(Increase)/decrease in cash held on behalf of brokerage clients		(24,081,828)	6,466,996
Increase/(decrease) in accounts payable to brokerage clients		30,325,745	(7,853,338)
Increase/(decrease) in other payables and accruals		30,920,500	(6,999,766)
Increase/(decrease) in employee benefits payable and other non-current liabilities		1,019,355	(832,294)
Increase in financial assets sold under repurchase agreements		69,623,991	15,108,826
Increase/(decrease) in placements from other financial institutions		5,549,111	(1,311,591)
		<u>663,359</u>	<u>32,379,981</u>
Cash generated from operations			
Income taxes paid		(1,270,322)	(1,347,018)
Interest paid		(2,987,674)	(2,575,181)
		<u>(3,594,637)</u>	<u>28,457,782</u>
Net cash (used in)/generated from operating activities			

The notes on pages 22 to 157 form part of these financial statements.

Consolidated statement of cash flows  
For the year ended 31 December 2019 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	<u>Year ended 31 December</u>	
		2019	2018 (Note)
<b>Cash flows from investing activities:</b>			
Proceeds on disposal of property and equipment		12,464	4,308
Dividends received from associates		827,844	417,472
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		1,641,893	1,302,327
Net gains arising from derecognition of debt investment at amortised cost		11,842	-
(Payment of)/proceeds from other limited partners' interest in private funds		(63,744)	165,624
Cash paid for disposal of subsidiaries, net of cash and bank balances decreased		-	(2,687)
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(1,084,941)	(954,649)
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		(164,411)	-
Purchases of associates, joint ventures and other investments		(472,143)	(166,580)
Divestments of associates and joint ventures		219,877	161,924
Purchase of debt investment at amortised cost		(3,466,291)	(10,831,183)
Purchase of financial assets through other comprehensive income		(1,405,863)	(584,766)
Net cash used in investing activities		<u>(3,943,473)</u>	<u>(10,488,210)</u>

The notes on pages 22 to 157 form part of these financial statements.

**Consolidated statement of cash flows**  
**For the year ended 31 December 2019 (continued)**  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Note	Year ended 31 December	
		2019	2018 (Note)
<b>Cash flows from financing activities:</b>			
Proceeds from non-controlling interests		896,883	-
Proceeds from partially disposal of a subsidiary without losing control		1,165,888	-
Proceeds from issuance of short-term debt instruments		103,166,070	46,200,314
Proceeds from issuance of long-term bonds		30,989,005	8,974,000
Repayment from long-term bank loan		(847,772)	-
Proceeds from short-term bank loans		2,708,340	4,698,718
Repayment of debt securities issued		(107,436,069)	(75,557,800)
Short-term bank loans interest paid		(80,915)	(32,626)
Long-term bank loans interest paid		(87,520)	(12,705)
Short-term debt instruments interest paid		(488,317)	(902,944)
Long-term bonds interest paid		(2,732,056)	(3,720,570)
Dividends paid		(2,723,643)	(2,488,165)
Net proceeds from issuance of A shares		11,586,661	14,207,942
Payment of lease liabilities		(321,399)	-
Payment for other financing activities		(126,036)	(74,736)
		<u>35,669,120</u>	<u>(8,708,572)</u>
Net cash generated from/(used in) financing activities	41(b)	<u>35,669,120</u>	<u>(8,708,572)</u>
Net increase in cash and cash equivalents		28,131,010	9,261,000
Cash and cash equivalents at the beginning of the year		40,792,310	31,378,585
Effect of foreign exchange rate changes		275,458	152,725
		<u>69,198,778</u>	<u>40,792,310</u>
Cash and cash equivalents at the end of the year	41(a)	<u>69,198,778</u>	<u>40,792,310</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 22 to 157 form part of these financial statements.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2019

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 1 General information

Huatai Securities Co., Ltd. (the “Company”), formerly known as Jiangsu Securities Company, was approved by the People’s Bank of China (“PBOC”), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (the “A shares”) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,768,800 H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In July 2018, the Company issued RMB1,088,731,200 A shares through private placement.

In June 2019, the Company issued 82,515,000 Global Deposits Receipts (the “GDRs”), representing 825,150,000 new A shares, and was listed on the London Stock Exchange plc (the “London Stock Exchange”).

As at 31 December 2019, the Company’s registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

The Company and its subsidiaries (the “Group”) principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission (“the CSRC”).



## **2 Significant accounting policies**

### **(1) Statement of compliance**

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2019 are set out in Note 65.

### **(2) Basis of preparation of the financial statements**

The financial statements has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income. The methods used to measure fair value are discussed further in Note 2(8).

The financial statements is presented in Renminbi (“RMB”), which is the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group’s functional currency if the subsidiaries’ functional currencies are not the same as that of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(29).

### **(3) Changes in accounting policies**

The Group initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(20).

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

(b) As a lessee

As a lessee, the Group leases many assets, most of which are properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i) Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 2(3)(d)(i)). Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all its leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(c) As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	<u>1 January 2019</u>
Right-of-use assets presented in property and equipment	725,265
Lease liabilities	(707,224)
Prepaid lease payments	(18,041)
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	832,486
Discounted using the incremental borrowing rate at 1 January 2019	781,902
- Recognition exemption for leases with less than 12 months of lease term at transition	(74,678)
	<hr/>
Lease liabilities recognised at 1 January 2019	<u><u>707,224</u></u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rates range from 4.17%-6.00% per annum.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 16.

	<i>At</i> <i>31 December</i> <i>2018</i>	<i>Impact on</i> <i>initial</i> <i>application of</i> <i>IFRS 16</i>	<i>At</i> <i>1 January</i> <i>2019</i>
Property and equipment	3,548,153	725,265	4,273,418
<b>Total non-current assets</b>	<b>65,115,594</b>	<b>725,265</b>	<b>65,840,859</b>
Other receivables and prepayments	1,555,090	(18,041)	1,537,049
<b>Total current assets</b>	<b>303,550,280</b>	<b>(18,041)</b>	<b>303,532,239</b>
<b>Total assets</b>	<b>368,665,874</b>	<b>707,224</b>	<b>369,373,098</b>
Other payables and accruals	53,793,086	352,022	54,145,108
<b>Total current liabilities</b>	<b>215,005,636</b>	<b>352,022</b>	<b>215,357,658</b>
<b>Net current assets</b>	<b>88,544,644</b>	<b>(370,063)</b>	<b>88,174,581</b>
<b>Total assets less current liabilities</b>	<b>153,660,238</b>	<b>355,202</b>	<b>154,015,440</b>
Other payables and accruals	-	355,202	355,202
<b>Total non-current liabilities</b>	<b>48,910,634</b>	<b>355,202</b>	<b>49,265,836</b>
<b>Net assets</b>	<b>104,749,604</b>	<b>-</b>	<b>104,749,604</b>
<b>Total equity</b>	<b>104,749,604</b>	<b>-</b>	<b>104,749,604</b>

#### (4) **Basis of consolidation**

##### (i) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains 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 meet the definition of a financial liability.

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 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 reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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 2(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(4) (ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Associates and joint ventures

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.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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 2(5) and 2(15)). 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 or the joint venture, 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. 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 or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 or joint 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 2(8)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### **(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 (ii) is greater than (i), then this excess 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 2(15)).

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

#### **(6) Foreign currency**

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

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity securities investment designated as at fair value through other comprehensive income (FVOCI)(except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), which are recognised as OCI in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

**(7) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

**(8) Financial instruments**

(i) Recognition and initial measurement

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. Financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 2(8)(iv). Financial instruments are subsequently accounted for as follows, depending on their classification.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Financial assets – Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### *Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.



In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets — Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### *Financial liabilities — Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in OCI (without reclassification to profit or loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### (iii) impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Debt investment at fair value, FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs 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 and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

*Significant increases in credit risk*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### *Presentation of allowance for ECL in the consolidated statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (iv) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(v) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vii) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(viii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(ix) Asset-backed securities

The Group securitises the financial assets, which generally results in the sale of these financial assets to structured entities. The structured entities in turn issue asset-backed securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests. For asset securitisation business, the Group has applied the accounting policies set out in Note 2(4) when assessing consolidation of the structured entities and applied the accounting policies described in Note 2(8)(v) when assessing whether or not to derecognise the transferred financial assets.

**(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 classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(8). Securities lent are not derecognised when the risk and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognised using the effective interest rate method.

The collateral is not recognised on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

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

**(10) Financial assets held under resale 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.

**(11) Investments in subsidiaries**

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(15)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

**(12) Property and equipment and construction in progress**

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

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

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

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

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

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

(ii) 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.

(iii) Depreciation

Items of 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.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<u>Types of assets</u>	<u>Estimated useful lives</u>	<u>Estimated residual values</u>	<u>Depreciation rates</u>
Buildings	30 - 50 years	3%	1.94% - 3.23%
Motor vehicles	3 - 8 years	3%	12.13% - 32.33%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	2 - 5 years	3%	19.40% - 48.50%

No depreciation is provided in respect of construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



**(13) Investment property**

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

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(15)). 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.

	<u>Estimated useful lives</u>	<u>Estimated residual values</u>	<u>Depreciation rates</u>
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

**(14) Other intangible assets**

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(15)). 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:

<u>Types of assets</u>	<u>Estimated useful lives</u>
Existing relationships with broker-dealers	Indefinite
Land-use right	50 years
Trade names	20 years
Software and others	2 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

**(15) Impairment of non-financial assets**

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries, associates and joint ventures
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 or CGUs. 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.

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.

#### **(16) Contract assets and contract liabilities**

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(8)(iii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

**(17) Employee benefits**

(i) 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.

(ii) 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.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) 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.

**(18) Share-based payments**

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

**(19) 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 OCI.

(i) 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.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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, associates and jointly controlled entities 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) 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.

## (20) Leases

The Group has applied IFRS 16 since 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

The following accounting policy related to leases is applicable from 1 January 2019. As to leases related policy applicable before 1 January 2019, please refer to the Group's financial statements for the year ended 31 December 2018.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position

#### **Short-term leases and leases of low-value assets**

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

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(15)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income and gains'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

#### **(21) Provisions and contingent liabilities**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **(22) 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.

#### **(23) Revenue recognition**

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.



Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting fee is recognised when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsor fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(iii) Advisory fees

Depending on the nature of the advisory services and the contract terms, advisory fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(iv) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For debt investment at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(vi) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Other income

Other income is recognised on an accrual basis.

**(24) Expenses recognition**

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

**(25) Dividend distribution**

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

**(26) Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

**(27) Related parties**

- (i) A person, or a close member of that person's family, is related to the Group if that person:
- (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) The entity is controlled or jointly controlled by a person identified in (i).
  - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(28) 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 management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information 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.

**(29) Significant accounting estimates and judgements**

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value of financial instruments

As indicated in Note 2(8)(i), financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(8)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(ii) Measurement of ECL

The following significant judgements are required in applying the accounting requirements for measuring the ECL.

*Significant increase of credit risk*

As explained in Note 2(8)(iii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

*Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

### *Models and assumptions used*

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

### *Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

### *Probability of default (PD)*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

### *Loss given default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

### *Loss ratio (LR)*

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

### (iii) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(iv) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. 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.

(v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions 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.

(vi) Determination scope of consolidation

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 or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as the manager or investment consultant, 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 asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

### 3 Taxation

The Group's main applicable taxes and tax rates are as follows:

<i>Tax type</i>	<i>Tax basis</i>	<i>Tax rate</i>
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 17% <sup>(i)</sup>
City maintenance and construction tax	Based on value added tax paid	1% - 7%
Education surcharge	Based on value added tax paid	2% - 3%
Local Education surcharge	Based on value added tax paid	1% - 2%
Income tax	Based on taxable profits	25% <sup>(ii)</sup>

- (i) According to Notice on Adjusting VAT rate (Cai Shui [2018] No.32), since 1 May 2018, the VAT rates applicable to 17% and 11% have been adjusted to 16% and 10% respectively. According to Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No.140), Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No.2) and Notice on Issues Relating to VAT on Asset Management Products (Cai Shui [2017] No.56) issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simplified VAT method will temporarily be applied to the operation of asset management products with a VAT rate of 3%. The manager of asset management products will be the taxpayer.
- (ii) The income tax rate applicable to the Company and its subsidiaries in the Mainland China is 25% (2018: 25%). The income tax rate applicable to subsidiaries in Hong Kong is 16.5% (2018: 16.5%). Pursuant to the Tax Cuts and Jobs Act of 2017 signed into law on 22 December 2017, the corporate income tax rate applicable to subsidiaries in the United States is reduced from a maximum marginal rate of 35% to a flat 21% rate, effective from 1 January 2018. Taxes of other overseas subsidiaries are charged at the relevant local rates.

#### 4 Fee and commission income

	<i>Year ended 31 December</i>	
	2019	2018
Income from securities brokerage and advisory business	5,937,905	4,573,577
Income from asset management business	3,904,318	3,418,081
Income from underwriting and sponsorship business	1,507,209	1,340,398
Income from futures brokerage business	1,028,961	770,433
Income from financial advisory business	506,076	649,248
Other commission income	126,800	68,173
	<u>13,011,269</u>	<u>10,819,910</u>

#### 5 Interest income

	<i>Year ended 31 December</i>	
	2019	2018
Interest income from margin financing and securities lending	4,013,140	3,906,882
Interest income from financial institutions	2,497,914	2,397,023
Interest income from securities-backed lending	973,304	2,399,075
Interest income from debt instruments at amortised cost	905,851	448,034
Interest income from other financial assets held under resale agreements	214,272	325,162
Interest income from debt instruments at fair value through other comprehensive income	78,212	-
Others	-	6,192
	<u>8,682,693</u>	<u>9,482,368</u>



## 6 Net investment gains

	<u>Year ended 31 December</u>	
	2019	2018
Dividend income and interest income from financial instruments at fair value through profit or loss	4,603,446	4,193,913
Dividend income from financial assets at fair value through other comprehensive income	657,830	854,293
Net realised (losses)/gains from disposal of derivative financial instruments	(1,751,145)	378,340
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	3,604,143	(3,849,837)
Net realised losses from disposal of financial instruments at fair value through other comprehensive income	(3,478)	-
Net gains arising from derecognition of debt investment at amortised cost <sup>(i)</sup>	11,842	-
Unrealised fair value changes of derivative financial instruments	(1,440,211)	2,553,224
Unrealised fair value changes of financial instruments at fair value through profit or loss	3,497,517	(755,282)
<b>Total</b>	<u>9,179,944</u>	<u>3,374,651</u>

- (i) During the year ended 31 December 2019, the Group sold certain investment securities measured at amortised cost (the year ended 31 December 2018: nil). These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

## 7 Other income and gains

	<u>Year ended 31 December</u>	
	2019	2018
Income from commodity sales	935,544	369,244
Government grants <sup>(i)</sup>	247,437	181,962
Foreign exchange gains	147,877	30,505
Rental income	101,105	94,658
Gain on previously held interest in subsidiaries and joint ventures upon loss of control or disposal	-	4,870
Gains on disposal of property and equipment	447	36
Others	130,465	148,530
<b>Total</b>	<u>1,562,875</u>	<u>829,805</u>

- (i) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

## 8 Fee and commission expenses

	<u>Year ended 31 December</u>	
	2019	2018
Expenses for securities brokerage and advisory business	1,898,076	1,399,505
Expenses for asset management business	952,225	793,904
Expenses for futures brokerage business	785,844	514,598
Expenses for underwriting and sponsorship business	64,831	40,896
Expenses for financial advisory business	1,177	91
Other commission expenses	21,489	8,779
	<u>3,723,642</u>	<u>2,757,773</u>
Total	<u>3,723,642</u>	<u>2,757,773</u>

## 9 Interest expenses

	<u>Year ended 31 December</u>	
	2019	2018
Interest expenses on long-term bonds	2,649,316	3,251,607
Interest expenses on financial assets sold under repurchase agreements	2,229,589	1,277,343
Interest expenses on short-term debt instruments issued	750,491	807,490
Interest expenses on placements	341,609	549,506
Interest expenses of accounts payable to brokerage clients	336,034	276,027
Interest expenses on long-term bank loans	87,520	12,705
Interest expenses on short-term bank loans	65,074	48,467
Interest expenses on lease liabilities	30,144	-
Others	71,242	243,825
	<u>6,561,019</u>	<u>6,466,970</u>
Total	<u>6,561,019</u>	<u>6,466,970</u>

## 10 Staff costs

	Note	<u>Year ended 31 December</u>	
		2019	2018
Salaries, bonuses and allowances		6,312,665	4,243,506
Contribution to pension schemes		459,717	540,800
Cash-settled share-based payment expenses	63(a)	78,292	71,335
Equity-settled share-based payment expense	63(a)	172,620	-
Other social welfare		669,860	516,700
<b>Total</b>		<u>7,693,154</u>	<u>5,372,341</u>

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

## 11 Depreciation and amortisation on expenses

	<u>Year ended 31 December</u>	
	2019	2018
Amortisation of other intangible assets	437,013	335,959
Depreciation of property and equipment	661,589	223,630
- Right-of-use assets	285,175	-
- Other property and equipment	376,414	223,630
Amortisation of leasehold improvements and long-term deferred expenses	73,440	37,481
Depreciation of investment properties	25,026	28,827
<b>Total</b>	<u>1,197,068</u>	<u>625,897</u>

## 12 Tax and surcharges

	<u>Year ended 31 December</u>	
	2019	2018
City maintenance and construction tax	56,573	49,457
Education surcharges	43,447	37,926
Others	51,870	52,328
<b>Total</b>	<u>151,890</u>	<u>139,711</u>

### 13 Other operating expenses

	<u>Year ended 31 December</u>	
	2019	2018
Cost of commodity sales	933,090	367,881
Marketing, advertising and promotion expenses	246,831	155,822
Business travel expenses	229,114	153,195
Consulting fees	226,676	146,028
Stock exchange fees	215,553	150,989
IT expenses	192,091	71,916
Business entertainment expenses	161,247	133,184
Postal and communication expenses	157,956	138,892
Products distribution expenses	155,456	138,963
Securities investor protection funds	85,636	75,954
Rental expenses	79,889	356,904
Utilities	45,934	50,597
Auditors' remuneration	10,208	9,893
Loss on previously held interest in associates upon disposal	1	129,785
Others	793,878	706,688
	<u>3,533,560</u>	<u>2,786,691</u>

