

恒投证券

HENGTOU SECURITIES

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

Stock Code: 1476

2016

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

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ABOUT THIS REPORT

REPORT THEME

This is the first Environmental, Social and Governance Report (“ESG report” or this “Report”) published by Hengtai Securities Co., Ltd. (a joint stock company incorporated in the People’s Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)) (the “Company” or “we”). This Report mainly introduces the information of the Company with regard to creating value for customers, creating opportunities for employees, creating wealth for society, and creating value for environment.

REPORTING SCOPE

The reporting period of the information covered by this ESG report is from 1 January 2016 to 31 December 2016 (the “Reporting Period”) except otherwise stated. The Reporting Period is the same as the fiscal year defined in the Company’s 2016 Annual Report. Unless otherwise stated, the scope of this ESG report covers the Company which includes main offices, branch offices and securities branches.

REPORTING GUIDELINES

The ESG report mainly disclosed the environmental and social aspects of the Company’s annual performance in accordance with the Appendix 27 “Environmental, Social and Governance Reporting Guide” (“ESG Reporting Guide”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

CAUTIONARY STATEMENT

This Report contains some forward-looking statements with respect to the performance of operations and businesses as well as certain plans and objectives of the Company. By the nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of the Company. This Report has Chinese and English versions. In the event of inconsistency, the Chinese version prevails.

GIVE US YOUR FEEDBACK

For any queries and suggestions about this Report, it is welcomed to inform us through the following contact details:

Head office address: 11/F, China Life Centre, No.17 Finance Street, Xicheng District, Beijing, the People’s Republic of China

Business address in Hong Kong: 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

Company website: www.cnht.com.cn

E-mail: dongban@cnht.com.cn

COMPANY INTRODUCTION

The Company is an integrated securities company with strategic distribution in major developed cities all around China. Through the brokerage and wealth management business, investment management business, and proprietary trading, the Company can provide a wide range of financial products and services to financial institutions, large, medium and small enterprises, institutional investors, and individuals.

The Company's predecessor is Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司), which was established by Inner Mongolia branch of the People's Bank of China upon the approval of the People's Bank of China in April 1992. In November 1998, the Company was converted into a limited liability company as approved by the China Securities Regulatory Commission ("CSRC"). In November 2008, upon approval by the CSRC, Hengtai Securities Limited Liability Company (恒泰證券有限責任公司) was converted into a joint stock company with limited liability under the name of Hengtai Securities Co., Ltd. (恒泰證券股份有限公司). On 15 October 2015, the overseas listed shares of the Company were officially listed on the Main Board of the Stock Exchange in Hong Kong with the stock code 1476.

In 2016, facing the sluggish stock market in China, the Company achieved steady business development through multiple channels such as continuous and intensified promotion for online account opening, increase of branches and devoting more efforts in development of institutional clients. In 2016, the Company continued to accelerate the development of internet-based financial business by setting up an internet-based financing department. Through extensive contacts with internet enterprises, seeking cooperation for growth and expanding cooperation channels, the online expansion sped up apparently and accordingly the business influence was increased significantly. For the purpose of attracting more attention and improving activity level of the clients, the Company hosted the Tencent Stock Contest, introduced Wechat operation pilot and carried out a variety of activities in relation to the contemporary hot topics. It also optimized its search engine and put more efforts into brand promotion. In 2016, with a view to advancing institutional business development, the Company established an institutional transaction department. In terms of business development, it rapidly established the framework for business modes and business scenarios, actively introduced strategic partners and completed introduction of sizable customers and sizable funds. In terms of system development, the Company has completed optimization of the overall system and restructuring of the offering systems, which improved the establishment and promotion of the online system. As of 31 December 2016, the Company owned two branch offices in Shenzhen and Changchun of China, and a total of 136 securities branches. During the Reporting Period, 24 securities branches were newly established.

MESSAGE FROM MANAGEMENT LEVEL

This Report is the Company's first ESG report. We would like to take this opportunity to sort out the performance of the Company in terms of environmental and social responsibility. The Company shares social responsibility ideas and achievements with the public. Meanwhile, we will respond to the expectations and suggestions from customers, employees, shareholders and investors, community and government and regulatory authorities. In the new historical period, the Company adheres to the corporate culture of “innovation, being practical, integrity and cooperation” and continues to create value for customers, create opportunities for employees, create rewards for shareholders and create wealth for the community.

Create benefits for stakeholders. For customers, the Company commits to the goal of “maximizing the interests of customers”. With customer-oriented attitude, the Company strives to provide professional and high-quality diversified services for customers. For employees, the Company upholds the concept of people-oriented value, not only providing competitive remuneration and upward career development path for employees, but also attaching significant importance to employees’ life and growth needs, empowering them to develop and advance their strengths. For shareholders, the Company is determined to reward shareholders with sustained and good business performance through standardized governance and professional management.

Create value for the environment and society. The Company is actively concerned about the community livelihood construction, participating in poverty alleviation assisting projects and encouraging employees to join blood donation activities, so as to achieve synergistic development with the society. The Company values environmental protection and energy conservation and promotes green travel, green office and green investment policies. At the same time, we also encourage to choose environmentally friendly suppliers as partners to fulfill the Company's commitment to environmental protection.

We are determined to follow the modern corporate governance standards of financial industry, to continuously enhance the overall operational efficiency and management level and to emphasize the implementation of environmental and social responsibility. We strive to make greater contributions to a prosperous and developed Chinese securities market.

STAKEHOLDERS ENGAGEMENT

The Company attaches immense importance to the advices of stakeholders and applies diversified platforms to interact comprehensively with different stakeholders, including customers, employees, shareholders and investors, community and government and regulatory authority. Based on the management's discussion and analysis, this Report takes the stakeholders' critical focus into consideration in response to their expectations on the Company.

Main Stakeholders	Communication Platforms
Customers	Company homepage Customer service hotline Wechat official account Customer feedback mailbox Humanized service provided by securities branches Investor education theme activities
Employees	Regular announcements via intranet and bulletin board Employee training questionnaires Survey sheets of training needs Employee feedback platform Regular department meetings Activities held by unions and the Party President mailbox
Shareholders and Investors	Company homepage Wechat official account Annual report and interim report Annual general meeting Investor teleconferences Themed workshops, lectures and seminars
Community	Participation in various charity events Close connection between unions and neighborhood community
Government and Regulatory Authority	Regular communication with government and regulatory authority Submitting compliance reports adhering to the regulatory requirements

CREATE VALUE FOR CUSTOMERS

The Company, with a customer-oriented culture, serves customers based on their practical needs. Providing customers with valuable services helps them to better participate in the market. Under the belief of “maximizing the interests of customers”, striving to explore the market and continuous innovation, the Company provides professional, premium, and diverse services in response to customer trust.

Provide customer-oriented financial services

The Company regards “creating value for customers” as corporate mission and upholds the corporate culture of “innovation, being practical, integrity and cooperation”. With the progress on information technology and the improvement of service, the Company is committed to comprehensively enhancing customer satisfaction. Aiming to enhance the market competitiveness, the Company regards the adaptation to the change of customers’ needs as the top priority. The Company provides brokerage business, securities investment consultancy, financial advisor services about trading and investing, securities proprietary, securities asset management, margin trading and short selling, consignment of financial products, securities investment fund consignment, securities investment fund custody and other businesses approved by the CSRC. Our principal business lines include the following:

Brokerage and wealth management: We engage in the trading of stocks, bonds, funds, options and warrants on behalf of our customers. We also engage in capital-based intermediary business, such as margin financing and securities lending services and securities-backed lending. In addition, we provide wealth management services to individuals and institutional clients, including sales of financial products and investment advisory services.

In terms of securities brokerage, the Company engages in the trading of stocks, funds, options and bonds on behalf of our clients.

With regard to wealth management, in addition to traditional channel-based securities brokerage business, we also provide other value-added services authorized by the regulatory authorities of the People’s Republic of China (“PRC”), which include (i) the sales of financial products (mainly including asset management products developed by our asset management department and financial products from third-party fund companies) on a commission basis through our securities branch network; and (ii) providing investment advisory services to our brokerage clients. Insisting on customer-orientation, the Company constantly improved its wealth management level and asset allocation capability. During the Reporting Period, firstly, the Company continually optimized the sales structure of financial products and vigorously developed the sales of private equity funds while stabilizing the sales of public funds. Secondly, the Company reinforced the management of investment and consultation activities on the third-party platforms, organized sales activities in an orderly way, introduced new investment and consultation products and effectively satisfied the demands of the clients.

For capital-based intermediary business and asset custody business, we provide collateralized margin financing and securities lending services to our clients. Moreover, we also provide securities-backed lending, where our clients pledge their securities to us as collateral and we use our funds to provide a loan to these clients at an interest. During the Reporting Period, the securities market remained sluggish. In the context of continuous de-capacity and de-leveraging, the Company's capital-based intermediary business scaled down. While improving the quality of client service, the Company vigorously developed quality customers, maintained the utilization efficiency of funds at a reasonable level and enhanced the control over the business risks. Besides, the asset custody business saw a rapid development and became a new revenue growth driver of the Company.