### 14 Net provision for impairment loss on financial assets

	<u>Year ended 31 December</u>	
	2019	2018
Provision for / (reversal of) impairment losses against cash and bank balances	9,832	(2,149)
Reversal of impairment losses against margin accounts receivable	(5,682)	(21,864)
Provision for impairment losses against other receivables and prepayments	197,380	397,876
Provision for impairment losses against debt investment at amortised cost	1,147	5,915
Provision for impairment losses against financial assets at fair value through other comprehensive income	4,350	449
Provision for impairment losses against financial assets held under resale agreements	510,557	473,922
Provision for impairment losses against accounts receivable	1,965	8,545
	<u>719,549</u>	<u>862,694</u>

## 15 Income tax expense

**(a) Taxation in the consolidated statement of profit or loss represents:**

	<u>Year ended 31 December</u>	
	2019	2018
Current income tax		
- Mainland China	1,673,811	758,174
- Hong Kong	-	455
- Overseas	162,560	95,129
	<u>1,836,371</u>	<u>853,758</u>
Adjustment in respect of prior years		
- Mainland China	7,977	8,065
- Hong Kong	-	-
- Overseas	-	-
	<u>7,977</u>	<u>8,065</u>
Deferred tax		
Origination and reversal of temporary differences	684,404	425,961
Total	<u><u>2,528,752</u></u>	<u><u>1,287,784</u></u>

**(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:**

	<u>Year ended 31 December</u>	
	2019	2018
Profit before income tax	11,585,965	6,448,671
National tax calculated using the PRC statutory tax rate	2,896,491	1,612,167
Tax effect of non-deductible expenses	105,050	66,883
Tax effect of non-taxable income	(490,168)	(512,209)
Tax effect of unused tax losses not recognised	21,201	36,536
Recognition of previously unrecognised tax losses	(22,936)	(81,377)
Effect of different tax rates of the subsidiaries	5,047	23,087
Adjustment for prior years	7,977	8,065
Others	6,090	134,632
Actual income tax expense	<u><u>2,528,752</u></u>	<u><u>1,287,784</u></u>

## 16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

Year ended 31 December 2019						
Name	<u>Directors'</u> <u>fees</u>	<u>Salaries,</u> <u>allowances</u> <u>and benefits</u> <u>in kind</u>	<u>Contribution</u> <u>to pension</u> <u>schemes</u>	<u>Discretionary</u> <u>bonuses</u>	<u>Annuity</u> <u>plan</u>	<u>Total</u>
<b>Executive directors</b>						
Zhang Wei <sup>(2)</sup>	-	239	23	179	-	441
Zhou Yi <sup>(3)</sup>	-	359	38	1,069	72	1,538
Zhu Xuebo <sup>(4)</sup>	-	323	38	687	72	1,120
<b>Non-executive directors</b>						
Ding Feng <sup>(1)(5)</sup>	-	-	-	-	-	-
Chen Yongbing <sup>(1)(6)</sup>	-	-	-	-	-	-
Xu Qing <sup>(1)</sup>	-	-	-	-	-	-
Hu Xiao <sup>(1)(7)</sup>	-	-	-	-	-	-
Wang Tao <sup>(1)(8)</sup>	-	-	-	-	-	-
<b>Independent non-executive directors</b>						
Chen Chuanming	240	-	-	-	-	240
Liu Hongzhong	240	-	-	-	-	240
Lee Chi Ming	240	-	-	-	-	240
Liu Yan	240	-	-	-	-	240
Chen Zhibin	240	-	-	-	-	240
<b>Supervisors</b>						
Yu Yimin <sup>(1)(9)</sup>	-	-	-	-	-	-
Zhai Jun <sup>(10)</sup>	-	855	49	1,598	49	2,551
Chen Ning <sup>(1)(11)</sup>	-	-	-	-	-	-
Zhang Ming <sup>(1)(12)</sup>	-	-	-	-	-	-
Yu Lanying <sup>(1)(13)</sup>	-	-	-	-	-	-
Yang Yaling <sup>(1)(14)</sup>	-	-	-	-	-	-
Zhang Xiaohong <sup>(15)</sup>	-	-	-	-	-	-
Fan Chunyan <sup>(1)(16)</sup>	-	-	-	-	-	-
Peng Ming <sup>(17)</sup>	-	199	4	-	12	215
Zhou Xiang <sup>(18)</sup>	-	147	11	-	13	171
Meng Qing Lin <sup>(19)</sup>	-	984	49	2,902	76	4,011
Gu Cheng Zhong <sup>(20)</sup>	-	822	38	1,135	49	2,044
Wang Ying <sup>(21)</sup>	-	696	38	1,159	38	1,931
<b>Total</b>	<b>1,200</b>	<b>4,624</b>	<b>288</b>	<b>8,729</b>	<b>381</b>	<b>15,222</b>

Year ended 31 December 2018

Name	<u>Directors' fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Contribution to pension schemes</u>	<u>Discretionary bonuses</u>	<u>Annuity plan</u>	<u>Total</u>
<b>Executive directors</b>						
Zhou Yi <sup>(3)</sup>	-	342	43	1,249	86	1,720
Zhu Xuebo <sup>(4)</sup>	-	309	43	1,061	85	1,498
<b>Non-executive directors</b>						
Ding Feng <sup>(1)(5)</sup>	-	-	-	-	-	-
Chen Yongbing <sup>(1)(6)</sup>	-	-	-	-	-	-
Xu Qing <sup>(1)</sup>	-	-	-	-	-	-
Hu Xiao <sup>(1)(7)</sup>	-	-	-	-	-	-
Fan Chunyan <sup>(1)(16)</sup>	-	-	-	-	-	-
<b>Independent non-executive directors</b>						
Liu Hongzhong	250	-	-	-	-	250
Lee Chi Ming	250	-	-	-	-	250
Chen Zhibin	140	-	-	-	-	140
Chen Chuanming	250	-	-	-	-	250
Yang Xiongsheng <sup>(22)</sup>	70	-	-	-	-	70
Liu Yan	250	-	-	-	-	250
<b>Supervisors</b>						
Yu Yimin <sup>(1)(9)</sup>	-	-	-	-	-	-
Chen Ning <sup>(1)(11)</sup>	-	-	-	-	-	-
Yu Lanying <sup>(1)(13)</sup>	-	-	-	-	-	-
Yang Yaling <sup>(1)(14)</sup>	-	-	-	-	-	-
Peng Ming <sup>(17)</sup>	-	876	43	3,414	60	4,393
Zhou Xiang <sup>(18)</sup>	-	732	43	1,671	64	2,510
Meng Qinglin <sup>(19)</sup>	-	984	50	4,699	94	5,827
<b>Total</b>	<u>1,210</u>	<u>3,243</u>	<u>222</u>	<u>12,094</u>	<u>389</u>	<u>17,158</u>

- (1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, Jiangsu High Hope International Group Co., Ltd., Alibaba Group Holding Limited and Suning Holdings Group Co., Ltd., No allocation of the remunerations between these shareholders and the Group has been made during the reporting period.
- (2) Appointed as chairman of the board on 16 December 2019.
- (3) Appointed as CEO and director of executive committee on 29 October 2019 and resigned as chairman of the board on 16 December 2019.
- (4) Appointed as executive director on 22 October 2018.
- (5) Appointed as non-executive director on 22 October 2018.
- (6) Appointed as non-executive director on 22 October 2018.
- (7) Appointed as non-executive director on 22 October 2018.
- (8) Appointed as non-executive director on 16 December 2019.
- (9) Resigned as chairman of the supervisory board on 16 December 2019.

- (10) Appointed as supervisor on 26 April 2019 and as chairman of the supervisory board on 16 December 2019.
- (11) Resigned as supervisor on 16 December 2019.
- (12) Appointed as supervisor on 16 December 2019.
- (13) Appointed as supervisor on 22 October 2018.
- (14) Appointed as supervisor on 22 October 2018 and resigned as supervisor on 16 December 2019.
- (15) Appointed as supervisor on 16 December 2019.
- (16) Appointed as non-executive director on 22 October 2018 and resigned as non-executive director on 16 December 2019. Appointed as supervisor on 16 December 2019.
- (17) Resigned as supervisor on 26 April 2019.
- (18) Resigned as supervisor on 26 April 2019.
- (19) Resigned as supervisor on 16 December 2019.
- (20) Appointed as supervisor on 26 April 2019.
- (21) Appointed as supervisor on 16 December 2019.
- (22) Resigned as independent non-executive director on 13 March 2018.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration.

## 17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
Salaries and allowances	16,741	10,669
Discretionary bonuses	33,279	35,575
Employer's contribution to pension schemes	462	304
Share-based payments	19,843	2,133
	70,325	48,681
Total		



The emoluments with the highest emoluments are within the following bands:

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>Number of individuals</i>	<i>Number of individuals</i>
HKD 9,500,001 to HKD 10,000,000	1	-
HKD 10,000,001 to HKD 15,000,000	2	5
HKD 15,000,001 to HKD 20,000,000	1	-
HKD 20,000,001 to HKD 25,000,000	1	-
	5	5
Total	5	5

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 reporting period.

## 18 Other comprehensive income

	<i>Year ended 31 December 2019</i>		
	<i>Before tax</i>	<i>Tax (expense) /benefit</i>	<i>Net of tax</i>
Net gain from debt investments at FVOCI	5,460	-	5,460
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	494,709	(123,677)	371,032
Share of other comprehensive income of associates and joint ventures	95,531	-	95,531
Exchange differences on translation of financial statements in foreign currencies	162,258	-	162,258
	757,958	(123,677)	634,281
Total	757,958	(123,677)	634,281

	Year ended 31 December 2018		
	Before tax	Tax (expense) /benefit	Net of tax
Net gain from debt investments at FVOCI	22,043	-	22,043
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	(1,311,689)	327,923	(983,766)
Share of other comprehensive income of associates and joint ventures	72,640	-	72,640
Exchange differences on translation of financial statements in foreign currencies	339,244	-	339,244
Total	(877,762)	327,923	(549,839)

## 19 Basic and diluted earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Note	Year ended 31 December	
		2019	2018
Profit attributable to shareholders of the Company		9,001,644	5,032,738
Weighted average number of ordinary shares (in thousands)	19(1)(a)	8,686,374	7,619,141
Basic earnings per share attributable to equity shareholders (in Renminbi per share)		1.04	0.66

(a) Weighted average number of ordinary shares (in thousands)

	<i>Year ended 31 December</i>	
	2019	2018
Number of ordinary shares as at 1 January	8,251,500	7,162,769
Increase in weighted average number of ordinary shares	434,874	456,372
Weighted average number of ordinary shares	8,686,374	7,619,141

(2) ***Diluted earnings per share***

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted):

	<i>Note</i>	<i>Year ended 31 December</i>	
		2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	19(2)(a)	8,962,366	5,032,738
Weighted average number of ordinary shares outstanding (in thousands)		8,686,374	7,619,141
Diluted earnings per share attributable to equity shareholders (in Renminbi per share)		1.03	0.66

(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

	<i>Year ended 31 December</i>	
	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	9,001,644	5,032,738
Diluted adjustments:		
Effect of conversion of convertible bonds from the associate of the Company(i)	(39,278)	-
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	8,962,366	5,032,738

- (i) Bank of Jiangsu Co., Ltd., the associate of the Company issued convertible bonds in March 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.
- (ii) During 2019, AssetMark Financial Holdings, Inc., the subsidiary of the Company granted stock options and restricted stock units to its certain employees. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary when additional shares have to be issued to relevant employees. Since AssetMark Financial Holdings, Inc. was in a loss position for the year ended 31 December 2019, the inclusion of all potential ordinary shares outstanding would have been anti-dilutive and excluded from the calculation of diluted earnings per share for the year ended 31 December 2019.

The Company has no potentially dilutive shares outstanding for the year ended 31 December 2019. There was no difference between basic and diluted earnings per share for the year ended 31 December 2018 as there were no potentially dilutive shares outstanding and diluted adjustments to the consolidated net profit for the year ended 31 December 2018.

## 20 Property and equipment

	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Electric equipment</i>	<i>Furniture and fixtures</i>	<i>Construction in progress</i>	<i>Right-of-use assets</i>	<i>Total</i>
<b>Cost</b>							
As at 31 December 2018	3,574,577	147,871	791,119	221,437	49,026	-	4,784,030
Impact on initial application of IFRS 16	-	-	-	-	-	725,265	725,265
As at 1 January 2019	3,574,577	147,871	791,119	221,437	49,026	725,265	5,509,295
Additions	-	34,567	412,178	49,469	60,600	531,197	1,088,011
Transfer during the year (Note 33(b))	-	-	15,852	12,159	(79,657)	-	(51,646)
Transfer in from investment properties (Note 21)	81,131	-	-	-	-	-	81,131
Disposals	-	(26,617)	(70,249)	(11,136)	-	(3,756)	(111,758)
As at 31 December 2019	<u>3,655,708</u>	<u>155,821</u>	<u>1,148,900</u>	<u>271,929</u>	<u>29,969</u>	<u>1,252,706</u>	<u>6,515,033</u>
<b>Accumulated depreciation</b>							
As at 1 January 2019	(598,166)	(125,141)	(433,285)	(79,285)	-	-	(1,235,877)
Charge for the year	(97,617)	(6,447)	(173,752)	(98,598)	-	(285,175)	(661,589)
Transfer in from investment properties (Note 21)	(46,912)	-	-	-	-	-	(46,912)
Disposals	-	25,076	65,669	5,242	-	1,474	97,461
As at 31 December 2019	<u>(742,695)</u>	<u>(106,512)</u>	<u>(541,368)</u>	<u>(172,641)</u>	<u>-</u>	<u>(283,701)</u>	<u>(1,846,917)</u>
<b>Carrying amount</b>							
As at 31 December 2019	<u>2,913,013</u>	<u>49,309</u>	<u>607,532</u>	<u>99,288</u>	<u>29,969</u>	<u>969,005</u>	<u>4,668,116</u>

	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Electric equipment</u>	<u>Furniture and fixtures</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>						
As at 1 January 2018	3,823,500	153,137	676,102	131,720	59,487	4,843,946
Additions	32,043	1,397	194,711	18,776	41,957	288,884
Transfer during the year (Note 33(b))	-	-	1,793	2,429	(14,721)	(10,499)
Transfer in from investment properties (Note 21)	53,901	-	-	-	-	53,901
Disposals	-	(6,663)	(81,487)	(11,593)	-	(99,743)
Others	(334,867)	-	-	80,105	(37,697)	(292,459)
As at 31 December 2018	<u>3,574,577</u>	<u>147,871</u>	<u>791,119</u>	<u>221,437</u>	<u>49,026</u>	<u>4,784,030</u>
<b>Accumulated depreciation</b>						
As at 1 January 2018	(493,500)	(123,752)	(417,259)	(71,964)	-	(1,106,475)
Charge for the year	(101,894)	(7,860)	(96,638)	(17,238)	-	(223,630)
Transfer in from investment properties (Note 21)	(2,772)	-	-	-	-	(2,772)
Disposals	-	6,471	80,612	9,917	-	97,000
As at 31 December 2018	<u>(598,166)</u>	<u>(125,141)</u>	<u>(433,285)</u>	<u>(79,285)</u>	<u>-</u>	<u>(1,235,877)</u>
<b>Carrying amount</b>						
As at 31 December 2018	<u>2,976,411</u>	<u>22,730</u>	<u>357,834</u>	<u>142,152</u>	<u>49,026</u>	<u>3,548,153</u>

As at 31 December 2019 and 31 December 2018, included in buildings, there is a carrying amount of RMB34.68 million and RMB68.52 million respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 21 Investment properties

	<i>As at 31 December</i>	
	2019	2018
<b>Cost</b>		
As at 1 January	850,590	1,084,322
Additions	-	-
Transfer to property and equipment (Note 20)	(81,131)	(53,901)
Disposals	-	(3,065)
Others	-	(176,766)
	769,459	850,590
<b>Accumulated depreciation</b>		
As at 1 January	(259,709)	(235,070)
Charge for the year	(25,026)	(28,827)
Transfer to property and equipment (Note 20)	46,912	2,772
Disposals	-	1,416
	(237,823)	(259,709)
<b>Impairment</b>		
As at 1 January	(4,547)	(4,547)
Impairment losses for the year	-	-
	(4,547)	(4,547)
<b>Carrying amount</b>	527,089	586,334

As at 31 December 2019 and 31 December 2018, included in investment properties, there is a carrying amount of RMB55.91 million and RMB103.48 million respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 22 Goodwill

<b>Cost</b>	
As at 1 January 2019	2,099,412
Acquisition through business combination	178,364
Effect of movements in exchange rates	56,086
	<hr/>
As at 31 December 2019	2,333,862
	<hr style="border-top: 1px dashed black;"/>
<b>Impairment losses</b>	
As at 1 January 2019	-
Impairment losses	-
	<hr/>
As at 31 December 2019	-
	<hr style="border-top: 1px dashed black;"/>
<b>Carrying amounts</b>	
As at 1 January 2019	2,099,412
	<hr/>
As at 31 December 2019	2,333,862
	<hr/>

### Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	<u>As at 31 December</u>	
	2019	2018
Investment banking	51,090	51,090
Futures brokerage	252	252
Overseas asset management	2,282,520	2,048,070
	<hr/>	<hr/>
Total	2,333,862	2,099,412
	<hr/>	<hr/>

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. 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 investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Huatai Great Wall Futures Co., Ltd.) in 2006. 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 acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. 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 overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Global Financial Private Capital, Inc. in April 2019. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

For the investment banking and futures brokerage CGU, the cash flows generated from each subsidiary acquired are independent. Therefore, each of these acquired subsidiaries is a separate CGU. For the overseas asset management CGU, the Group considered that the primary business of Global Financial Private Capital, Inc. acquired in 2019 is same as AssetMark Financial Holdings, Inc., and it can bring synergies to overseas asset management business, the Group assessed that there was only one CGU within AssetMark Financial Holdings, Inc.. The Group performed the impairment test for the goodwill generated from each CGU.

#### **(1) Investment banking and futures brokerage CGU**

The recoverable amounts of each CGU are determined based on value-in-use calculations, respectively. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. As at 31 December 2019, the pre-tax discount rate used by the investment banking and futures brokerage CGUs were 18% and 20%, respectively (18% and 20%, respectively, as at 31 December 2018), and the weighted average growth rate were 5% and 6.6%, respectively (6.6% and 6.6%, respectively, as at 31 December 2018). The pre-tax discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and profit margins, such estimation is based on the CGU's past performance and management's expectations for the market development.