Investment management: As for the asset management business, the Company further intensified the asset securitization segment while consolidating its traditional business segments, thus achieving significant growth of the management scale and laying a foundation for the development of the business in future. In addition to the established business network which was engaged in capital cooperation with a number of channels including insurance, bank and enterprise, the Company gave full play to the synergistic effects of other businesses to build a business platform. During the Reporting Period, the Company maintained its leading position in enterprise asset securitization field and continues to expand industry influence. The Company was granted several awards, including the Annual Award of 2016 China Asset Securitization Forum and New Fortune-the Best Investment Bank for Asset Securitization in China.

Proprietary trading: We engage in the trading of stocks, bonds, funds, derivatives and other financial products through our own account. We also conduct the National Equities Exchange and Quotations Co., Ltd. ("NEEQ") market-making.

For stock investment business, during the Reporting Period, adhering to the principle of prudent investment, the Company adjusted its investment strategy in a timely manner and limited its overall floating losses within the range of stop losses; meanwhile, it actively broadened its revenue streams and expanded into the new business fields including Exchange Trade Funds ("ETF") market-making, Fund of Fund ("FOF") investments and quantitative investments, in addition to subscribing for new shares and participating in private placement.

In terms of fixed income business, the Company seized market opportunities, actively carried out innovative businesses including interest rate swap, treasury bond futures and the exchange-based pledge repurchase on a trial basis, enhanced portfolio income, strictly controlled credit risks and reduced financing costs, achieving admirable investment gains.

In terms of the share transfer market-making business, as at the end of the Reporting Period, the Company has provided market-making quotation services to over 100 enterprises, recording a year-on-year growth of 66.67%. However, due to the sluggish performance of NEEQ market, together with the poor liquidity of NEEQ market, the share transfer market-making business of the Company was affected adversely.

Interact with customers intensively

The Company's professional teams are not only equipped with solid business knowledge and rich industry experiences, but also able to grasp the latest developments in the capital market. Focusing on customer needs, persistently pursuing professional innovation and aiming to grow together with customers and the Chinese stock market are not only goals but also key steps towards a modern financial company. The Company has maintained a close connection with customers via humanized service, call center and a series of investor education events.

The Company has built a high-quality team of customer managers to provide customers with securities planning and investment advice. There is a “one-to-one” management relationship between customer managers and customers. Through the personalized communication, the Company can enhance the rational thinking of customers on investment and financial planning via gradually establishing a value-based investment philosophy, identifying their own risk tolerance, and assisting customers to select appropriate investment direction and timing.

The Company has set up a call center to communicate and understand the needs and suggestions from customers timely through customer service hotline. In addition to addressing customer inquiries, call center also uses short message service (“SMS”) to actively serve customers, covering more than 1 million customer base, which creates positive impacts on the Company’s reputation. The current SMS service has three characteristics. The first is customer account reminding service. The second is sharing objective insights on trend of the stock market timely. The third is investment risk warning on the verge of significant market volatility.

The Company gathers outstanding research resources and analyst teams every year to take the initiative to approach customers all over the nation, and organizes thematic activities about securities knowledge, policies and regulations, market risk disclosure and rights claiming. Through close interaction with customers, the Company not only fully understands customer needs, but also promotes the Company’s research philosophy and reflects the value of services. During the Reporting Period, the Company has carried out eight customer education events with nearly ten thousand of attendances and fifty thousand of investment education brochures distributed in total. Besides, the Company actively participated in the activities held by the Shanghai Stock Exchange, China Securities Industry Association, Inner Mongolia Autonomous Region of the PRC (“Inner Mongolia”) Securities Regulatory Bureau, Inner Mongolia Securities and Futures Association and the People's Bank of China Hohhot Branch. The total cumulative investment in customer education was around RMB 780,000.



Photo: A Series of Educational Activities for Investors on 15 March



Photo: Legal Promotional and Educational Activities

Customer reporting and complaint handling procedure

To ensure legal operation of business, proper handling of customer complaints, improvement of service quality and management capability and maintenance of corporate image and reputation, the Company has formulated the Provisions on Customer Reporting Handling of Hengtai Securities Co., Ltd., Provisions on Customer Complaints Handling of Hengtai Securities Co., Ltd., and Management of Complaint in Securities Branches of Hengtai Securities Co., Ltd. according to Provisions for the Trial Implementation of the Compliance Management of Securities Companies issued by the CSRC.