#### **(2) Overseas asset management CGU**

The recoverable amount of the CGU has been determined based on fair value less costs of disposal based on the stock price of AssetMark Financial Holdings, Inc. in New York Stock Exchanges as at 31 December 2019.

As at 31 December 2019, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU. The Group believes that appropriate assumptions have been made based on available information. The key assumptions based on the cash flow projections of the asset groups may change, which may cause the recoverable amounts to be over or below its book value.



## 23 Other intangible assets

	<i>Land use rights</i>	<i>Existing relationships with broker-dealers</i>	<i>Trade names</i>	<i>Software and others</i>	<i>Total</i>
<b>Cost</b>					
As at 1 January 2019	359,161	3,917,479	314,714	1,912,694	6,504,048
Acquisition of subsidiaries	-	-	-	95,632	95,632
Additions	3,120	-	-	503,711	506,831
Disposals	-	-	-	(3,514)	(3,514)
Exchange differences	-	62,304	5,005	22,175	89,484
	<u>362,281</u>	<u>3,979,783</u>	<u>319,719</u>	<u>2,530,698</u>	<u>7,192,481</u>
As at 31 December 2019	<u>362,281</u>	<u>3,979,783</u>	<u>319,719</u>	<u>2,530,698</u>	<u>7,192,481</u>
<b>Accumulated amortisation</b>					
As at 1 January 2019	(78,123)	-	(37,323)	(926,590)	(1,042,036)
Charge for the period	(7,239)	-	(15,736)	(414,038)	(437,013)
Disposals	-	-	-	3,514	3,514
Exchange differences	-	-	(594)	(4,895)	(5,489)
	<u>(85,362)</u>	<u>-</u>	<u>(53,653)</u>	<u>(1,342,009)</u>	<u>(1,481,024)</u>
As at 31 December 2019	<u>(85,362)</u>	<u>-</u>	<u>(53,653)</u>	<u>(1,342,009)</u>	<u>(1,481,024)</u>
<b>Carrying amount</b>					
As at 31 December 2019	<u>276,919</u>	<u>3,979,783</u>	<u>266,066</u>	<u>1,188,689</u>	<u>5,711,457</u>
<b>Cost</b>					
As at 1 January 2018	359,161	3,727,631	299,463	1,445,500	5,831,755
Additions	-	-	-	438,444	438,444
Disposals	-	-	-	(141)	(141)
Exchange differences	-	189,848	15,251	28,891	233,990
	<u>359,161</u>	<u>3,917,479</u>	<u>314,714</u>	<u>1,912,694</u>	<u>6,504,048</u>
As at 31 December 2018	<u>359,161</u>	<u>3,917,479</u>	<u>314,714</u>	<u>1,912,694</u>	<u>6,504,048</u>
<b>Accumulated amortisation</b>					
As at 1 January 2018	(70,927)	-	(20,868)	(602,211)	(694,006)
Charge for the period	(7,196)	-	(14,973)	(313,790)	(335,959)
Disposals	-	-	-	92	92
Exchange differences	-	-	(1,482)	(10,681)	(12,163)
	<u>(78,123)</u>	<u>-</u>	<u>(37,323)</u>	<u>(926,590)</u>	<u>(1,042,036)</u>
As at 31 December 2018	<u>(78,123)</u>	<u>-</u>	<u>(37,323)</u>	<u>(926,590)</u>	<u>(1,042,036)</u>
<b>Carrying amount</b>					
As at 31 December 2018	<u>281,038</u>	<u>3,917,479</u>	<u>277,391</u>	<u>986,104</u>	<u>5,462,012</u>

Existing relationships with brokers and dealers are regarded as having an indefinite useful life and is not amortised because there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

As at 31 December 2019, the Group performed its impairment test on the above individual intangible assets based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to financial budget approved by management covering a 9-year period and the pre-tax discount rate of 15.7%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 3.5%.

Based on management's impairment assessment, no impairment loss was recognised for the year ended 31 December 2019 (31 December 2018: Nil).

## 24 Investments in subsidiaries

### (a) Details of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares held is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan:

<u>Name of company</u>	<u>Place and date of incorporation/ establishment</u>	<u>Issued and fully paid-up capital</u>	<u>Equity interest held by the Company as at 31 December</u>		<u>Principal activity</u>	<u>Auditor<sup>(1)</sup> GAAP</u>	
			<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
Huatai United Securities Co., Ltd.	PRC 5 September 1997	RMB 997,480,000	99.92%	99.92%	Investment banking	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC 10 July 1995	RMB 1,609,000,000	60.00%	60.00%	Futures brokerage	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Purple Gold Investment Co., Ltd.	PRC 12 August 2008	RMB 5,200,000,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited <sup>(6)</sup>	Hong Kong 23 November 2006	HKD 8,800,000,000	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai International Financial Holdings Co., Ltd.	Hong Kong 5 April 2017	HKD 8,800,000,002	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd. <sup>(2)</sup>	PRC 21 November 2013	RMB 1,700,000,000	100.00%	100.00%	Alternative investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd.	PRC 16 October 2014	RMB 2,600,000,000	100.00%	100.00%	Asset management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenzhen Huatai Ruilin Equity Management (Limited Partnership) <sup>(6)(7)</sup>	PRC 28 September 2014	RMB -	31.00%	31.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) <sup>(6)(7)</sup>	PRC 1 June 2015	RMB 910,000,000	45.00%	45.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Yili Suxin Investment Fund (Limited Partnership) <sup>(6)(7)</sup>	PRC 19 February 2016	RMB 1,810,000,000	24.73%	24.73%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
AssetMark Financial Holdings, Inc. <sup>(3)(6)</sup>	US 1 January 1996	USD 72,390	70.27%	98.58%	Asset management	KPMG LLP US GAAP	KPMG LLP US GAAP
Huatai Great Wall Capital Management Co., Ltd. <sup>(4)(6)</sup>	PRC 6 December 2013	RMB 650,000,000	100.00%	100.00%	Spread trading and commodity warrant trading	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Great Wall Investment Management Co., Ltd. <sup>(5)(6)</sup>	PRC 3 August 2017	RMB 550,000,000	100.00%	100.00%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP

- (1) Auditors of the respective subsidiaries of the Group are as follows:
  - KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
  - KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and
  - KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.
- (2) On 20 June 2019, the issued capital of Huatai Innovation Investment Co., Ltd., a subsidiary of the Company, was changed to RMB 3.5 billion, the paid-in capital was changed to RMB 1.7 billion.
- (3) On 22 July 2019, Assetmark Financial Holdings, Inc., a subsidiary of the Company, completed the listing on New York stock exchange, and the shareholding ratio of the Company changed from 98.58% to 81.49%. After the listing, the Company disposed 6,250,000 shares of Assetmark Financial Holdings, Inc.. As at 31 December 2019, the Company held 70.27% of Assetmark Financial Holdings, Inc.
- (4) On 23 April 2019, the paid-in capital of Huatai Great Wall Capital Management Co., Ltd., a subsidiary of the Company, was changed to RMB650 million.
- (5) On 18 April 2019, the paid-in capital of Huatai Great Wall Investment Management Co., Ltd., a subsidiary of the Company, was changed to RMB550 million.
- (6) These subsidiaries are indirectly controlled by the Company.
- (7) As at 31 December 2019, the Company indirectly held less than 50% of the equity of Shenzhen Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) and Yili Suxin Investment Fund (Limited Partnership). According to the articles of partnership agreement, the Company has the power to control these funds and has the ability to use the power to affect the Company's variable return amount. Therefore, they are included in the scope of the consolidated financial statements.

**(b) Partially-owned subsidiaries with material non-controlling interests**

The following tables list out the information relating to Huatai Futures Co., Ltd. and AssetMark Financial Holdings, Inc., the subsidiaries of the Group which have material non-controlling interest (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination:

	<u>Huatai Futures Co., Ltd.</u>		<u>AssetMark Financial Holdings, Inc.</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
NCI percentage	40%	40%	29.73%	1.42%
Assets	25,103,587	19,161,075	8,246,392	7,873,978
Liabilities	(22,345,524)	(16,495,253)	(2,254,806)	(3,076,525)
Net assets	2,758,063	2,665,822	5,991,586	4,797,453
Carrying amount of NCI	1,103,225	1,066,329	1,785,262	88,582
Revenue	1,701,654	1,210,484	2,875,601	2,406,320
Profit / (loss) for the year	90,668	205,594	(2,897)	247,664
Other comprehensive income	1,573	(432)	-	(33)
Total comprehensive income	92,241	205,162	(2,897)	247,631
Profit / (loss) allocated to NCI	36,897	80,649	(8,962)	3,200
Dividend paid to NCI	-	-	-	-
Cash flows from operating activities	499,437	(2,821,899)	379,988	408,044
Cash flows from investing activities	391,898	(290,971)	(413,314)	(117,221)
Cash flows from financing activities	(55,789)	4,055	(15,052)	74,506

**(c) Acquisition of subsidiary**

Global Financial Private Capital, Inc.

In 2019, the Company's subsidiary AssetMark Financial Holdings, Inc. acquired Global Financial Private Capital, LLC, which was renamed Global Financial Private Capital, Inc. effective on 12 July 2019. Global Financial Private Capital, Inc. is a wealth management company headquartered in the United States. On 16 April 2019, the Company closed the acquisition and paid a final purchase price of USD35.91 million (RMB240.92 million). The equity interest held by the Group is 100% after the acquisition in April 2019. The Group recognised the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

The fair values of the identifiable assets and liabilities of Global Financial Private Capital, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of <u>acquisition</u>
Property and equipment	2,028
Other intangible assets	95,632
Deferred tax assets	29,147
Accounts receivable	1,396
Other receivables and prepayments	2,137
Cash and bank balances	76,511
Other payables and accruals	<u>(144,293)</u>
Total identifiable net assets at fair value	<u><u>62,558</u></u>
Goodwill arising from acquisition	
Consideration transferred	240,922
Less: fair value of net assets acquired	<u>62,558</u>
Carrying amount of goodwill	<u><u>178,364</u></u>

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Global Financial Private Capital, Inc. contributed RMB67.83 million to the Group's revenue and RMB22.70 million loss to the consolidated profit for the year ended 31 December 2019.

**(d) Others**

In March 2019, Huatai Ruixin (Shanghai) Investment Co., Ltd., a subsidiary of the Company, was liquidated and dissolved according to law. In July 2019, AssetMark Holdings LLC, a subsidiary of the Company, was liquidated and dissolved according to law.

## 25 Interest in associates

	<i>As at 31 December</i>	
	2019	2018
Share of net assets	14,974,547	12,527,828

The following list contains only the particulars of material associates, all of which (except for Bank of Jiangsu Co., Ltd. (“Bank of Jiangsu”) has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

<u>Name of associate</u>	<u>Registered place</u>	<u>Registered capital</u>	<u>Proportion of ownership interest</u>			<u>Principal activity</u>
			<u>Group's effective interest</u>	<u>Held by the Company</u>	<u>Held by a subsidiary</u>	
Bank of Jiangsu <sup>(i)</sup>	Nanjing	11,545,000	5.54%	5.54%	-	Commercial banking
China Southern Asset Management Co., Ltd. <sup>(ii)</sup>	Shenzhen	361,720	41.16%	41.16%	-	Fund management
Nanjing Huatai Rulian NO.1 Funds Mergers (Limited Partnership) <sup>(iii)</sup>	Nanjing	5,442,000	48.27%	-	48.27%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

- (i) In 2019, Bank of Jiangsu converted 49,981 shares convertible bonds, accounting for 0.0004% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion, and the share of Bank of Jiangsu held by the Company was changed from 5.54379% to 5.54377%. The Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it.
- (ii) In 2019, the Company signed a capital increase agreement with other shareholders of China Southern Asset Management Co., Ltd., and the proportion of shares the Company held in China Southern Asset Management Co., Ltd. was changed from 45.00% to 41.16% after the capital injection. As at 31 December 2019, the Company still had a significant influence over China Southern Asset Management Co., Ltd.
- (iii) The Group changed from the limited partner to the co-manager of Nanjing Huatai Rulian NO.1 Funds Mergers (Limited Partnership) (“NO. 1 Funds Mergers”) in October 2018. The equity change completed in March 2019, the share of NO. 1 Funds Mergers held by the Group changed from 47.78% to 48.27%. As at 31 December 2019, the Group had a significant influence over NO. 1 Funds Mergers.

Summarised financial information of Bank of Jiangsu, China Southern Asset Management Co., Ltd. and NO. 1 Funds Mergers which are individually significant associates to the Group, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Bank of Jiangsu

	2019	2018
Gross amounts of the associate		
Assets	2,065,058,000	1,925,823,000
Liabilities	(1,928,083,074)	(1,801,343,709)
Net assets	136,974,926	124,479,291
Revenue	44,974,000	35,224,000
Profit for the year	16,921,980	13,238,751
Other comprehensive income	(866,500)	1,533,001
Total comprehensive income	16,055,480	14,771,752
Dividend received from the associate	217,600	115,200
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	110,027,043	102,647,000
The Group's effective interest	5.54%	5.54%
The Group's share of net assets of the associate	6,099,377	5,690,534
Carrying amount in the consolidated financial statements	6,099,377	5,690,534

China Southern Asset Management Co., Ltd.

	2019	2018
Gross amounts of the associate		
Assets	9,435,117	7,826,848
Liabilities	(2,370,765)	(2,928,860)
Net assets	7,064,352	4,897,988
Revenue	3,872,937	3,557,101
Profit for the year	896,907	839,384
Other comprehensive income	97,767	(13,548)
Total comprehensive income	994,674	825,836
Dividend received from the associate	149,226	252,636
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	6,837,404	4,765,340
The Group's effective interest	41.16%	45.00%
The Group's share of net assets of the associate	2,814,276	2,144,403
Carrying amount in the consolidated financial statements	2,814,276	2,144,403



NO. 1 Funds Mergers

	<i>2019</i>	<i>2018</i>
Gross amounts of the associate		
Assets	8,195,643	5,896,114
Liabilities	-	-
Net assets	8,195,643	5,896,114
Revenue	2,649,799	(218,938)
Profit / (loss) for the year	2,547,011	(322,369)
Other comprehensive income	-	-
Total comprehensive income	2,547,011	(322,369)
Dividend received from the associate	-	-
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to		
the parent company	8,195,643	5,896,114
The Group's effective interest	48.27%	47.78%
The Group's share of net assets of the associate	3,955,757	2,816,960
Other adjustment	(37,418)	28,855
	3,918,339	2,845,815
Carrying amount in the consolidated financial statements	3,918,339	2,845,815

Aggregate information of associates that are not individually material:

	<i>2019</i>	<i>2018</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	2,142,555	1,847,076
Aggregate amounts of the Group's share of those associates' gains	556,874	135,207
Other comprehensive income	(56)	(3,576)
Total comprehensive income	556,818	131,631

## 26 Interest in joint ventures

	<u>As at 31 December</u>	
	2019	2018
Share of net assets	<u>664,458</u>	<u>649,833</u>

The following list contains only the particulars of material joint venture, which is unlisted corporate entity whose quoted market price is not available:

<u>Name of joint venture</u>	<u>Registered place</u>	<u>Registered capital</u>	<u>Proportion of ownership interest</u>			<u>Principal activity</u>
			<u>Group's effective interest</u>	<u>Held by the Company</u>	<u>Held by a subsidiary</u>	
Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	Nanjing	10,001,000	10%	-	10%	Equity investment

As at 31 December 2019, the Group held 10% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement signed in April 2018, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

Summarised financial information of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), which are individually significant joint venture to the Group, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)

	<u>2019</u>	<u>2018</u>
Gross amounts of the joint venture		
Assets	6,629,266	6,484,127
Liabilities	-	(352)
Net assets	6,629,266	6,483,775
Revenue	295,645	411,306
Profit for the year	275,301	390,943
Other comprehensive income	-	-
Total comprehensive income	275,301	390,943
Dividend received from the joint venture	-	-
Reconciled to the Group's interest in the joint venture:		
Net assets of the joint venture attributable to the parent company	6,629,266	6,483,775
The Group's effective interest	10%	10%
The Group's share of net assets of the joint venture	<u>662,927</u>	<u>648,378</u>
Carrying amount in the consolidated financial statements	<u><u>662,927</u></u>	<u><u>648,378</u></u>
Information of joint venture that is not individually material:		
	<u>2019</u>	<u>2018</u>
Carrying amount of individually immaterial joint venture in the consolidated financial statements	<u><u>1,531</u></u>	<u><u>1,455</u></u>
Amounts of the Group's share of immaterial joint venture's gains / (loss)	76	(2,045)
Other comprehensive income	-	-
Total comprehensive income	76	(2,045)

## 27 Debt investment at amortised cost

### (a) Analysed by nature:

#### Non-current

	<u>As at 31 December</u>	
	2019	2018
Debt securities	14,434,594	13,208,179
Loan and advances	699,570	651,983
Less: impairment losses	(5,211)	(5,284)
<b>Total</b>	<u>15,128,953</u>	<u>13,854,878</u>
Analysed as:		
Listed outside Hong Kong	6,743,982	7,486,705
Listed inside Hong Kong	554,254	564,030
Unlisted	7,830,717	5,804,143
<b>Total</b>	<u>15,128,953</u>	<u>13,854,878</u>

#### Current

	<u>As at 31 December</u>	
	2019	2018
Debt securities	4,322,908	2,276,968
Loan and advances	289,899	143,100
Less: impairment losses	(2,002)	(782)
<b>Total</b>	<u>4,610,805</u>	<u>2,419,286</u>
Analysed as:		
Listed outside Hong Kong	2,538,970	1,591,806
Listed inside Hong Kong	42,470	25,934
Unlisted	2,029,365	801,546
<b>Total</b>	<u>4,610,805</u>	<u>2,419,286</u>

As at 31 December 2019, the Group has pledged debt investment at amortised cost with a total fair value of RMB15,897 million and carrying amount of RMB15,737 million for the purpose of repurchase agreement business. The fair values of these securities have taken into account the relevant features including the restrictions.