The Company follows the principles of “objectivity, impartiality, promptness and confidentiality” in customer reporting handling. Both anonymous and non-anonymous reports are taken seriously and handled properly. The Company appoints the compliance department to address customer reports in accordance with the handling procedures. Serious cases should be reported to the person in charge of the compliance department in time.

Customer Reporting Handling Procedures

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The compliance department is responsible for the handling process and carefully note (recording can be used if possible) the facts, reasons, names and contacts of the whistleblower, and report to the leader in charge if necessary.	Based on the relevant facts of customer reports, the compliance department starts to investigate by field research and conversation.	After the investigation, compliance department comes up with suggested solutions and reports to the compliance director for approval. Involved business department is responsible for handling. Critical issues should be reported to the president's office.	The compliance department shall close the file within 30 days since the date of reporting. Regular supervision and guidance should be applied as well.

The Company follows four principles in the handling of complaints. Firstly, territorial management and hierarchical management should be adopted. People in charge should take the responsibility. Secondly, handling procedures execution should be timely, objective and impartial. Thirdly, problems should be addressed with proper communication and guidance. Lastly, the confidentiality and avoidance regulations should be strictly complied. The Company requires employees involved to be honest when handling complaints. Employees are encouraged to promptly verify the facts of the complaint, protect interests of customers and properly handle customer complaints, so as to prevent conflicts and maintain the orderly business operation.

Customer Complaint Handling Procedures

1. Complaint Acceptance
The compliance department, business sectors and branches should handle complaints with recording equipment. Letters, e-mails and online complaints should be checked, registered and archived one by one.
2. Complaint Reporting
The department being complained of or compliance department should report to the head of the department and the compliance director immediately. If the customer directly complains to the Company's Complaint Handling Committee, it is necessary to give feedback to the involved department.
3. Complaint Investigation
Compliance department's staff should start investigation immediately based on division and responsibility after receiving the complaint report. Person who is assigned the responsibility for investigation and the involved departments are obliged to actively cooperate and provide relevant profiles and materials.
4. Complaint Addressing
Complaints should be addressed within three working days for general cases and five working days for serious cases. The complaint handling results should be informed to the customer. Request for extension of processing time should be submitted by responsible department and compliance department to the leadership for approval under special circumstances.
5. Subsequent Track
Complaints handling personnel should track the whole process. A returned call to the customer should be made within two days after a case is closed, in order to know the satisfaction degree of the customer. A record of the conversation should be made at the same time as well.
6. Complaint Archived
Complaints handling personnel should keep the relevant files for over three years, and a monthly "Hengtai Securities Co., Ltd. Customer Complaints Record Tracking Form" is required to be reported to the compliance director and the Complaint Handling Committee.

Product promotion and customer privacy protection

The Company has conscientiously abided by the laws and regulations on advertising in accordance with the Advertising Law of the People's Republic of China, eliminating the use of false and misleading statements during product and service promotion and trading process.

The Company insists on the concept of "creating value for customers" and regards customer privacy as one of the key assignments. The Company will integrate customer privacy protection into the full cycle of its business, including marketing activities, customer service, customer management, back-office system support, etc. On the basis of the Law of the People's Republic of China on Guarding the State Secrets, Regulation on the Implementation of the Law of the People's Republic of China on Guarding State Secrets and the Rules for the Implementation of the Law of the Inner Mongolia Autonomous Region on Guarding State Secrets, the Company has formulated Confidential Information Management Approaches of Hengtai Securities Co., Ltd. combined with specific situations of the Company, in order to strengthen confidentiality management. Relevant regulations on customer privacy protection are specified in Code of Practice of Confidential Information Management Work for Securities Branches, Customer File Management Regulations for Securities Branches, Counter Operation Authority Management Regulations for Securities Branches and Business Information Separation Wall Management Regulations for Investment Advisers.

With respect to technical implementation, the batch query regarding customer information is limited through technical means to avoid the export of customer information and prohibit screenshots. The Company disables the mobile storage devices such as mobile hard disks through the terminal security system, and limits the type of tools installed on computers. Meanwhile, the office network is isolated from business network to ensure that the business data is only retained in the computers for business operation use, and will not be taken away by employees. In particular, the permitted access of the Information Technology (“IT”) staffs, who are responsible for database and system maintenance with customer information, to the back-office system and database is strictly controlled. Their operations are monitored and audited to prevent IT staffs from operating unauthorizedly or disclosing customer information.