**(b) Analysis of the movement of provision for impairment losses:**

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	6,066	151
Charge for the year	3,736	6,978
Reversal of impairment	(2,589)	(1,063)
	7,213	6,066

**28 Financial assets at fair value through other comprehensive income**

**(a) Analysed by nature:**

Non-current

	<i>As at 31 December</i>	
	2019	2018
<b>Equity investment</b>		
Equity securities designated at FVOCI		
- Unlisted equity securities	90,069	82,294
- Other unlisted equity investment <sup>(1)</sup>	10,254,673	9,767,639
	10,344,742	9,849,933
<b>Debt investment</b>		
Debt securities	731,785	-
Loan and advances	156,106	248,449
	887,891	248,449
Total	11,232,633	10,098,382
Analysed as:		
Unlisted	10,500,848	10,098,382
Listed inside Hong Kong	696,635	-
Listed outside Hong Kong	35,150	-
	11,232,633	10,098,382

(1) As at 31 December 2019, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The Group designated the special amount investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

Current

	<u>As at 31 December</u>	
	2019	2018
<b>Debt investment</b>		
Loan and advances	841,886	358,361
Debt securities	283,456	-
	<u>1,125,342</u>	<u>358,361</u>
Total	<u>1,125,342</u>	<u>358,361</u>
Analysed as:		
Unlisted	841,886	358,361
Listed inside Hong Kong	196,178	-
Listed outside Hong Kong	87,278	-
	<u>1,125,342</u>	<u>358,361</u>
Total	<u>1,125,342</u>	<u>358,361</u>

## 29 Financial assets held under resale agreements

### (a) Analysed by collateral type:

Non-current

	<u>As at 31 December</u>	
	2019	2018
Equity securities	-	2,819,242
Less: impairment losses	-	(7,048)
	<u>-</u>	<u>2,812,194</u>
Total	<u>-</u>	<u>2,812,194</u>

Current

	<u>As at 31 December</u>	
	2019	2018
Debt securities	13,787,673	15,769,084
Equity securities	5,736,157	25,515,232
Less: impairment losses	(1,057,550)	(539,945)
	<u>18,466,280</u>	<u>40,744,371</u>
Total	<u>18,466,280</u>	<u>40,744,371</u>

**(b) Analysed by market:**

Non-current

	<i>As at 31 December</i>	
	2019	2018
Shenzhen stock exchange	-	1,712,819
Shanghai stock exchange	-	1,106,423
Less: impairment losses	-	(7,048)
	-	2,812,194

Current

	<i>As at 31 December</i>	
	2019	2018
Inter-bank market	10,117,307	10,578,868
Shenzhen stock exchange	4,734,581	22,840,766
Shanghai stock exchange	3,947,540	7,433,429
Others	724,402	431,253
Less: impairment losses	(1,057,550)	(539,945)
	18,466,280	40,744,371

**(c) Analysis of the movement of provision for impairment losses:**

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	546,993	73,071
Charge for the year	660,363	473,922
Reversal of impairment	(149,806)	-
	1,057,550	546,993

**(d) Analysed by remaining contractual maturities of securities-backed lendings:**

	<i>As at 31 December</i>	
	2019	2018
Within 1 month	3,203,587	4,835,296
1 to 3 months	1,410,422	3,802,420
3 months to 1 year	1,122,148	16,877,516
Over 1 year	-	2,819,242
Less: impairment losses	(1,057,550)	(546,993)
	4,678,607	27,787,481

(e) **Analysed by the stage of ECL of securities-backed lendings:**

	<i>As at 31 December 2019</i>			<i>Total</i>
	<i>12-month ECL</i>	<i>Lifetime ECL-not credit impaired</i>	<i>Lifetime ECL- credit impaired</i>	
Amortised cost	3,201,553	400	2,534,204	5,736,157
Impairment losses	(8,002)	(4)	(1,049,544)	(1,057,550)
Carrying amount	<u>3,193,551</u>	<u>396</u>	<u>1,484,660</u>	<u>4,678,607</u>
Collateral	<u>8,595,770</u>	<u>4,969</u>	<u>4,337,698</u>	<u>12,938,437</u>

	<i>As at 31 December 2018</i>			<i>Total</i>
	<i>12-month ECL</i>	<i>Lifetime ECL-not credit impaired</i>	<i>Lifetime ECL- credit impaired</i>	
Amortised cost	24,662,325	1,905,942	1,766,207	28,334,474
Impairment losses	(61,656)	(33,593)	(451,744)	(546,993)
Carrying amount	<u>24,600,669</u>	<u>1,872,349</u>	<u>1,314,463</u>	<u>27,787,481</u>
Collateral	<u>51,915,302</u>	<u>1,967,410</u>	<u>14,812,086</u>	<u>68,694,798</u>

**30 Financial assets at fair value through profit or loss**

Non-current

(a) Analysed by type:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Equity securities	4,219,220	3,072,923
Debt securities	554,937	750,853
Funds	185,288	417,119
Wealth management products	1,712,701	914,281
Loan and advances	294,187	-
Total	<u>6,966,333</u>	<u>5,155,176</u>

(b) Analysed as:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Listed outside Hong Kong	356,529	406,000
Unlisted	6,609,804	4,749,176
Total	<u>6,966,333</u>	<u>5,155,176</u>



Current

(a) Analysed by type:

	<i>As at 31 December</i>	
	2019	2018
Equity securities	29,781,301	7,299,492
Debt securities	180,958,126	81,535,117
Funds	28,855,524	22,360,796
Wealth management products	5,905,224	5,893,751
Loan and advances	329,164	-
	245,829,339	117,089,156

(b) Analysed as:

	<i>As at 31 December</i>	
	2019	2018
Listed outside Hong Kong	114,257,958	57,972,062
Listed in Hong Kong	7,901,751	3,305,649
Unlisted	123,669,630	55,811,445
	245,829,339	117,089,156

As at 31 December 2019 and 31 December 2018, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB62 million and RMB16 million, respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 31 December 2019 and 31 December 2018, the listed equity securities held by the Group included approximately RMB790 million and RMB524 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

Non-current financial assets at fair value through profit or loss investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 31 December 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB1,476 million and RMB1,168 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB1,329 million and RMB10 million to CSF for the purpose of replacement, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB91,387 million and RMB26,203 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

### 31 Refundable deposits

	<u>As at 31 December</u>	
	2019	2018
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	774,158	366,632
– Hong Kong Securities Clearing Company Limited	7,668	8,275
– Hong Kong Stock Exchange	45	526
	<u>781,871</u>	<u>375,433</u>
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	5,057,555	1,991,536
– Shanghai Futures Exchange	2,023,044	1,295,101
– Dalian Commodity Exchange	1,429,232	1,307,482
– Zhengzhou Commodity Exchange	894,701	725,813
– Shanghai International Energy Exchange	316,689	127,174
– Overseas commodity exchange	208,865	102,835
	<u>9,930,086</u>	<u>5,549,941</u>
Deposits with other institutions		
– Shanghai Clearing House	848,118	107,094
– China Securities Finance Corporation Limited	775,493	1,682,150
– Shanghai Gold Exchange	400	300
– Others financial institutions	317,572	121,588
	<u>1,941,583</u>	<u>1,911,132</u>
Total	<u><u>12,653,540</u></u>	<u><u>7,836,506</u></u>

## 32 Deferred taxation

(a) **The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:**

<b>Deferred tax arising from:</b>	<i>Provision for impairment losses</i>	<i>Employee benefits payable</i>	<i>Changes in fair value of financial instruments measured at FVTPL</i>	<i>Changes in fair value of derivative financial instruments</i>	<i>Changes in fair value of available-for-sale financial assets</i>	<i>Changes in fair value of financial instruments measured at FVOCI</i>	<i>Intangible assets recognised in the acquisition</i>	<i>Others</i>	<i>Total</i>
As at 1 January 2019	370,853	1,386,041	(284,721)	(313,601)	-	29,136	(1,224,780)	(1,547,969)	(1,585,041)
Recognised in profit or loss	177,813	262,822	(948,065)	235,549	-	-	(25,361)	(387,162)	(684,404)
Acquisition of subsidiaries	-	-	-	-	-	-	-	29,147	29,147
Recognised in reserves	-	-	-	-	-	(123,677)	-	-	(123,677)
As at 31 December 2019	<u>548,666</u>	<u>1,648,863</u>	<u>(1,232,786)</u>	<u>(78,052)</u>	<u>-</u>	<u>(94,541)</u>	<u>(1,250,141)</u>	<u>(1,905,984)</u>	<u>(2,363,975)</u>
As at 31 December 2017	174,630	1,547,359	(257,295)	303,757	(392,060)	-	(1,189,098)	(1,646,183)	(1,458,890)
Impact on initial application of IFRS9	(15,404)	-	(131,799)	-	392,060	(272,986)	-	25,817	(2,312)
As at 1 January 2018	159,226	1,547,359	(389,094)	303,757	-	(272,986)	(1,189,098)	(1,620,366)	(1,461,202)
Recognised in profit or loss	211,627	(161,318)	104,373	(617,358)	-	-	(35,682)	72,397	(425,961)
Recognised in reserves	-	-	-	-	-	302,122	-	-	302,122
As at 31 December 2018	<u>370,853</u>	<u>1,386,041</u>	<u>(284,721)</u>	<u>(313,601)</u>	<u>-</u>	<u>29,136</u>	<u>(1,224,780)</u>	<u>(1,547,969)</u>	<u>(1,585,041)</u>

**(b) Reconciliation to the consolidated statement of financial position**

	<i>As at 31 December</i>	
	2019	2018
Net deferred tax assets recognised in the consolidated statement of financial position	202,825	225,135
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,566,800)	(1,810,176)
Total	(2,363,975)	(1,585,041)

**(c) Deferred tax assets not recognised**

As at 31 December 2019 and 31 December 2018, in accordance with the accounting policy set out in Note 2(19)(ii), the Group has not recognised unused tax losses of RMB1,138 million and RMB1,145 million respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Most of the tax losses will not expire under current tax legislation.

**33 Other non-current assets**

**(a) Analysed by nature:**

	<i>As at 31 December</i>	
	2019	2018
Leasehold improvements and long-term deferred expenses	260,669	259,751

**(b) The movements of leasehold improvements and long-term deferred expenses are as below:**

	<i>As at 31 December</i>	
	2019	2018
Balance at beginning of the year	259,751	81,047
Additions	22,712	205,686
Transfer in from property and equipment (Note 20)	51,646	10,499
Amortisation	(73,440)	(37,481)
Balance at end of the year	260,669	259,751

### 34 Accounts receivable

**(a) Analysed by nature:**

	<i>As at 31 December</i>	
	2019	2018
Accounts receivable of:		
- Return swap and OTC options	2,328,096	1,465,653
- Fee and commission	864,235	763,403
- Settlement	798,260	23,851
- Redemption of open-ended fund	775,274	7,948
- Brokers, dealers and clearing house	550,212	323,014
- Subscription receivable	107,628	120,027
- Interest of interest rate swap	52,556	223,324
- Others	54,762	180,835
Less: impairment losses	(19,855)	(17,890)
Total	5,511,168	3,090,165

**(b) Analysed by aging:**

As at the end of the reporting period, the aging analysis of accounts receivable, based on the trade date, is as follows:

	<i>As at 31 December</i>	
	2019	2018
Within 1 month	5,264,183	2,676,272
1 to 3 months	57,958	335,761
Over 3 months	189,027	78,132
Total	5,511,168	3,090,165

**(c) Analysis of the movement of provision for impairment losses:**

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	17,890	9,918
Charge for the year	14,559	8,545
Amounts written-off	(12,594)	(573)
At the end of the year	19,855	17,890

**(d) Accounts receivable that is not impaired**

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The receivables from securities-backed lending business are not included in accounts receivable.

### 35 Other receivables and prepayments

(a) *Analysed by nature:*

	<i>As at 31 December</i>	
	2019	2018
Other receivables <sup>(1)</sup>	468,259	387,832
Interest receivable <sup>(2)</sup>	131,942	184,677
Deductable VAT	36,874	38,111
Tax refund	29,834	472,541
Deferred expenses	14,576	25,187
Dividends receivable	4,564	210,032
Others	194,222	236,710
	880,271	1,555,090

(1) Other receivables:

	<i>As at 31 December</i>	
	2019	2018
Other receivables	1,374,639	1,102,147
Less: impairment losses	(906,380)	(714,315)
	468,259	387,832

The balance of others mainly represents receivables from over-the-counter options clients, the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund, and sundry receivables arising from normal course of business.

***Analysis of the movement of provision for impairment losses of other receivables:***

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	714,315	386,691
Charge for the year	210,758	343,960
Reversal of impairment	(18,693)	(16,230)
Amounts written-off	-	(106)
	906,380	714,315

(2) Interest receivable:

	<i>As at 31 December</i>	
	2019	2018
Interest receivable	207,403	254,823
Less: impairment losses	(75,461)	(70,146)
Total	131,942	184,677

***Analysis of the movement of provision for impairment losses of interest receivable:***

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	70,146	-
Charge for the year	43,511	70,146
Reversal of impairment	(38,196)	-
At the end of the year	75,461	70,146

**36 Margin accounts receivable**

**(a) *Analysed by nature:***

	<i>As at 31 December</i>	
	2019	2018
Individuals	63,208,640	43,445,557
Institutions	5,910,311	2,861,681
Less: impairment losses	(112,671)	(118,353)
Total	69,006,280	46,188,885

As at 31 December 2018, the amount of margin accounts receivable which the Group transferred to the securitisation vehicle is RMB1,078 million, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors in 2018 with one year term and was liquidated in 2019.

**(b) Analysis of the movement of provision for impairment losses:**

	<u>As at 31 December</u>	
	2019	2018
At the beginning of the year	118,353	140,217
Charge for the year	33,329	29,561
Reversal of impairment	(39,011)	(51,425)
	<u>112,671</u>	<u>118,353</u>

**(c) The fair value of collaterals for margin financing and securities lending business is analysed as follows:**

	<u>As at 31 December</u>	
	2019	2018
Fair value of collaterals:		
- Equity securities	208,232,831	119,268,801
- Cash	10,757,058	6,966,255
- Funds	4,364,467	3,078,365
- Debt securities	433,164	185,062
	<u>223,787,520</u>	<u>129,498,483</u>

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

**37 Derivative financial instruments**

	<u>As at 31 December 2019</u>		
	<u>Notional amount</u>	<u>Fair value</u>	
		<u>Assets</u>	<u>Liabilities</u>
Interest rate derivatives	187,871,177	93,489	(8,447)
Currency derivatives	3,685,733	65,447	(47,146)
Equity derivatives	98,238,017	1,657,753	(1,906,397)
Credit derivatives	2,558,479	2,385	(23,297)
Others	64,841,228	136,794	(121,641)
	<u>357,194,634</u>	<u>1,955,868</u>	<u>(2,106,928)</u>
Less: settlement		<u>(97,827)</u>	<u>828,529</u>
Net position		<u>1,858,041</u>	<u>(1,278,399)</u>



	<i>As at 31 December 2018</i>		
	<i>Notional amount</i>	<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Interest rate derivatives	62,537,399	2,934	(29,667)
Currency derivatives	849,807	26,935	(849)
Equity derivatives	45,549,553	1,902,365	(768,911)
Credit derivatives	35,000	554	(56)
Others	3,050,979	64,594	(5,023)
	<u>112,022,738</u>	<u>1,997,382</u>	<u>(804,506)</u>
Less: settlement		<u>(63,424)</u>	<u>28,404</u>
Net position		<u>1,933,958</u>	<u>(776,102)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settling with Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures trading through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the Group has maintained no open position for these contracts at 31 December 2019 and 31 December 2018.

### 38 Clearing settlement funds

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	6,716,642	3,021,783
- Hong Kong Securities Clearing Company Limited	11,431	-
Deposits with other institutions	<u>27,531</u>	<u>1,587</u>
Total	<u>6,755,604</u>	<u>3,023,370</u>

### 39 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 has 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 accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

#### 40 Cash and bank balances

**(a) Analysed by nature:**

	<i>As at 31 December</i>	
	2019	2018
Cash on hand	190	225
Bank balances	49,864,177	28,201,747
Less: impairment losses	(11,179)	(1,347)
Total	49,853,188	28,200,625

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

**(b) Analysis of the movement of provision for impairment losses:**

	<i>As at 31 December</i>	
	2019	2018
At the beginning of the year	1,347	3,496
Charge for the year	11,168	1
Reversal of impairment	(1,336)	(2,150)
At the end of the year	11,179	1,347

#### 41 Cash and cash equivalents

**(a) Cash and cash equivalents comprise:**

	<i>As at 31 December</i>	
	2019	2018
Cash on hand	190	225
Bank balances	49,720,685	27,996,453
Clearing settlement funds	6,755,433	3,023,296
Financial assets held under resale agreements within 3 months	12,867,370	15,545,947
Bond investment within 3 months original maturity	11,122,273	-
Less: restricted bank deposits	(11,267,173)	(5,773,611)
Total	69,198,778	40,792,310

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits, risk reserve deposits and litigation frozen fund.