In regard to management, on one hand, the Company strengthens the daily training and compliance management training for employees to enhance their awareness of protecting customer privacy and make them realize the potential damage of disclosing privacy information of customers, the Company and individuals, so that employees can protect customer privacy consciously. On the other hand, the Company takes customer privacy protection as an important part of employee performance assessment, and continues to increase its specific gravity in assessment outcome. For a serious privacy leakage case, the Company adopts one veto system. Employees who violate the law will be handed over to legal departments for legal liability.

The Company will always put the interests of customers in the first place, and will continue to enhance the privacy protection awareness of employees and improve the protection mechanism, so as to maximize the protection of customer privacy security.

CREATE OPPORTUNITIES FOR EMPLOYEES

The Company regards employees as an important asset. With the principle of people-orientation, the Company focuses on human resources management mechanism and continues to attract, explore and nurture talents. The Company focuses on employees' needs for life and growth, empowering them to develop and advance their strengths. At the same time, the Company strives to improve the human resources mechanism and provide employees with an optimistic and positive, harmonious and diverse, innovative and cooperative work atmosphere.

Equal opportunities and employment

According to Employees Recruitment and Management Approaches of Hengtai Securities Co., Ltd., the Company's recruitment upholds the following principles: well-organization, comprehensive assessment, equity, merit hiring, position-ability matching and relative's avoidance. The Company strictly adheres to the business development strategy and the overall plan for human resources allocation to ensure that personnel recruitment is based on reasonable allocation, well-organized process, clear responsibilities assigned and lean personnel involved. Meanwhile, to standardize the Company's employment management and to ensure the healthy development of the business, the Company has formulated the Management Approaches on Employee Departure of Hengtai Securities, which states that labor relationship can be terminated when the consensus is achieved between the Company and the employee who intends to resign.

To ensure a scientific, rational, timely and effective process to select all kinds of excellent and appropriate personnel and meet the sustainable talent needs, the Company's recruitment is divided into two types: internal and external recruitments. Internal recruitment is mainly through rotation, which provides employees with an opportunity to understand the Company comprehensively and to grasp extensive skills. Besides, external recruitment is mainly conducted through the internet, smart phones, traditional media, staff recommendation, talent career fair, job referral intermediary and headhunting companies to carry out social recruitment and campus recruitment. Through this strict and fair way of recruitment, the Company not only attracts and retains talents, but also strengthens the employee team building.

Employees, regardless of gender, age, nationality, physical defects, etc., are respected in the Company and have equal opportunities for recruitment and promotion. Fully complying with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and relevant laws and regulations, the Company resolutely puts an end to the employment of child labor and forced labor. During the Reporting Period, the Company did not receive any complaint about discrimination case or about the case that violated the relevant labor laws and regulations.

Career development and training

The Company is committed to providing employees with an ideal career development and training platform, thus constantly improving the performance appraisal system and creating a fair working environment and smooth promotion path for employees. The Position and Profession Sequence Assessment Method of Hengtai Securities Co., Ltd. provides that the Company adheres to the following five principles when assessing the professional sequence: efficient performance; integrity in both ability and personality; focus on practical performance; fairness, publicity and equality; control on position title and quantity as well as the combination of qualitative and quantitative principles.

Meanwhile, the Company highly values staff training and has invested sufficient resources. According to Training Management Approaches of Hengtai Securities Co., Ltd., staff training is divided into centralized face-to-face training and remote training according to the instructional mode. Centralized face-to-face training is generally conducted in the classroom and lecture room, supplemented by appropriate panel discussions, on-site teaching and outdoor development training. Remote training is mainly conducted through the Company's OA system, on which employees can share course slides and video, and hold video conferences. Staff training is divided into internal training and external training according to different organizations. The internal training refers to various training activities organized by the Company or departments. External training refers to that the Company assigns employees to participate in training activities organized by industry associations, business training institutions, training departments under financial institutions and other organizations.

At the beginning of 2016, the Company made surveys and analysis in respect of staff training by issuing Training Questionnaire for 2016 and Survey Sheet of Training Needs. Based on the information collected, the Company prepared the Training Plan of Hengtai Securities for 2016 through summarization, statistics and analysis. During the Reporting Period, the Company organized large-scale training activities including five sessions of leadership training for the middle-level management members, three sessions of induction training for new recruits, two sessions of business training and one session for the transformation of its securities branches. During the Reporting Period, the Company further organized trainings to boost the marketing and communication skills of its sales personnel, as well as EQ leadership trainings for its securities branches. According to the requirements of the Securities Association of China, the Company has made applications for follow-up trainings for all current in-house practitioners who have qualification certificates to engage in securities business funds or futures intermediary business. In addition, the Company has made applications for the senior management and all departments for participating in 64 training sessions organized by the Securities Association of China, the Shanghai Stock Exchange and other external training institutions, covering 168 trainees.

Introduction training for new recruits

Aim to help new recruits to understand the Company comprehensively and systematically and to get integrated into the Company's culture

The Company's human resources department organized three orientation training sessions for new recruits in Shenzhen and Beijing of China in July and August 2016 respectively, which both lasted two and a half days. The trainings combined outdoor activities and indoor lectures. Leaders at all levels gave great attention and strong support. The director of human resources, Yan Chunhong, the general manager of human resources, Jia Huiping, the general manager of brokerage division, Jia Guoliang, the vice president of human resources, Chen Hongyan and the general manager of retail business, Wang Guoming, all attended and explained to trainees about various regulations, businesses and processes. During the Reporting Period, a total of 174 trainees participated in the centralized face-to-face study. The training enhanced the communication between the Company and employees, as well as enriched employees' knowledge and the understanding of the system and corporate culture, which achieved satisfactory outcomes.

"Eagle Plan Leadership Training" Program

Aim to help newly promoted mid-level management to increase management awareness, expand vision, enhance knowledge and improve leadership capability

"Eagle Plan" was led by the human resources department. From 19 August 2016, the Company had implemented three sessions of lectures, two sessions of outdoor training and two one-to-one meetings. During the trainings, the trainees supported and collaborated with each other when climbing Mount Tai in the heavy rain and walking through the vast desert in the burning sun, which indicated the unity, fearlessness and determination of the Hengtai people. Meanwhile, through a series of courses such as Operating Sandbox Simulation, Management Philosophy, EQ Leadership, Human Resource Management of Non-Human Resource Managers, Advanced Business Etiquette, and Organizational Behavior and Management Innovation, students of "Eagle Plan" improved rapidly in the management skills, management visions etc., which achieved the purpose of "Eagle Plan".

Company-wide business training

Aim to seek new extensive and profitable business and carry out corresponding management supportive work

Along with other five departments including the financial marketing department, over-the-counter ("OTC") market business department, institutional trading department, human resources department organized the first Company-wide training in Beijing and Shanghai of China in May 2016. The training focused on five businesses, including asset securitization, NEEQ business, institutional business and so on. The Company invited elites with rich practical experiences from relevant business sectors to be lecturers. They elaborated the concept of different businesses, market situations, business processes and supervision, investment environment and their own elements, business operations and mating by providing specific case analysis with two-way interaction in the lectures. Various departments and branches of the Company supported the training and revealed positive responses. The training was broadcasted on more than 200 access points with over 180 participants, delivering a satisfactory outcome.

Training on securities branches transformation

Aim to improve operations management and innovation capability of securities branches and new insights for development in 2017

Securities branches transformation training was held in Beijing Friendship Hotel in China on 10 and 11 December 2016, with attendance of more than 80 persons including department leaders and business elites. The training was jointly organized by human resources department and the brokerage department. The training mainly focused on Internet plus securities, cooperation with transparent private equity and intelligent investment advisors, which are all the core issues in securities branches transformation. The training was tailor-made for the managers from sales department and the relevant management personnel. The two-day training was a great harvest for students. Training Satisfaction Survey revealed 100% satisfaction with the course content and lecturers ability.



Photo: Introduction Training Sessions for New Recruits

The Voice of Employees: As a new administrative assistant at Liuzhou Tianshan Road securities branch, Guang Xi, PRC, Tang Hui participated in the first phase of training and had a clearer planning to be a better investment consultant. She said, “We should spare no effort to do everything we can, and only working together within the team can achieve maximized personal value”. Zhang Huan from OTC market business participated in the second phase of training and had a deeper understanding of corporate culture. She said, “I thought the corporate culture was always a slogan before. However, through training, especially the team oath project, I not only have deeper recognition of corporate culture but also realize it can be turned into future work motivation”. Wang Zhe from general affair department of Dalian Jinzhou Beishan Road securities branch, Liaoning, PRC, participated in the third phase training. She wrote in her training feedback notes that “I will become this kind of Hengtai people in the future work, being innovative and brave, pragmatic and hard-working, honest, and cooperative.”