**(b) Reconciliation of liabilities arising from financing activities:**

The following table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Short-term debt instruments</i>	<i>Long-term bonds</i>	<i>Short-term bank loans</i>	<i>Long-term bank loans</i>	<i>Lease liabilities</i>	<i>Share capital</i>	<i>Capital reserve</i>	<i>Retained profits</i>	<i>Non- controlling interests</i>	<i>Total</i>
At 31 December 2018	22,074,000	62,980,730	3,015,791	1,698,769	-	8,251,500	58,859,860	19,416,104	1,356,027	177,652,781
Impact on initial application of IFRS 16	-	-	-	-	707,224	-	-	-	-	707,224
At 1 January 2019	<u>22,074,000</u>	<u>62,980,730</u>	<u>3,015,791</u>	<u>1,698,769</u>	<u>707,224</u>	<u>8,251,500</u>	<u>58,859,860</u>	<u>19,416,104</u>	<u>1,356,027</u>	<u>178,360,005</u>
<b>Changes from financing cash flows</b>										
Proceeds from non-controlling interests	-	-	-	-	-	-	(80,411)	-	977,294	896,883
Proceeds from partially disposal of a subsidiary without losing control	-	-	-	-	-	-	511,660	-	654,228	1,165,888
Proceeds from issuance	103,166,070	30,989,005	2,708,340	-	-	825,150	10,761,511	-	-	148,450,076
Repayment of borrowings	(77,971,589)	(29,464,480)	-	(847,772)	-	-	-	-	-	(108,283,841)
Interest paid	(488,317)	(2,732,056)	(80,915)	(87,520)	-	-	-	-	-	(3,388,808)
Payment of lease liabilities	-	-	-	-	(321,399)	-	-	-	-	(321,399)
Dividend paid	-	-	-	-	-	-	-	(2,722,995)	(648)	(2,723,643)
Other borrowing costs paid	-	-	-	-	-	-	(126,036)	-	-	(126,036)
Total changes from financing cash flows	<u>24,706,164</u>	<u>(1,207,531)</u>	<u>2,627,425</u>	<u>(935,292)</u>	<u>(321,399)</u>	<u>825,150</u>	<u>11,066,724</u>	<u>(2,722,995)</u>	<u>1,630,874</u>	<u>35,669,120</u>
<b>Other changes</b>										
Interest expenses	750,491	2,649,316	65,074	87,520	30,144	-	-	-	-	3,582,545
New leases	-	-	-	-	546,472	-	-	-	-	546,472
Others	(1,105,459)	193,843	15,841	-	-	-	-	-	-	(895,775)
Total liability-related other changes	<u>(354,968)</u>	<u>2,843,159</u>	<u>80,915</u>	<u>87,520</u>	<u>576,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,233,242</u>
<b>Total equity-related other changes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,949</u>	<u>6,485,302</u>	<u>130,328</u>	<u>6,979,579</u>
At 31 December 2019	<u>46,425,196</u>	<u>64,616,358</u>	<u>5,724,131</u>	<u>850,997</u>	<u>962,441</u>	<u>9,076,650</u>	<u>70,290,533</u>	<u>23,178,411</u>	<u>3,117,229</u>	<u>224,241,946</u>

Notes to the consolidated financial statements  
For the year ended 31 December 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>Short-term debt instruments</u>	<u>Long-term bonds</u>	<u>Short-term bank loans</u>	<u>Long-term bank loans</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Retained profits</u>	<u>Non-controlling interests</u>	<u>Total</u>
At 31 December 2017	26,957,118	77,319,310	(9)	-	7,162,769	45,820,627	18,977,215	1,253,974	177,491,004
Impact on initial application of IFRS 9	-	-	-	-	-	-	549,914	(151)	549,763
At 1 January 2018	<u>26,957,118</u>	<u>77,319,310</u>	<u>(9)</u>	<u>-</u>	<u>7,162,769</u>	<u>45,820,627</u>	<u>19,527,129</u>	<u>1,253,823</u>	<u>178,040,767</u>
<b>Changes from financing cash flows</b>									
Proceeds from issuance	46,200,314	8,974,000	2,999,949	1,698,769	1,088,731	13,119,211	-	-	74,080,974
Repayment of borrowings	(50,957,800)	(24,600,000)	-	-	-	-	-	-	(75,557,800)
Interest paid	(902,944)	(3,720,570)	(32,626)	(12,705)	-	-	-	-	(4,668,845)
Dividend paid	-	-	-	-	-	-	(2,475,450)	(12,715)	(2,488,165)
Other borrowing costs paid	-	-	-	-	-	(74,736)	-	-	(74,736)
Total changes from financing cash flows	<u>(5,660,430)</u>	<u>(19,346,570)</u>	<u>2,967,323</u>	<u>1,686,064</u>	<u>1,088,731</u>	<u>13,044,475</u>	<u>(2,475,450)</u>	<u>(12,715)</u>	<u>(8,708,572)</u>
<b>Other changes</b>									
Interest expenses	807,490	3,251,607	48,467	12,705	-	-	-	-	4,120,269
Others	(30,178)	1,756,383	10	-	-	-	-	-	1,726,215
Total liability-related other changes	<u>777,312</u>	<u>5,007,990</u>	<u>48,477</u>	<u>12,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,846,484</u>
<b>Total equity-related other changes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,242)</u>	<u>2,364,425</u>	<u>114,919</u>	<u>2,474,102</u>
At 31 December 2018	<u>22,074,000</u>	<u>62,980,730</u>	<u>3,015,791</u>	<u>1,698,769</u>	<u>8,251,500</u>	<u>58,859,860</u>	<u>19,416,104</u>	<u>1,356,027</u>	<u>177,652,781</u>

## 42 Short-term bank loans

	<i>As at 31 December</i>	
	2019	2018
Credit loans	5,455,353	3,015,791
Pledged loans	268,778	-
Total	5,724,131	3,015,791

As of 31 December 2019, the interest rates for short-term loans were 2.74%-6.15% (as of 31 December 2018: 3.66%-6.60%).

## 43 Short-term debt instruments issued

As at 31 December 2019

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
19 HUATAI CP001	RMB3,000,000	29/04/2019	29/07/2019	RMB3,000,000	3.00%
19 HUATAI CP002	RMB3,000,000	10/07/2019	09/10/2019	RMB3,000,000	2.60%
19 HUATAI CP003	RMB4,000,000	08/08/2019	06/11/2019	RMB4,000,000	2.70%
19 HUATAI CP004	RMB2,000,000	12/09/2019	11/12/2019	RMB2,000,000	2.78%
19 HUATAI CP005	RMB5,000,000	11/10/2019	09/01/2020	RMB5,000,000	2.83%
19 HUATAI CP006	RMB5,000,000	14/11/2019	12/02/2020	RMB5,000,000	3.05%
19 HUATAI CP007	RMB5,000,000	06/12/2019	05/03/2020	RMB5,000,000	3.02%
Structured notes <sup>(1)</sup>	RMB31,298,880	Note(1)	Note(1)	RMB31,298,880	Note(1)

<u>Name</u>	<u>Book value as at 1 January 2019</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at 31 December 2019</u> RMB equivalent
18 HUATAI D1	4,727,918	95,693	(4,823,611)	-
FRGN	344,636	22,883	(367,519)	-
19 HUATAI CP001	-	3,022,438	(3,022,438)	-
19 HUATAI CP002	-	3,019,447	(3,019,447)	-
19 HUATAI CP003	-	4,026,630	(4,026,630)	-
19 HUATAI CP004	-	2,013,710	(2,013,710)	-
19 HUATAI CP005	-	5,031,401	-	5,031,401
19 HUATAI CP006	-	5,019,637	-	5,019,637
19 HUATAI CP007	-	5,011,043	-	5,011,043
Structured notes <sup>(1)</sup>	16,051,446	76,498,220	(61,186,551)	31,363,115
Total	21,124,000	103,761,102	(78,459,906)	46,425,196

As at 31 December 2018

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
17 HUATAI 05	RMB4,000,000	11/08/2017	11/08/2018	RMB4,000,000	4.65%
17 HUATAI C3	RMB2,000,000	14/09/2017	14/09/2018	RMB2,000,000	5.00%
17 HUATAI 07	RMB4,000,000	20/11/2017	20/11/2018	RMB4,000,000	5.20%
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
Structured notes <sup>(1)</sup>	RMB16,005,364	Note(1)	Note(1)	RMB16,005,364	Note(1)

<u>Name</u>	<u>Book value as at 1 January 2018</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at 31 December 2018</u> RMB equivalent
17 HUATAI 05	4,000,000	-	(4,000,000)	-
17 HUATAI C3	2,000,000	-	(2,000,000)	-
17 HUATAI 07	4,000,000	-	(4,000,000)	-
18 HUATAI D1	-	4,727,918	-	4,727,918
FRGN	-	344,636	-	344,636
Structured notes <sup>(1)</sup>	16,656,010	40,353,236	(40,957,800)	16,051,446
Total	26,656,010	45,425,790	(50,957,800)	21,124,000

- (1) In 2019, the Company has issued 4,324 tranches (2018: 3,237 tranches) of structured notes, bearing interest ranging from 2.80% to 6.58% per annum (2018: 4.34% to 6.58% per annum), repayable within 1 year. Structured notes repayable more than 1 year are classified as “Long-term bonds” (Note 52).

#### 44 Placements from other financial institutions

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018</u>
Placements from China Securities Finance Co., Ltd.	6,010,472	2,028,261
Placements from banks	5,352,126	3,785,226
Total	<u>11,362,598</u>	<u>5,813,487</u>

As at 31 December 2019, the placements from banks are unsecured, bearing interest of 1.90%-3.00% per annum, with maturities within 3 days (as at 31 December 2018: bearing interest of 4.50%-5.70% per annum, with maturities within 291 days), and the placements from China Securities Finance Co., Ltd. are secured by the securities investment held by the Group, bearing interest of 3.25% per annum, with maturities within 177 days (as at 31 December 2018: bearing interest of 4.70%-5.10% per annum, with maturities within 53 days).

#### 45 Accounts payable to brokerage clients

	<i>As at 31 December</i>	
	2019	2018
Clients' deposits for brokerage trading	78,876,364	52,259,810
Clients' deposits for margin financing and securities lending	10,941,556	7,232,366
Total	89,817,920	59,492,176

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

#### 46 Employee benefits payable

Non-current

	<i>As at 31 December</i>	
	2019	2018
Salaries, bonuses and allowance	6,360,633	4,946,197
Cash-settled share-based payments	-	99,793
Total	6,360,633	5,045,990

Current

	<i>As at 31 December</i>	
	2019	2018
Salaries, bonuses and allowance	2,535,969	2,846,186
Contribution to pension scheme	633	1,207
Other social welfare	37,151	21,649
Total	2,573,753	2,869,042

## 47 Other payables and accruals

### Non-current

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Lease liabilities	605,958	-

- (1) During the year of 2019, in accordance with the accounting policy set out in Note 2(20)(i), the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, which amounted to RMB80 million.
- (2) As at 31 December 2019, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

### Current

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Payables to interest holders of consolidated structured entities <sup>(1)</sup>	72,790,316	43,497,437
Trade payable	8,734,439	3,358,493
Settlement payables	1,350,093	669,789
Payable to open-ended funds	869,580	2,876,029
Dividend payable of pledged exchangeable bond	757,334	322,017
Other tax payable	740,239	562,300
Lease liabilities	356,483	-
Fee and commission payable	129,722	119,211
Futures risk reserve	123,904	111,877
Redemption payables	66,548	65,497
Payable for office building construction	58,404	172,822
Interest payable	52,183	229,002
Payable to the securities investor protection fund	43,482	49,895
Dividend payable	24,192	13,254
Payable to asset-based securities wealth management scheme	-	950,000
Others <sup>(2)</sup>	739,707	795,463
Total	86,836,626	53,793,086

- (1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.
- (2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.



#### 48 Contract liabilities

	<u>As at 31 December</u>	
	2019	2018
Advance consideration received from customers	<u>19,179</u>	<u>7,442</u>

#### 49 Financial assets sold under repurchase agreements

##### (a) Analysed by collateral type:

	<u>As at 31 December</u>	
	2019	2018
Debt securities	93,280,267	33,097,321
Precious metal	14,231,197	5,819,308
Equity securities	1,206,743	176,592
Margin loans receivable backed repurchase	<u>1,000,838</u>	<u>1,001,833</u>
Total	<u>109,719,045</u>	<u>40,095,054</u>

As at 31 December 2019, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB120,334 million (as at 31 December 2018: RMB44,949 million).

##### (b) Analysed by market:

	<u>As at 31 December</u>	
	2019	2018
Inter-bank market	46,157,634	6,576,171
Shanghai stock exchange	41,007,228	24,721,365
Over-the-counter	16,438,778	8,365,889
Shenzhen stock exchange	<u>6,115,405</u>	<u>431,629</u>
Total	<u>109,719,045</u>	<u>40,095,054</u>

## 50 Financial liabilities at fair value through profit or loss

Non-current

	<i>As at 31 December</i>	
	2019	2018
Financial liabilities designated at fair value through profit or loss	2,690,563	2,325,405

Current

	<i>As at 31 December</i>	
	2019	2018
Financial liabilities held for trading	4,586,478	2,812,857
Financial liabilities designated at fair value through profit or loss	103,142	61,727
<b>Total</b>	<b>4,689,620</b>	<b>2,874,584</b>

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 31 December 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

## 51 Long-term bonds due within one year

As at 31 December 2019

<u>Name</u>	<u>Par value</u> <i>Original currency</i>	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> <i>Original currency</i>	<u>Nominal interest rate</u>
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes <sup>(1)</sup>	RMB180,360	Note(1)	Note(1)	RMB180,360	Note(1)

<u>Name</u>	<u>Book value as at</u>			<u>Book value as at</u>
	<u>1 January 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>31 December</u>
	RMB	RMB	RMB	RMB
	equivalent	equivalent	equivalent	equivalent
HUATAI B1910	2,767,406	184,300	(2,951,706)	-
16 HUATAI C1	-	5,159,462	(5,159,462)	-
16 HUATAI G1	3,508,901	116,620	(3,625,521)	-
16 HUATAI G3	5,009,345	181,078	(5,190,423)	-
17 HUATAI 02	-	2,171,732	(93,000)	2,078,732
17 HUATAI 03	4,126,575	66,667	(4,193,242)	-
17 HUATAI 04	-	6,513,493	(315,000)	6,198,493
17 HUATAI C2	-	5,355,315	(247,500)	5,107,815
17 HUATAI 06	5,049,800	62,250	(5,112,050)	-
18 HUATAI C1	-	1,100,590	(56,500)	1,044,090
HUATAI B2006	-	105,345	-	105,345
Structured notes <sup>(1)</sup>	4,382,589	228,301	(4,428,832)	182,058
<b>Total</b>	<b>24,844,616</b>	<b>21,245,153</b>	<b>(31,373,236)</b>	<b>14,716,533</b>

As at 31 December 2018

<u>Name</u>	<u>Par value</u>	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u>	<u>Nominal</u>
	<u>Original currency</u>			<u>Original currency</u>	<u>interest rate</u>
13 HUATAI 01	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
15 HUATAI 03	RMB5,000,000	21/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI G1	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 01	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
Structured notes	RMB4,174,000	N/A	N/A	RMB4,174,000	5.10% - 5.50%

<u>Name</u>	<u>Book value as at</u>			<u>Book value as at</u>
	<u>1 January 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>31 December</u>
	RMB	RMB	RMB	RMB
	equivalent	equivalent	equivalent	equivalent
13 HUATAI 01	3,999,226	774	(4,000,000)	-
HUATAI B1910	-	2,767,406	-	2,767,406
15 HUATAI 03	5,000,000	-	(5,000,000)	-
15 HUATAI G1	6,598,254	1,746	(6,600,000)	-
16 HUATAI C2	-	3,000,000	(3,000,000)	-
16 HUATAI G1	-	3,508,901	-	3,508,901
16 HUATAI G3	-	5,009,345	-	5,009,345
17 HUATAI 01	6,000,000	-	(6,000,000)	-
17 HUATAI 03	-	4,126,575	-	4,126,575
17 HUATAI 06	-	5,049,800	-	5,049,800
Structured notes	-	4,382,589	-	4,382,589
<b>Total</b>	<b>21,597,480</b>	<b>27,847,136</b>	<b>(24,600,000)</b>	<b>24,844,616</b>

(1) As at 31 December 2019, RMB182 million of structured notes would mature within one year.

## 52 Long-term bonds

As at 31 December 2019

<u>Name</u>	<u>Par value</u> <i>Original currency</i>	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> <i>Original currency</i>	<u>Nominal interest rate</u>
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI C1 <sup>(1)</sup>	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
Structured notes <sup>(2)</sup>	RMB279,300	Note(2)	Note(2)	RMB279,300	Note(2)

<u>Name</u>	<u>Book value as at</u> <u>1 January 2019</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at</u> <u>31 December</u> <u>2019</u> RMB equivalent
13 HUATAI 02	6,168,633	307,464	(306,000)	6,170,097
16 HUATAI C1 <sup>(1)</sup>	5,035,712	82,500	(5,118,212)	-
16 HUATAI G2	2,506,732	94,881	(94,500)	2,507,113
16 HUATAI G4	3,005,873	119,580	(119,100)	3,006,353
17 HUATAI 02	2,078,732	-	(2,078,732)	-
17 HUATAI 04	6,198,493	-	(6,198,493)	-
17 HUATAI C2	5,107,815	-	(5,107,815)	-
18 HUATAI C1	1,041,554	-	(1,041,554)	-
18 HUATAI C2	2,891,369	147,165	(145,600)	2,892,934
18 HUATAI G1	3,008,192	117,544	(116,400)	3,009,336
18 HUATAI G2	1,003,009	41,943	(41,700)	1,003,252
19 HUATAI G1	-	7,204,147	(7,264)	7,196,883
19 HUATAI G3	-	5,132,527	(4,527)	5,128,000
19 HUATAI 02	-	5,118,534	(4,527)	5,114,007
19 HUATAI 03	-	4,027,951	(4,151)	4,023,800
19 Finance 01	-	6,074,363	(2,830)	6,071,533
HUATAI B2006	-	105,345	(105,345)	-
HUATAI B2205	-	3,497,217	-	3,497,217
Structured notes <sup>(2)</sup>	-	461,075	(181,775)	279,300
<b>Total</b>	<b>38,046,114</b>	<b>32,532,236</b>	<b>(20,678,525)</b>	<b>49,899,825</b>

As at 31 December 2018

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2023	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2021	RMB1,000,000	4.17%
Structured notes	RMB4,174,000	N/A	N/A	RMB4,174,000	5.10%-5.50%
					<i>Book value as at</i>
					<i>31 December 2018</i>
<u>Name</u>		<u>1 January 2018</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>2018</u> RMB equivalent
13 HUATAI 02		5,992,319	176,314	-	6,168,633
HUATAI B1910		2,608,477	136,259	(2,744,736)	-
16 HUATAI C1		5,000,000	35,712	-	5,035,712
16 HUATAI C2		3,000,000	-	(3,000,000)	-
16 HUATAI G1		3,500,000	-	(3,500,000)	-
16 HUATAI G2		2,500,000	6,732	-	2,506,732
16 HUATAI G3		5,000,000	-	(5,000,000)	-
16 HUATAI G4		3,000,000	5,873	-	3,005,873
17 HUATAI 02		2,000,000	78,732	-	2,078,732
17 HUATAI 03		4,000,000	-	(4,000,000)	-
17 HUATAI 04		6,000,000	198,493	-	6,198,493
17 HUATAI C2		5,000,000	107,815	-	5,107,815
17 HUATAI 06		5,000,000	-	(5,000,000)	-
18 HUATAI C1		-	1,042,544	(990)	1,041,554
18 HUATAI C2		-	2,894,141	(2,772)	2,891,369
18 HUATAI G1		-	3,011,162	(2,970)	3,008,192
18 HUATAI G2		-	1,003,999	(990)	1,003,009
Structured notes		3,000,000	1,174,000	(4,174,000)	-
Total		55,600,796	9,871,776	(27,426,458)	38,046,114

- (1) The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance. Such option has been executed and the subordinated bond is classified as “Long-term bonds due within one year” (Note 51).
- (2) The Company has issued 21 tranches of long-term structured notes for the year ended 31 December 2019. As at 31 December 2019, 12 tranches of long-term structured notes due within one year is classified as “Long-term bonds due within one year” (Note 51).

**53 Long-term bank loans due within one year**

	<i>As at 31 December</i>	
	2019	2018
Credit bank loan	-	15,820

**54 Long-term bank loans**

	<i>As at 31 December</i>	
	2019	2018
Credit bank loans	850,997	1,698,769
Less: credit bank loan due within one year (Note 53)	-	(15,820)
Total	850,997	1,682,949

On 14 November 2018, the Group executed a Loan and Security Agreement with Credit Suisse for USD250 million term loan and secured a revolving line of credit that permit the Group to borrow up to USD20 million, interest on amounts borrowed under the term loan and line of credit equal to LIBOR plus 3.50%.

On 26 July 2019, the Group made USD125 million repayment of the aforementioned loan in advance.

## 55 Share capital, reserves and retained profits

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Reserves					Translation reserve	Retained profits	Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve			
<b>As at 1 January 2019</b>		8,251,500	58,621,923	4,489,830	9,191,569	(257,250)	18,981	14,480,535	94,797,088
<b>Changes in equity for 2019</b>									
Profit for the year		-	-	-	-	-	-	6,288,603	6,288,603
Other comprehensive income		-	-	-	-	460,806	-	-	460,806
Total comprehensive income		-	-	-	-	460,806	-	6,288,603	6,749,409
Issuance of A share		825,150	10,523,093	-	-	-	-	-	11,348,243
Appropriation to surplus reserve		-	-	628,861	-	-	-	(628,861)	-
Appropriation to general reserve		-	-	-	1,257,720	-	-	(1,257,720)	-
Dividends declared for the year		-	-	-	-	-	-	(2,722,995)	(2,722,995)
Other		-	84,321	-	-	-	-	-	84,321
<b>As at 31 December 2019</b>	63	9,076,650	69,229,337	5,118,691	10,449,289	203,556	18,981	16,159,562	110,256,066

Notes to the consolidated financial statements  
For the year ended 31 December 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	<u>Reserves</u>					<u>Translation reserve</u>	<u>Retained profits</u>	<u>Total</u>
		<u>Share capital</u>	<u>Capital reserve</u>	<u>Surplus reserve</u>	<u>General reserve</u>	<u>Fair value reserve</u>			
<b>As at 31 December 2017</b>		7,162,769	45,577,448	3,919,488	8,050,883	1,001,871	18,981	12,951,361	78,682,801
<b>Impact on initial application of IFRS 9</b>		-	-	34,366	68,733	(335,770)	-	240,564	7,893
<b>As at 1 January 2018</b>		<u>7,162,769</u>	<u>45,577,448</u>	<u>3,953,854</u>	<u>8,119,616</u>	<u>666,101</u>	<u>18,981</u>	<u>13,191,925</u>	<u>78,690,694</u>
<b>Changes in equity for 2018</b>									
Profit for the year		-	-	-	-	-	-	5,359,764	5,359,764
Other comprehensive income		-	-	-	-	(911,126)	-	-	(911,126)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(911,126)</u>	<u>-</u>	<u>5,359,764</u>	<u>4,448,638</u>
Issuance of A share		1,088,731	13,044,475	-	-	-	-	-	14,133,206
Appropriation to surplus reserve		-	-	535,976	-	-	-	(535,976)	-
Appropriation to general reserve		-	-	-	1,071,953	-	-	(1,071,953)	-
Dividends declared for the year		-	-	-	-	-	-	(2,475,450)	(2,475,450)
Other		-	-	-	-	(12,225)	-	12,225	-
<b>As at 31 December 2018</b>	63	<u>8,251,500</u>	<u>58,621,923</u>	<u>4,489,830</u>	<u>9,191,569</u>	<u>(257,250)</u>	<u>18,981</u>	<u>14,480,535</u>	<u>94,797,088</u>



**(b) Share capital**

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	<i>As at 31 December 2019</i>		<i>As at 31 December 2018</i>	
	<i>Number of shares (Thousand)</i>	<i>Nominal value</i>	<i>Number of shares (Thousand)</i>	<i>Nominal value</i>
Registered, issued and fully paid:				
A shares of RMB1 each	7,357,604	7,357,604	6,532,454	6,532,454
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
<b>Total</b>	<b>9,076,650</b>	<b>9,076,650</b>	<b>8,251,500</b>	<b>8,251,500</b>

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholder of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed private placement of issuance of 1,088,731,200 new A shares.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 750,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change is RMB9,076,650,000.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

**(c) Capital reserve**

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

**(d) Surplus reserve**

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

**(e) General reserve**

General reserve includes general risk reserve and 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, the Company appropriates 10% of its annual net profit to the general 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 appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

**(f) Fair value reserve**

The fair value reserve comprises:

The cumulative net change in the fair value of equity securities designated at FVOCI; and

The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

**(g) Translation reserve**

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

**(h) Dividends**

Pursuant to the resolution of the general meeting of the shareholders dated 26 June 2019, the Company was approved to distribute cash dividends of RMB3.00 (tax inclusive) per 10 shares to all the shareholders, with total cash dividends amounting to RMB2,723 million.

## 56 Commitments

### (a) Capital commitments

Capital commitments outstanding at 31 December 2019 and 31 December 2018 not provided for in the consolidated financial statements were as follows:

	<i>As at 31 December</i>	
	2019	2018
Contracted, but not provided for	3,700,000	1,770,619

The aforementioned capital commitments mainly represent the securities underwriting commitments of the Group.

### (b) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

	<i>31 December 2018</i>
Within 1 year (inclusive)	325,380
1-2 years (inclusive)	208,884
2-3 years (inclusive)	153,962
After 3 years	144,260
Total	832,486

## 57 Interests in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly include asset management schemes where the Group involves as manager or investment consultant 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 asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2019, the Group consolidates 42 structured entities (as at 31 December 2018 the Group consolidates 32 structured entities), which are mainly asset management schemes. As at 31 December 2019 and 31 December 2018, the total assets of the consolidated structured entities are RMB93,747 million and RMB56,644 million respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB18,208 million and RMB8,077 million, respectively.

**(b) Interests in structured entities sponsored by the Group but not consolidated**

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 57(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2019 and 31 December 2018, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB663,098 million and RMB764,744 million, respectively. As at 31 December 2019 and 31 December 2018, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB2,070 million and RMB1,139 million, respectively.

During the years ended 31 December 2019 and 31 December 2018, income derived from these unconsolidated structured entities held by the Group amounted to RMB834 million and RMB844 million, respectively.

**(c) Interests in structured entities sponsored by third party institutions**

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or 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 issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2019 and 31 December 2018, which are listed as below:

	<i>As at 31 December 2019</i>		
	<i>Financial assets at FVTPL</i>	<i>Financial assets at FVOCI</i>	<i>Total</i>
Funds	28,119,817	-	28,119,817
Wealth management products	6,406,221	10,254,673	16,660,894
<b>Total</b>	<b>34,526,038</b>	<b>10,254,673</b>	<b>44,780,711</b>

	<i>As at 31 December 2018</i>		
	<i>Financial assets at FVTPL</i>	<i>Financial assets at FVOCI</i>	<i>Total</i>
Funds	13,210,731	-	13,210,731
Wealth management products	4,506,828	9,767,639	14,274,467
<b>Total</b>	<b>17,717,559</b>	<b>9,767,639</b>	<b>27,485,198</b>

## 58 Outstanding litigations

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2019 and 31 December 2018, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

## 59 Related party relationships and transactions

### (a) Relationship of related parties

#### (i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders and their subsidiaries is set out in Note 59(b)(i).

#### (ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

#### (iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

#### (iv) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 26.

#### (v) 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.

### (b) Related parties transactions and balances

#### (i) Transactions between the Group and major shareholders and their subsidiaries:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Balances at the end of the year:		
Financial assets at FVTPL	244,897	329,514
Debt investment at amortised cost	301,725	302,614
Accounts payable to brokerage clients	18,708	18,919
Other payables and accruals	3,211	3,211

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
Transactions during the year:		
Fee and commission income	19,164	21,583
Net investment gains	5,124	17,096
Interest income	5,679	-
Interest expenses	4,886	1,429

During the year of 2019, the Group has redeemed the bonds issued by major shareholders amounting to RMB86 million. During the year of 2018, the Group has purchased the bonds issued by major shareholders amounting to RMB451 million.

During the year of 2019 and 2018, the Group has made repurchase agreements with major shareholders and their subsidiaries for the total amount of RMB1,989 million and RMB3,716 million, respectively.

During the year of 2019 and 2018, the Group has taken placements from other financial institutions with major shareholders and their subsidiaries for the total amounts of RMB7,200 million and nil, respectively.

During the year of 2019 and 2018, investments made by major shareholders into private equity investment funds managed and controlled by the Group are nil and RMB90 million, respectively.

(ii) Transactions between the Group and associates:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Balances at the end of the year:		
Cash and bank balances	208,253	450,311
Right-of-use assets	98,835	-
Accounts receivable	127,819	105,845
Other receivables and prepayments	353	131,324
Financial assets at FVTPL	61,186	-
Accounts payable to brokerage clients	7,390	17,462
Other payables and accruals	-	555
Placements from other financial institutions	1,000,000	-
Short-term debt instruments issued	872,450	-
Lease liabilities	98,767	-
	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>

Transactions during the year:		
Fee and commission income	229,586	209,331
Interest income	4,995	15,604
Net investment gains	89,660	18,465
Other income and gains	10,098	9,752
Interest expenses	19,583	72

During the year of 2019, the Group has subscribed the bonds issued by associates for RMB254 million. During the year of 2018, the Group has redeemed the bonds issued by associates for RMB642 million.

During the year of 2019 and 2018, the capital injection made by the Group into the associates are RMB472 million and RMB418 million, respectively. During the year of 2019 and 2018, the divestment made by the Group from the associates are RMB196 million and RMB535 million, respectively.

During the year of 2019 and 2018, the Group has made repurchase agreements with associates for the total amount of RMB57,267 million and RMB1,378 million, respectively.

During the year of 2019 and 2018, the Group has taken placements from other financial institutions with associates for the total amount of RMB96,000 million and nil, respectively.

During the year of 2019 and 2018, the Group has received dividends from associates for the total amounts of RMB828 million and RMB417 million, respectively.

During the year of 2019 and 2018, the Group has paid rental fee to associates for the total amounts of RMB25 million and nil, respectively.

(iii) Transactions between the Group and joint ventures:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Balances at the end of the year:		
Accounts payable to brokerage clients	-	69
	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
Transactions during the year:		
Fee and commission income	19,811	13,298

During the year of 2019, the capital divestment made by the Group from the joint ventures are RMB24 million. During the year of 2018, the capital injection made by the Group into the joint ventures are RMB4 million.

(iv) Transactions between the Group and other related parties:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Balances at the end of the year:		
Accounts payable to brokerage clients	4,636	1,282
	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
Transactions during the year:		
Fee and commission income	84	37

**(c) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	35,907	37,027
Post-employment benefits		
- Contribution to pension scheme	1,361	1,422
Total	37,268	38,449

Total remuneration is included in "staff costs" (see Note 10).

**(d) Applicability of the Listing Rules relating to connected transactions**

The related party transactions set out in Note 59(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and 14A.93.

**60 Segment reporting**

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.
- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.
- Other segments include other operations of head office, mainly including interest income, share of profit of associates, interest expenses of working capitals, and costs and expenses of middle offices and back offices.



**(a) Business segments**

For the year ended 31 December 2019

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
- External	13,146,755	8,303,940	4,097,815	3,963,881	1,361,516	30,873,907
- Inter-segment	284	18,540	-	91,212	797,336	907,372
Other income and gains	996,721	45,179	270,178	(6,576)	314,198	1,619,700
Segment revenue and other income	14,143,760	8,367,659	4,367,993	4,048,517	2,473,050	33,400,979
Segment expenses	(10,057,458)	(5,314,444)	(1,429,079)	(3,945,267)	(2,935,054)	(23,681,302)
Segment operating profit/(loss)	4,086,302	3,053,215	2,938,914	103,250	(462,004)	9,719,677
Share of profit of associates and joint ventures	-	8,208	1,685,802	-	1,032,439	2,726,449
Profit before income tax	4,086,302	3,061,423	4,624,716	103,250	570,435	12,446,126
Interest income	6,632,992	369,196	270,021	529,359	881,125	8,682,693
Interest expenses	(2,257,545)	(2,508,729)	(90,906)	(447,032)	(1,274,240)	(6,578,452)
Depreciation and amortisation expenses	(331,768)	(64,542)	(57,740)	(265,941)	(505,551)	(1,225,542)
Net (provision for) / reversal of impairment loss on other assets	2,717	-	-	(100)	-	2,617
Net (provision for) / reversal of impairment loss on financial assets	(591,605)	(5,146)	(139,286)	(8,105)	24,593	(719,549)
<b>Segment assets</b>	169,792,956	180,665,359	113,510,026	36,435,362	99,691,815	600,095,518
Additions to non-current segment assets during the year	288,998	45,806	10,575	231,359	510,699	1,087,437
<b>Segment liabilities</b>	(166,688,469)	(178,697,367)	(80,861,035)	(25,614,722)	(22,579,217)	(474,440,810)

For the year ended 31 December 2018

	<u>Wealth management</u>	<u>Institutional services</u>	<u>Investment management</u>	<u>International business</u>	<u>Others</u>	<u>Total</u>
Revenue						
- External	12,547,315	3,047,435	3,174,470	3,108,753	1,798,956	23,676,929
- Inter-segment	-	6,312	-	1,842	2,492,005	2,500,159
Other income and gains	443,778	55,969	224,339	4,944	152,699	881,729
Segment revenue and other income	12,991,093	3,109,716	3,398,809	3,115,539	4,443,660	27,058,817
Segment expenses	(9,138,114)	(3,723,151)	(1,207,630)	(2,840,017)	(2,186,257)	(19,095,169)
Segment operating profit/(loss)	3,852,979	(613,435)	2,191,179	275,522	2,257,403	7,963,648
Share of profit/(loss) of associates and joint ventures	-	7,151	(175,216)	-	1,127,374	959,309
Profit/(loss) before income tax	3,852,979	(606,284)	2,015,963	275,522	3,384,777	8,922,957
Interest income	7,676,793	312,419	423,708	137,229	932,219	9,482,368
Interest expenses	(3,117,152)	(1,856,658)	(124,134)	(279,460)	(1,089,566)	(6,466,970)
Depreciation and amortisation expenses	(94,285)	(33,020)	(10,860)	(181,341)	(306,391)	(625,897)
Net (provision for) / reversal of impairment loss on other assets	(5,295)	-	-	-	-	(5,295)
Net (provision for) / reversal of impairment loss on financial assets	(541,220)	(301,713)	(19,129)	(9,520)	8,888	(862,694)
<b>Segment assets</b>	138,579,673	83,486,332	70,659,010	23,639,713	117,330,040	433,694,768
Additions to non-current segment assets during the year	232,227	43,994	24,051	143,688	284,385	728,345
<b>Segment liabilities</b>	(135,301,554)	(81,533,946)	(51,412,688)	(15,390,296)	(45,306,680)	(328,945,164)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
<b>Revenue</b>		
Total revenue and other income for segments	33,400,979	27,058,817
Elimination of inter-segment revenue	(964,198)	(2,552,083)
	<u>32,436,781</u>	<u>24,506,734</u>
<b>Profit</b>		
Total profit before income tax for segments	12,446,126	8,922,957
Elimination of inter-segment profit	(860,161)	(2,474,286)
	<u>11,585,965</u>	<u>6,448,671</u>
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
<b>Assets</b>		
Total assets for segments	600,095,518	433,694,768
Elimination of inter-segment assets	(37,914,880)	(65,028,894)
	<u>562,180,638</u>	<u>368,665,874</u>
<b>Liabilities</b>		
Total liabilities for segments	(474,440,810)	(328,945,164)
Elimination of inter-segment liabilities	37,914,880	65,028,894
	<u>(436,525,930)</u>	<u>(263,916,270)</u>

For the year ended 31 December 2019 and 31 December 2018, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

**(b) Geographical segments**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates, interest in joint ventures and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates and interest in joint ventures.

	<i>Year ended 31 December 2019</i>			<i>Year ended 31 December 2018</i>		
	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>
<b>Segment Revenue</b>						
Revenue from external customers	26,910,025	3,963,881	30,873,906	20,566,334	3,110,595	23,676,929
Other income and gains	1,569,451	(6,576)	1,562,875	824,861	4,944	829,805
<b>Total</b>	<u>28,479,476</u>	<u>3,957,305</u>	<u>32,436,781</u>	<u>21,391,195</u>	<u>3,115,539</u>	<u>24,506,734</u>
	<i>Year ended 31 December 2019</i>			<i>Year ended 31 December 2018</i>		
	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>
<b>Specified non-current assets</b>	<u>21,466,328</u>	<u>7,673,870</u>	<u>29,140,198</u>	<u>18,163,311</u>	<u>6,970,012</u>	<u>25,133,323</u>

## 61 Financial instruments and risk management

The Group monitors and controls key exposures to the credit risk, market risk, liquidity 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 reporting period, the Group was exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, and securities-backed lending; (iii) counterparty credit risk from a counterparty's default on the derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keeps track of the credit risk of the Group's business products and its transaction counterparties, provides analyses and pre-warning reports, and adjusts 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.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. 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 on regular basis. In respect of margin financing and securities lending, securities-backed lending and OTC derivative transaction, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and OTC derivative transaction and promptly communicates with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence is performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

The Group provided credit loss allowances for securities-backed lending of financial assets sold under repurchase agreements.

The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the risk factors and identified the three stages of credit loss allowances of the securities-backed lending assets. The details are as below.

Description	Stage of credit loss allowances	
Collateral to loan ratios above the force liquidation thresholds, with no past due days	12-month ECL	Stage I
Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments	Lifetime ECL-not credit impaired	Stage II
Collateral to loan ratios below the force liquidation thresholds, with no past due days		
Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments		
Collateral to loan ratios below 100%	Lifetime ECL- credit impaired	Stage III
Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments		
Borrowers in default or lawsuit		
Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring		

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage I and II, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. The credit loss rate is 0.25% and 1%-4% for assets classified under Stage I and II, respectively.