Photo: “Eagle Plan Leadership Training” Program

The Voice of Employees: After the second sand table simulation training in the “Eagle Plan”, the general manager of financial market department, Shen Wenbo shared, “Two aspects have to be well-considered for a good-operated business. First, strategy and labor allocation have to be clear, and the implementation has to be accurate. Second, to be innovative and open-minded and then make effective use of all possible resources.” The vice general manager of institutional transaction department, Yu Anyi shared, “Through the sand table simulation, I found that everyone has their glory, of which we have to fully dig and take advantage. At the same time, through the activities, colleagues from different departments have further understanding of each other.” The director of the president’s office Bai Yun shared, “Through the sand table simulation, I have realized that team cooperation and collective wisdom are powerful. Clear division of labor and institutionalized process are necessary for internal work. An accurate understanding of market environment and policy is externally important.”



Photo: Company-Wide Business Training

The Voice of Employees: "This is my first time to participate in business training organized by the Company. The training content is exactly what we urgently need. It is attractive to us and worth participating in." - Student feedback

"Thank the human resources department for providing us with such a wonderful platform that we can communicate with the various departments face to face. It does help us to explore our new businesses." - Comment from institutional trading business department

"This synchronous integration of on-site training and UC video should be applied to every future training."— Students from securities branches participated in the training through UC terminal



Photo: Training on Securities Branches Transformation

The Voice of Employees: "The training focuses on the pain points and key issues of the securities branch business, and I harvest a lot from the communication." "I have obtained clear understanding of the customer service under current market environment and my confusions have been addressed through training, which can be verified in the future practice." "Lecturers are rich in practical experience. Through learning, I was inspired by the understanding and trends of private equity fund, development of company transformation and product marketing. Besides, knowledge of the unique tools in the market taught by the lecturers is very good!", "Not only do I have a better understanding of the industry transformation, but also I learn some very specific working approaches."

Salary and welfare

The Company has conscientiously abided by the Labor Contract Law of the People's Republic of China, in formulating Attendance and Leave Management Approach of Hengtai Securities Co., Ltd., which scientifically regulates the employees' work hours and that employees can enjoy sick leave, work injury leave, maternity leave, marriage and funeral leave and paid annual leave, etc.

The Company is committed to establishing a salary incentive system that reflects both the market requirements and the Company's characteristics. Six rules specified in Salary Management Approaches of Hengtai Securities Co., Ltd. should be followed, including strategic orientation, budget and total expenses management, dynamic management and position-based salary, incentive and restraint unity, internal equity, and key positions taken by market competitive people. According to the strategic objectives and business structure, salary differential management should be implemented in different functional departments, and the salary should be closely connected to performance. The employee's bonus is closely linked to the overall performance of the Company, the performance of the employee's department and the individual performance. The position level and salary differences are constructed based on promotion, responsibility and position transfer.

Employee's remuneration package consists of three parts: fixed salary, flexible pay and benefits. Fixed salary is composed of basic salary, fixed subsidies (include transportation subsidies, communication subsidies and lunch subsidies) and special allowances (mainly include concurrent allowance, off-site work and living allowance, housing subsidies, subsidies for remote areas, etc.). Flexible pay covers annual performance bonus, special business commission and special awards. Benefits include national compulsory benefits and the Company's supplementary benefits. The China national compulsory benefits consist of basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing fund. The Company's supplementary benefits consist of holiday welfare, summer/heating welfare, medical examination, travel and condolences organized by the Company and supplementary insurance paid for employees.

During the Reporting Period, there was no case that violated the above-mentioned labor laws and regulations recorded in the Company.

Work and life balance

The Company attaches great importance to the health and safety of employees, and actively creates a healthy and safe working environment for employees. The Company strictly abides by the Safety Production Law of the People's Republic of China, Safety Occupational Disease Prevention Law of the People's Republic of China and other laws and regulations. In order to improve the health and safety of IT staff, the Company has separated the computer room from office area. Meanwhile, the data center is installed with alarm and fire facilities, which can be monitored outside the data center, so as to reduce the employees' frequency of entering the room, thereby to improve the working environment of IT staff and mitigate related harm. During the Reporting Period, there was no case that violated the occupational safety related laws and regulations in the Company.

In order to better protect the rights and interests of employees and create a warm and harmonious working environment, the Company provides employees and female workers with health insurance and special disease insurance respectively. In addition, the Company provides employees with a series of health and safety related education seminars. For example, in order to further enhance the security awareness of the Company's various departments and branches and to protect the rights and interests of employees, the Company organized a “Fire Safety and Health Knowledge Lecture”. Besides, the Company pays attention to physical and mental health of women employees. The Company invited doctors from maternal and child health hospital to explain and introduce “Prevention on Female Common Gynecological Disease and Health Knowledge Lectures” for female employees on the International Women’s Day on 8 March.