For credit impaired assets classified under Stage III, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	<u>As at 31 December</u>	
	2019	2018
Debt investment at amortised cost	19,739,758	16,274,164
Refundable deposits	12,653,540	7,836,506
Accounts receivable	5,511,168	3,090,165
Other receivables and prepayments	600,201	572,509
Margin accounts receivable	69,006,280	46,188,885
Financial assets at fair value through other comprehensive income	2,013,233	606,809
Financial assets held under resale agreements	18,466,280	43,556,565
Financial assets at fair value through profit or loss	183,612,198	83,454,431
Derivative financial assets	1,858,041	1,933,958
Clearing settlement funds	6,755,604	3,023,370
Cash held on behalf of brokerage clients	82,959,838	58,947,013
Bank balances	49,852,998	28,200,401
<b>Total maximum credit risk exposure</b>	<b><u>453,029,139</u></b>	<b><u>293,684,776</u></b>

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	<u>As at 31 December 2019</u>			
	<u>12-month ECL</u>	<u>Lifetime ECL- not credit impaired</u>	<u>Lifetime ECL- credit impaired</u>	<u>Total</u>
<i>Impairment and loss allowance</i>				
Bank balances	11,179	-	-	11,179
Margin accounts receivable	90,206	-	22,465	112,671
Financial assets held under resale agreements	8,002	4	1,049,544	1,057,550
Accounts receivable	-	19,855	-	19,855
Debt investment measured at amortised cost	7,213	-	-	7,213
Financial assets at fair value through other comprehensive income	4,799	-	-	4,799
Other receivables and prepayments	-	21,551	960,290	981,841
<b>Total</b>	<b><u>121,399</u></b>	<b><u>41,410</u></b>	<b><u>2,032,299</u></b>	<b><u>2,195,108</u></b>

<i>Impairment and loss allowance</i>	<i>As at 31 December 2018</i>			<i>Total</i>
	<i>12-month ECL</i>	<i>Lifetime ECL- not credit impaired</i>	<i>Lifetime ECL- credit impaired</i>	
Bank balances	1,347	-	-	1,347
Margin accounts receivable	83,166	15,513	19,674	118,353
Financial assets held under resale agreements	61,656	33,593	451,744	546,993
Accounts receivable	-	17,890	-	17,890
Debt investment measured at amortised cost	6,066	-	-	6,066
Financial assets at fair value through other comprehensive income	449	-	-	449
Other receivables and prepayments	-	28,061	756,401	784,462
<b>Total</b>	<b>152,684</b>	<b>95,057</b>	<b>1,227,819</b>	<b>1,475,560</b>

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	<i>By geographical area</i>		<i>Total</i>
	<i>Mainland China</i>	<i>Outside Mainland China</i>	
31 December 2019			
Debt investment at amortised cost	17,780,767	1,958,991	19,739,758
Refundable deposits	12,119,390	534,150	12,653,540
Accounts receivable	4,422,451	1,088,717	5,511,168
Other receivables and prepayments	430,286	169,915	600,201
Margin accounts receivable	68,122,908	883,372	69,006,280
Financial assets at fair value through other comprehensive income	-	2,013,233	2,013,233
Financial assets held under resale agreements	17,549,896	916,384	18,466,280
Financial assets at fair value through profit or loss	175,322,508	8,289,690	183,612,198
Derivative financial assets	1,508,264	349,777	1,858,041
Clearing settlement funds	6,744,173	11,431	6,755,604
Cash held on behalf of brokerage clients	82,033,073	926,765	82,959,838
Bank balances	45,177,318	4,675,680	49,852,998
<b>Total maximum credit risk exposure</b>	<b>431,211,034</b>	<b>21,818,105</b>	<b>453,029,139</b>



	<i>By geographical area</i>		<i>Total</i>
	<i>Mainland China</i>	<i>Outside Mainland China</i>	
31 December 2018			
Debt investment at amortised cost	14,677,952	1,596,212	16,274,164
Refundable deposits	7,704,803	131,703	7,836,506
Accounts receivable	2,319,902	770,263	3,090,165
Other receivables and prepayments	454,639	117,870	572,509
Margin accounts receivable	45,387,683	801,202	46,188,885
Financial assets at fair value through other comprehensive income	-	606,809	606,809
Financial assets held under resale agreements	43,125,313	431,252	43,556,565
Financial assets at fair value through profit or loss	79,796,456	3,657,975	83,454,431
Derivative financial assets	1,689,781	244,177	1,933,958
Clearing settlement funds	3,023,370	-	3,023,370
Cash held on behalf of brokerage clients	57,760,803	1,186,210	58,947,013
Bank balances	24,244,112	3,956,289	28,200,401
Total maximum credit risk exposure	<u>280,184,814</u>	<u>13,499,962</u>	<u>293,684,776</u>

(iii) Credit rating analysis of financial assets

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 amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Rating		
- AAA	70,000,179	44,033,609
- From A to AA+	30,381,234	16,303,374
- Below A	97,295	110,195
Sub-total	<u>100,478,708</u>	<u>60,447,178</u>
Non-rated <sup>(1)</sup>	<u>100,800,646</u>	<u>37,322,568</u>
Total	<u>201,279,354</u>	<u>97,769,746</u>

(1) Non-rated financial assets mainly represent debts instruments issued by the Ministry of Finance of the PRC, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

**(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 end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

<b>Financial Liabilities</b>	<i>As at 31 December 2019</i>								<i>Total</i>
	<i>Carrying amount</i>	<i>Overdue/ repayable on demand</i>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Undated</i>	
Short-term bank loans	5,724,131	-	268,823	5,469,214	-	-	-	-	5,738,037
Short-term debt instruments issued	46,425,196	-	11,964,511	22,734,810	13,182,721	-	-	-	47,882,042
Placements from other financial institutions	11,362,598	-	5,352,616	-	6,098,583	-	-	-	11,451,199
Accounts payable to brokerage clients	89,817,920	89,331,946	394,887	92,976	-	-	-	-	89,819,809
Other payables and accruals	86,702,244	84,116,882	1,607,208	136,552	246,449	663,470	8,471	-	86,779,032
Financial assets sold under repurchase agreements	109,719,045	-	93,025,280	6,237,375	10,794,182	-	-	-	110,056,837
Derivative financial liabilities	1,278,399	-	233,136	368,476	545,455	131,332	-	-	1,278,399
Financial liabilities at fair value through profit or loss	7,380,183	103,142	158,639	1,738,826	1,981,165	1,750,623	1,654,191	-	7,386,586
Long-term bonds	64,616,358	-	-	3,407,100	13,528,749	52,908,371	-	-	69,844,220
Long-term bank loans	850,997	-	-	16,017	46,936	227,742	713,280	-	1,003,975
<b>Total</b>	<b>423,877,071</b>	<b>173,551,970</b>	<b>113,005,100</b>	<b>40,201,346</b>	<b>46,424,240</b>	<b>55,681,538</b>	<b>2,375,942</b>	<b>-</b>	<b>431,240,136</b>

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<i>As at 31 December 2018</i>									
<b>Financial Liabilities</b>	<i>Carrying amount</i>	<i>Overdue/ repayable on demand</i>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Undated</i>	<i>Total</i>
Short-term bank loans	3,015,791	-	165,261	2,867,724	-	-	-	-	3,032,985
Short-term debt instruments issued	21,124,000	-	6,515,309	3,482,311	11,303,298	-	-	-	21,300,918
Placements from other financial institutions	5,813,487	-	2,253,743	1,538,145	2,092,280	-	-	-	5,884,168
Accounts payable to brokerage clients	59,492,176	59,492,176	-	-	-	-	-	-	59,492,176
Other payables and accruals	53,230,787	50,987,984	1,119,981	172,822	950,000	-	-	-	53,230,787
Financial assets sold under repurchase agreements	40,095,054	-	33,068,056	1,230,345	6,120,944	-	-	-	40,419,345
Derivative financial liabilities	776,102	-	50,956	56,894	619,985	48,267	-	-	776,102
Financial liabilities at fair value through profit or loss	5,199,989	1,438,580	1,436,991	-	-	888,070	1,437,335	-	5,200,976
Long-term bonds	62,890,730	-	-	3,154,579	23,754,207	40,974,348	-	-	67,883,134
Long-term bank loans	1,698,769	-	-	31,974	94,539	482,426	1,450,108	-	2,059,047
<b>Total</b>	<b>253,336,885</b>	<b>111,918,740</b>	<b>44,610,297</b>	<b>12,534,794</b>	<b>44,935,253</b>	<b>42,393,111</b>	<b>2,887,443</b>	<b>-</b>	<b>259,279,638</b>

**(c) Market risk**

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

**(i) Interest rate risk**

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

<i>As at 31 December 2019</i>							
<b>Financial assets</b>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Debt investment at amortised cost	-	167,609	4,371,144	14,580,090	279,101	341,814	19,739,758
Financial assets at fair value through other comprehensive income	99,237	318,306	695,824	887,891	-	10,356,717	12,357,975
Financial assets held under resale agreements	15,938,914	1,289,855	1,114,315	-	-	123,196	18,466,280
Refundable deposits	11,765,965	-	-	-	-	887,575	12,653,540
Accounts receivable	-	-	-	-	-	5,511,168	5,511,168
Other receivables and prepayments	-	-	-	-	-	600,201	600,201
Margin accounts receivable	2,393,075	12,869,438	50,340,427	-	-	3,403,340	69,006,280
Financial assets at fair value through profit or loss	5,802,873	16,871,545	49,875,442	77,646,683	28,579,090	74,020,039	252,795,672
Derivative financial assets	2,310	-	-	-	-	1,855,731	1,858,041
Clearing settlement funds	6,755,433	-	-	-	-	171	6,755,604
Cash held on behalf of brokerage clients	82,825,943	92,436	-	-	-	41,459	82,959,838
Cash and bank balances	36,197,587	5,093,460	8,418,459	-	-	143,682	49,853,188
<b>Total</b>	<u>161,781,337</u>	<u>36,702,649</u>	<u>114,815,611</u>	<u>93,114,664</u>	<u>28,858,191</u>	<u>97,285,093</u>	<u>532,557,545</u>

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	As at 31 December 2019						
<b>Financial liabilities</b>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Short-term bank loans	(268,734)	(5,449,562)	-	-	-	(5,835)	(5,724,131)
Short-term debt instruments issued	(10,963,070)	(22,374,400)	(13,023,490)	-	-	(64,236)	(46,425,196)
Placements from other financial institutions	(5,350,000)	-	(6,000,000)	-	-	(12,598)	(11,362,598)
Accounts payable to brokerage clients	(89,725,484)	(92,436)	-	-	-	-	(89,817,920)
Other payables and accruals	(42,546)	(77,353)	(236,584)	(599,052)	(6,906)	(85,739,803)	(86,702,244)
Financial assets sold under repurchase agreements	(92,917,584)	(6,146,694)	(10,468,857)	-	-	(185,910)	(109,719,045)
Derivative financial liabilities	(1,255)	-	-	-	-	(1,277,144)	(1,278,399)
Financial liabilities at fair value through profit or loss	(158,639)	(1,732,423)	(1,981,165)	(713,756)	-	(2,794,200)	(7,380,183)
Long-term bonds	-	(3,000,000)	(11,282,217)	(49,038,257)	-	(1,295,884)	(64,616,358)
Long-term bank loans	-	-	-	-	(847,161)	(3,836)	(850,997)
<b>Total</b>	<b>(199,427,312)</b>	<b>(38,872,868)</b>	<b>(42,992,313)</b>	<b>(50,351,065)</b>	<b>(854,067)</b>	<b>(91,379,446)</b>	<b>(423,877,071)</b>
<b>Net interest rate risk exposure</b>	<b>(37,645,975)</b>	<b>(2,170,219)</b>	<b>71,823,298</b>	<b>42,763,599</b>	<b>28,004,124</b>	<b>5,905,647</b>	<b>108,680,474</b>

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As at 31 December 2018							
<b>Financial assets</b>	<u>Less than 1 month</u>	<u>More than 1 month but less than 3 months</u>	<u>More than 3 months but less than 1 year</u>	<u>More than 1 year but less than 5 years</u>	<u>More than 5 years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Debt investment at amortised cost	299,288	159,205	1,777,739	13,530,981	199,210	307,741	16,274,164
Financial assets at fair value through other comprehensive income	-	-	358,361	248,449	-	9,849,933	10,456,743
Financial assets held under resale agreements	19,984,424	3,594,991	16,410,689	2,764,113	-	802,348	43,556,565
Refundable deposits	3,168,917	-	-	-	-	4,667,589	7,836,506
Accounts receivable	-	-	-	-	-	3,090,165	3,090,165
Other receivables and prepayments	-	-	-	-	-	572,509	572,509
Margin accounts receivable	3,360,103	8,505,794	31,384,584	-	-	2,938,404	46,188,885
Financial assets at fair value through profit or loss	3,629,269	7,412,947	29,766,437	37,086,608	3,692,291	40,656,780	122,244,332
Derivative financial assets	1,739	-	-	-	-	1,932,219	1,933,958
Clearing settlement funds	3,023,296	-	-	-	-	74	3,023,370
Cash held on behalf of brokerage clients	58,836,552	-	-	-	-	110,461	58,947,013
Cash and bank balances	22,387,334	4,021,331	1,586,441	-	-	205,519	28,200,625
<b>Total</b>	<u>114,690,922</u>	<u>23,694,268</u>	<u>81,284,251</u>	<u>53,630,151</u>	<u>3,891,501</u>	<u>65,133,742</u>	<u>342,324,835</u>

Notes to the consolidated financial statements  
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As at 31 December 2018							
<b>Financial liabilities</b>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Short-term bank loans	(163,877)	(2,836,073)	-	-	-	(15,841)	(3,015,791)
Short-term debt instruments issued	(6,494,544)	(3,431,230)	(11,022,776)	-	-	(175,450)	(21,124,000)
Placements from other financial institutions	(2,250,000)	(1,500,000)	(1,968,407)	-	-	(95,080)	(5,813,487)
Accounts payable to brokerage clients	(59,492,176)	-	-	-	-	-	(59,492,176)
Other payables and accruals	-	-	-	-	-	(53,230,787)	(53,230,787)
Financial assets sold under repurchase agreements	(32,878,970)	(1,161,319)	(5,990,074)	-	-	(64,691)	(40,095,054)
Derivative financial liabilities	(1,129)	-	-	-	-	(774,973)	(776,102)
Financial liabilities at fair value through profit or loss	(1,423,000)	-	-	-	-	(3,776,989)	(5,199,989)
Long-term bonds	-	(3,000,000)	(21,418,737)	(37,285,873)	-	(1,186,120)	(62,890,730)
Long-term bank loans	-	(15,820)	-	-	(1,682,949)	-	(1,698,769)
<b>Total</b>	<u>(102,703,696)</u>	<u>(11,944,442)</u>	<u>(40,399,994)</u>	<u>(37,285,873)</u>	<u>(1,682,949)</u>	<u>(59,319,931)</u>	<u>(253,336,885)</u>
<b>Net interest rate risk exposure</b>	<u>11,987,226</u>	<u>11,749,826</u>	<u>40,884,257</u>	<u>16,344,278</u>	<u>2,208,552</u>	<u>5,813,811</u>	<u>88,987,950</u>



## Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant and without taking into consideration of the management's activities to reduce interest rate risk, interest rate sensitivity analysis is as follows:

	<i>Sensitivity of net profit</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Move in yield curve		
Up 100 basis points	(2,680,917)	(704,860)
Down 100 basis points	2,915,920	726,215
	<i>Sensitivity of equity</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Move in yield curve		
Up 100 basis points	(2,701,453)	(704,860)
Down 100 basis points	2,936,455	726,215

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar (“USD”) and HKD at the reporting date would have increased/(decreased) the Group’s equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

Currency	<i>Sensitivity of net profit</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
USD	(1,023,382)	(437,566)
HKD	(262,584)	(214,459)
Currency	<i>Sensitivity of equity</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
USD	(1,167,482)	(465,640)
HKD	(285,990)	(237,053)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group’s net profit and equity of may arise with this.

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	<i>Sensitivity of net profit</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Increase by 10%	3,983,649	2,347,521
Decrease by 10%	(3,983,649)	(2,347,521)

	<i>Sensitivity of equity</i>	
	<i>As at 31 December</i>	
	<i>2019</i>	<i>2018</i>
Increase by 10%	4,759,505	3,086,266
Decrease by 10%	(4,759,505)	(3,086,266)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019 and 2018.

(d) **Operational risk**

Operational risk refers to risk of financial or other losses caused by inadequate or problematic internal procedures, staff, information technology system and external events, and the types of losses may be caused mainly include loss of assets, external compensation, impairment of carrying amount, regulatory fines and confiscation, legal costs, recovery failure and other costs.

The Group established a standard library of risk points and created risk-discovery indicators, prevented or mitigated operational risks through various measures; promoted the practical use of management tools at branches; released business continuity management methods by combining research and pilot achievements; revised and released the Measures for Assessment and Management of New Business Risk, organised relevant new business assessments; implemented the optimisation of operational risk management system, added operational risk culture publicity, economic capital measurement and other functions, revised system usage management guidelines, and specified system management practices.

**(e) Capital management**

The Group's objectives of capital management are:

- (i) To safeguard the Group'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 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, Hong Kong and the United States regulations.

On 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");
- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

As at 31 December 2019 and 31 December 2018, the Company maintained net capital and the above ratios as follows:

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
Net Capital	64,087,502	59,559,868
Ratio 1	258.14%	281.90%
Ratio 2	58.13%	62.83%
Ratio 3	26.53%	44.32%
Ratio 4	45.64%	70.54%
Ratio 5	58.07%	30.10%
Ratio 6	276.67%	139.03%
Ratio 7	18.47%	24.57%
Ratio 8	460.55%	648.34%
Ratio 9	138.96%	140.95%
Ratio 10	116.69%	123.60%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the Mainland China, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2019 and 31 December 2018.

**(f) *Transfer of financial assets***

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost, margin accounts receivable and financial assets held under resale agreements. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it 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 and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The Group sells margin accounts receivable to the securitisation vehicle, which in turn issue asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitisation vehicle collect from the transferred assets has not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognised as a financial liability.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2019

	<i>Financial assets at fair value through profit or loss</i>		<i>Margin accounts receivable</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Margin loans receivable backed repurchase</i>	<i>Asset-backed securities</i>	
Carrying amount of transferred assets	5,577,866	1,475,784	1,033,886	-	8,087,536
Carrying amount of associated liabilities	(5,329,589)	-	(1,000,000)	-	(6,329,589)
Net position	<u>248,277</u>	<u>1,475,784</u>	<u>33,886</u>	<u>-</u>	<u>1,757,947</u>

As at 31 December 2018

	<i>Financial assets at fair value through profit or loss</i>		<i>Margin accounts receivable</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Margin loans receivable backed repurchase</i>	<i>Asset-backed securities</i>	
Carrying amount of transferred assets	1,864,902	1,168,461	1,650,302	1,077,838	5,761,503
Carrying amount of associated liabilities	(1,714,862)	-	(1,000,000)	(950,000)	(3,664,862)
Net position	<u>150,040</u>	<u>1,168,461</u>	<u>650,302</u>	<u>127,838</u>	<u>2,096,641</u>

## 62 Fair value information

### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.
- (iv) Accounts receivable, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

### (b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of debt investment at amortised cost, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

#### Carrying amount

	<u>As at 31 December</u>	
	2019	2018
<i>Financial assets</i>		
- Debt investment at amortised cost	19,739,758	16,274,164
Total	<u>19,739,758</u>	<u>16,274,164</u>
<i>Financial liabilities</i>		
- Short-term debt instruments issued	(46,425,196)	(21,124,000)
- Long-term bonds	(64,616,358)	(62,890,730)
Total	<u>(111,041,554)</u>	<u>(84,014,730)</u>



## Fair value

	2019			
	Level I	Level II	Level III	Total
<i>Financial assets</i>				
- Debt investment at amortised cost	9,000,594	9,927,710	988,708	19,917,012
Total	<u>9,000,594</u>	<u>9,927,710</u>	<u>988,708</u>	<u>19,917,012</u>
<i>Financial liabilities</i>				
- Short-term debt instruments issued	-	15,064,165	31,363,115	46,427,280
- Long-term bonds	54,554,934	6,073,998	4,063,920	64,692,852
Total	<u>54,554,934</u>	<u>21,138,163</u>	<u>35,427,035</u>	<u>111,120,132</u>
2018				
	Level I	Level II	Level III	Total
<i>Financial assets</i>				
- Debt investment at amortised cost	8,838,870	6,814,493	790,388	16,443,751
Total	<u>8,838,870</u>	<u>6,814,493</u>	<u>790,388</u>	<u>16,443,751</u>
<i>Financial liabilities</i>				
- Short-term debt instruments issued	4,726,656	-	16,396,082	21,122,738
- Long-term bonds	58,359,085	-	4,382,589	62,741,674
Total	<u>63,085,741</u>	<u>-</u>	<u>20,778,671</u>	<u>83,864,412</u>

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost less impairment in the Group's consolidated statement of financial position approximate their fair values.

**(c) Fair value hierarchy**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<i>As at 31 December 2019</i>			<i>Total</i>
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Debt securities	36,690,710	143,218,519	1,603,834	181,513,063
– Equity securities	28,859,458	1,619,997	3,521,066	34,000,521
– Funds	28,321,910	718,902	-	29,040,812
– Wealth management products	-	5,566,829	2,051,096	7,617,925
– Loan and advances	-	-	623,351	623,351
Financial assets at fair value through other comprehensive income				
- Debt securities	-	1,015,241	-	1,015,241
- Equity securities	-	10,254,673	90,069	10,344,742
- Other investments	-	-	997,992	997,992
Derivative financial assets	81,849	1,000,750	775,442	1,858,041
<b>Total</b>	<u>93,953,927</u>	<u>163,394,911</u>	<u>9,662,850</u>	<u>267,011,688</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	-	(4,586,478)	-	(4,586,478)
- Financial liabilities designated at fair value through profit or loss	-	(103,142)	(2,690,563)	(2,793,705)
Derivative financial liabilities	(105,950)	(629,477)	(542,972)	(1,278,399)
<b>Total</b>	<u>(105,950)</u>	<u>(5,319,097)</u>	<u>(3,233,535)</u>	<u>(8,658,582)</u>

	As at 31 December 2018			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Debt securities	49,282,012	32,465,985	537,973	82,285,970
– Equity securities	6,614,477	685,014	3,072,924	10,372,415
– Funds	22,345,570	432,345	-	22,777,915
– Wealth management products	-	5,385,666	1,422,366	6,808,032
Financial assets at fair value through other comprehensive income				
- Equity securities	-	9,767,639	82,294	9,849,933
- Other investments	-	-	606,810	606,810
Derivative financial assets	16,646	338,702	1,578,610	1,933,958
<b>Total</b>	<b>78,258,705</b>	<b>49,075,351</b>	<b>7,300,977</b>	<b>134,635,033</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(1,436,332)	(1,376,525)	-	(2,812,857)
- Financial liabilities designated at fair value through profit or loss	-	(61,727)	(2,325,405)	(2,387,132)
Derivative financial liabilities	(13,515)	(441,034)	(321,553)	(776,102)
<b>Total</b>	<b>(1,449,847)</b>	<b>(1,879,286)</b>	<b>(2,646,958)</b>	<b>(5,976,091)</b>

For the year ended 31 December 2019, there was a transfer of amount RMB188 million from Level II to Level I due to its lifting of restricted stocks. There was a transfer of amount RMB93 million from Level II to Level III primarily due to the delisting of equity securities. There was a transfer of amount RMB507 million from Level III to Level II due to the listing of equity securities with lock-up period.

For the year ended 31 December 2018, there was a transfer of amount RMB126 million from Level II to Level I due to its lifting of restricted stocks. There was a transfer of amount RMB107 million from Level II to Level III due to the delisting of equity securities. There was a transfer of amount RMB529 million from Level III to Level II due to the listing of equity securities with lock-up period.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the stock exchanges and funds with quoted bid prices in an active market, which classified as financial instruments at fair value through profit or loss.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2019 and 31 December 2018, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.
- (5) For unlisted equity securities, wealth management products without quoted bid price in an active market, loan and advances, gold leasing and OTC derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Derivative financial assets</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Derivative financial liabilities</i>	<i>Total</i>
As at 1 January 2019	5,033,263	689,104	1,578,610	(2,325,405)	(321,553)	4,654,019
Gains or losses for the year	501,266	68,261	419,470	(428,902)	(543,006)	17,089
Changes in fair value recognised in other comprehensive income	-	12,674	-	-	-	12,674
Purchases	3,957,499	386,092	284,939	-	623,683	5,252,213
Sales and settlements	(1,692,681)	(68,070)	(1,507,577)	63,744	(302,096)	(3,506,680)
As at 31 December 2019	<u>7,799,347</u>	<u>1,088,061</u>	<u>775,442</u>	<u>(2,690,563)</u>	<u>(542,972)</u>	<u>6,429,315</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>405,998</u>	<u>-</u>	<u>477,462</u>	<u>(428,902)</u>	<u>(502,400)</u>	<u>(47,842)</u>

Notes to the consolidated financial statements  
For the year ended 31 December 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Derivative financial assets</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Derivative financial liabilities</i>	<i>Total</i>
As at 1 January 2018	7,644,291	65,994	254,601	(2,345,668)	(226,485)	5,392,733
Gains or losses for the year	993,427	(449)	2,647,285	185,887	364,538	4,190,688
Changes in fair value recognised in other comprehensive income	-	38,344	-	-	-	38,344
Purchases	2,347,484	585,215	176,691	-	(213,465)	2,895,925
Sales and settlements	(5,951,939)	-	(1,499,967)	(165,624)	(246,141)	(7,863,671)
As at 31 December 2018	<u>5,033,263</u>	<u>689,104</u>	<u>1,578,610</u>	<u>(2,325,405)</u>	<u>(321,553)</u>	<u>4,654,019</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>846,789</u>	<u>-</u>	<u>1,264,360</u>	<u>185,887</u>	<u>82,845</u>	<u>2,379,881</u>

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

<i>Financial assets and liabilities</i>	<i>Fair value hierarchy</i>	<i>Valuation technique(s) and key input(s)</i>	<i>Significant unobservable input(s)</i>	<i>Relationship of unobservable input(s) to fair value</i>
Wealth management products, loan and advances and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter derivatives	Level III	Black-Scholes option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value
		Monte-Carlo option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value

### 63 Share-based payment of a subsidiary

#### (a) Summary information about share-based payments of a subsidiary

	<i>2019</i>			
	<i>As at 1 January</i>	<i>Accrued for the year</i>	<i>Modification</i>	<i>As at 31 December</i>
Cash-settled share-based payments				
- USD equivalent to RMB	99,793	78,292	(178,085)	-
Equity-settled share-based payments				
- USD equivalent to RMB	-	172,620	178,085	350,705
<b>Total</b>	<b>99,793</b>	<b>250,912</b>	<b>-</b>	<b>350,705</b>
	<i>2018</i>			
	<i>As at 1 January</i>	<i>Accrued for the year</i>	<i>Payments made</i>	<i>As at 31 December</i>
Cash-settled share-based payments				
- USD equivalent to RMB	28,458	71,335	-	99,793

During the year ended 2019, the Group's subsidiary AssetMark Financial Holdings, Inc. granted share-based payments to the employees. Details are as follows:

**Before the initial public offering of AssetMark Financial Holdings, Inc.**

(i) *Class C Common Units*

AssetMark Holdings, LLC, a former subsidiary of the Group, which was dissolved in July 2019, granted the share-based compensation to all officers of its subsidiary, AssetMark Financial Holdings, Inc, as at 1 November 2016. The share-based compensation is calculated based on the fair value of Class C Common Units of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in 3 years after the grant date and are exercisable with a period of 4 to 8 years. The Class C Common Units was classified as cash-settled share-based payments by the Group.

Share-based payments for services of Class C Common Units were calculated at fair value. The method for determining the fair value of liabilities based on the shares or other equity instruments assumed by the Group was Monte Carlo simulation.

Class C Common Units activity during the year ended 31 December 2018 was as follows:

	<u>Share quantities</u>	<u>Weighted average remaining contractual years</u>
Balance at 1 January 2018	8,550.13	6.87
Granted	283.37	7.47
Forfeited	(16.67)	7.58
	8,816.83	
Balance at 31 December 2018	8,816.83	5.93

As at 31 December 2018, the accumulated amount of liabilities arising from cash-settled share-based payments was USD14.54 million, equivalent to RMB99.79 million, and total expenses recognised for the year ended 31 December 2018 arising from cash-settled share-based payments amounted to RMB71.34 million.

On 17 July 2019, immediately following the pricing of AssetMark Financial Holdings, Inc. initial public offering (the "IPO"), AssetMark Holdings, LLC liquidated and dissolved, and holders of Class C Common Units of AssetMark Holdings, LLC received an aggregated number of Restricted Stock Awards equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock, which the original Class C Common Units were replaced. Total expenses recognised for the period ended 17 July 2019 arising from cash-settled share-based payments amounted to USD 11.41 million, equivalent to RMB 78.29 million.

As at 31 December 2019, the accumulated amount of liabilities arising from cash-settled share-based payments was zero due to the aforementioned modification of Class C Common Units.



**After the initial public offering of AssetMark Financial Holdings, Inc.**

(ii) *Restricted Stock Awards (RSAs)*

On 17 July 2019, AssetMark Financial Holdings, Inc. granted the original holders of Class C Common Unites Restricted Stock Awards equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock. The Restricted Stock Awards are subject to the same vesting schedule as the Class C Common Units of AssetMark Holdings, LLC. The Restricted Stock Awards was classified as equity-settled share-based payments by the Group.

As at 31 December 2019, the outstanding unvested shares were 5,257,541 shares, and the accumulated amount of capital arising from Restricted Stock Awards was USD49.15 million, equivalent to RMB339.59 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB161.50 million.

(iii) *Stock Options*

In connection with the IPO, AssetMark Financial Holdings, Inc. issued options to certain officers to acquire an aggregate of 918,981 shares of the common stock, with an exercise price of USD22 per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of 18 July 2019.

As at 31 December 2019, the weighted average grant date fair value per share of options granted were USD7.73. The accumulated amount of capital arising from Stock Options was USD1.07 million, equivalent to RMB7.43 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB7.43 million.

Stock Option activity during the year ended 31 December 2019 is as follows:

	<u>Share quantities</u>	<u>Weighted average exercise price</u> USD	<u>Aggregate intrinsic value</u> USD	<u>Weighted average remaining contractual years</u>
Balance at 1 January 2019	-			
- Granted	918,981	22.00		
- Forfeited	(10,206)	22.00		
	<hr/>			
Balance at 31 December 2019	<u>908,775</u>	22.00	6,380,000	9.6

AssetMark Financial Holdings, Inc. uses the Black-Scholes options pricing model to estimate the fair value of Stock Options.

(iv) *Restricted Stock Units (RSUs)*

Also in connection with the IPO, AssetMark Financial Holdings, Inc. issued Restricted Stock Units to certain officers covering an aggregate of 85,737 shares of the common stock. Each of these Restricted Stock Units is scheduled to vest in substantially equal installments on each of the first three anniversaries of 18 July 2019.

As at 31 December 2019, the accumulated amount of capital arising from Restricted Stock Units was USD0.53 million, equivalent to RMB3.69 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB3.69 million.

Restricted Stock Units activity during the year ended 31 December 2019 was as follows:

	<i>Number of Restricted <u>Stock Units</u></i>	<i>Weighted average grant date <u>fair value</u> USD</i>
Balance at 1 January 2019	-	
Granted	115,737	22.78
Forfeited	(1,693)	22.00
	<hr/>	
Balance at 31 December 2019	<u>114,044</u>	22.79

## 64 Company-level statement of financial position

	Note	<u>As at 31 December</u>	
		2019	2018
<b>Non-current assets</b>			
Property and equipment		3,091,787	2,493,036
Investment properties		1,363,937	1,426,028
Other intangible assets		646,399	526,963
Investments in subsidiaries		19,374,962	18,174,962
Interest in associates		9,434,339	8,262,252
Debt investment at amortised cost		13,755,153	12,452,909
Financial assets at fair value through other comprehensive income		10,307,367	9,820,333
Financial assets held under resale agreements		-	2,452,201
Financial assets at fair value through profit or loss		6,674,987	1,024,322
Refundable deposits		4,548,561	2,669,163
Other non-current assets		237,812	233,830
		<u>69,435,304</u>	<u>59,535,999</u>
<b>Current assets</b>			
Accounts receivable		3,041,432	1,609,777
Other receivables and prepayments		330,090	970,047
Margin accounts receivable		68,122,908	45,387,683
Debt investment at amortised cost		4,025,614	2,225,043
Financial assets held under resale agreements		14,155,652	32,276,961
Financial assets at fair value through profit or loss		165,269,314	70,389,642
Derivative financial assets		1,851,978	1,663,164
Clearing settlement funds		7,419,153	4,220,923
Cash held on behalf of brokerage clients		71,142,684	47,799,466
Cash and bank balances		17,806,478	10,652,460
		<u>353,165,303</u>	<u>217,195,166</u>
<b>Total current assets</b>		<u>353,165,303</u>	<u>217,195,166</u>
<b>Total assets</b>		<u>422,600,607</u>	<u>276,731,165</u>

	<u>As at 31 December</u>	
Note	2019	2018
<b>Current liabilities</b>		
Short-term debt instruments issued	47,059,476	20,927,044
Placements from other financial institutions	11,362,598	5,813,487
Accounts payable to brokerage clients	70,663,092	44,673,270
Employee benefits payable	1,120,459	1,178,952
Other payables and accruals	10,746,710	7,230,663
Current tax liabilities	46,231	-
Financial assets sold under repurchase agreements	101,900,041	34,794,769
Financial liabilities at fair value through profit or loss	852,335	1,436,005
Derivative financial liabilities	953,527	603,695
Long-term bonds due within one year	14,611,188	22,077,210
<b>Total current liabilities</b>	<u>259,315,657</u>	<u>138,735,095</u>
<b>Net current assets</b>	<u>93,849,646</u>	<u>78,460,071</u>
<b>Total assets less current liabilities</b>	<u>163,284,950</u>	<u>137,996,070</u>
<b>Non-current liabilities</b>		
Long-term bonds	46,401,284	38,046,114
Non-current employee benefits payable	5,455,462	4,572,503
Deferred tax liabilities	888,227	580,365
Other payable and accruals	283,911	-
<b>Total non-current liabilities</b>	<u>53,028,884</u>	<u>43,198,982</u>
<b>Net assets</b>	<u>110,256,066</u>	<u>94,797,088</u>



## 65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods <u>beginning on or after</u></i>
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 66 Events after the reporting date

### (a) Issuance of short-term bonds

On 2 January 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB6 billion, bearing interest at 2.80% per annum to qualified investors.

On 7 February 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB5 billion, bearing interest at 2.65% per annum to qualified investors.

On 12 February 2020, the Company's subsidiary Pioneer Reward Limited has publicly issued 3 years corporate bond with a nominal amount of USD400 million, bearing floating interest equals to 3-month USD LIBOR + 0.95% per annum to qualified investors. The bond is guaranteed by the Company.

On 25 February 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.39% per annum to qualified investors.

On 4 March 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB4 billion, bearing interest at 2.31% per annum to qualified investors.

On 26 March 2020, the Company has publicly issued 3-year corporate bond with a nominal amount of RMB8 billion, bearing interest at 2.99% per annum to qualified investors.

### (b) Profit distribution plan after accounting periods

On 30 March 2020, based on the total ordinary shares of 9,076,650,000 of the Company, the Board proposed cash dividends of RMB3.00 (tax inclusive) per 10 ordinary shares to be distributed to all the shareholders, with total cash dividend amounting to RMB2,723 million.

The proposal is pending for the approval of the general meeting of the shareholders. The cash dividends are not recognised as a liability as at 31 December 2019.

**(c) The Assessment of the impact of the Coronavirus disease 2019**

Since the outbreak of Coronavirus Disease 2019 (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19 《关于进一步强化金融支持防控新型冠状病毒感染肺炎疫情的通知》, which was issued by the People’s Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Hubei Province. This may affect the quality or the yields of the brokerage business and investment assets of the Group in a degree, and the degree of the impact depends about the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention about the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.