Photo: Fire Safety and Health Knowledge Lecture



Photo: Prevention on Female Common Gynecological Disease and Health Knowledge Lectures

The Company believes that employees will have a better performance when achieving work-life balance. Employees are encouraged to pursue personal interests after work. On one hand, the Company attaches importance to the family-friendly attitude, and strives to create a working environment that cares about the needs of the family. In order to make employees feel the warmth of home, the Company has carried out supportive activities for employees in need. During the Reporting Period, a total of RMB 42,000 has been funded to employees with family problems.

On the other hand, the Company organizes regular sports and recreational activities for employees, in order to help employees to alleviate the work pressure and achieve self-improvement. In July 2016, the Company organized a series of healthy walking activities under the theme of “Walking with Hengtai”. In August 2016, the Company organized a mobile photography competition under the theme of “Your Impression on Hengtai”. The Company encouraged employees to participate in the third-session “Inner Mongolia Capital Market Cup” table tennis competition organized by the Inner Mongolia Securities and Futures Association, and won the championship. In October 2016, the Company assisted the Inner Mongolia Finance and Trade Union to host the “Hengtai Cup” fun sporting games in which more than 400 employees from over 20 departments participated. The games not only enriched work and cultural life of employees, but also enhanced the Company's industry image and strengthened the industry collaboration.



Photo: Walking Activities Under the Theme of
“Walking with Hengtai”

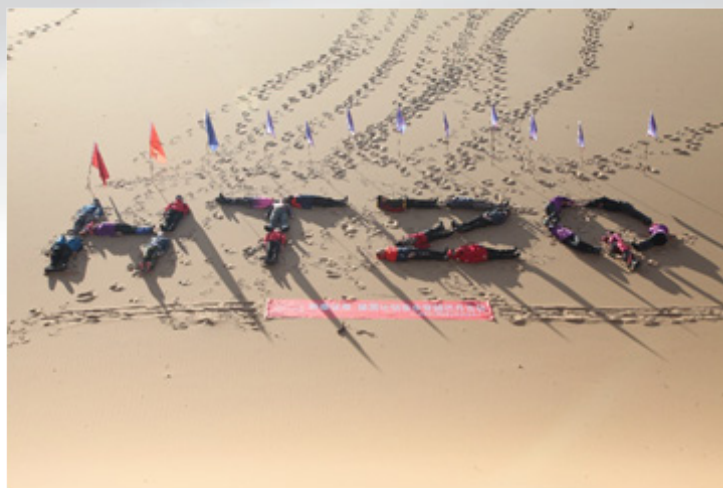


Photo: “Your Impression on Hengtai”
Photography



Photo: “Inner Mongolia Capital Market Cup”
Table Tennis Competition



Photo: “Hengtai Cup” Fun Sports Games

CREATE WEALTH FOR SOCIETY

The Company has been committed to becoming a major force in promoting social development and actively serving the community. The Company persistently regards that building a better society and repaying the society are important ways to realize its business value. On one hand, financial institutions are at the forefront of anti-money laundering work, and need to regard anti-money laundering work as a long-term important work. In order to reduce financial and legal risks and make contributions to the market security, the Company actively fulfills the obligations and responsibilities of anti-money laundering, and enhances the awareness. On the other hand, the Company is actively concerned about and involved in people's livelihood construction in community, carrying out public welfare undertakings and striving to achieve synergistic development with the community.

Strengthen anti-money laundering work and improve construction of anti-corruption

To assess the risk of money laundering and terrorist financing, determine the risk level of customer involved in money-laundering and improve the effectiveness of corporate anti-money laundering and anti-terrorism financing work, the Company strictly abides by the Anti-Money Laundering Law of the People's Republic of China, The Rules for Anti-money Laundering by Financial Institutions, Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorized Management of Customers of Financial Institutions, the Guidelines for Anti-Money Laundering of Securities Companies and the relevant provisions set up by the People's Bank of China, the CSRC and the China Securities Industry Association. The Company has formulated the Management Approaches on Anti-Money Laundering work of Hengtai Securities Co., Ltd. and the relevant rules.

In order to better implement anti-money laundering work, the Company has mobilized employees to actively participate in the anti-money laundering training and publicity activities organized by the regulatory authorities. The Company encourages relevant employees and counter staffs to actively participate in the training, so as to understand the importance of anti-money laundering work in financial institutions, master the relevant professional knowledge and skills in laws and regulations, internal control system, operation flow and control measures, and constantly improve anti-money laundering ability. At the same time, the Company has established a long-term promoting mechanism for anti-money laundering, and integrated anti-money laundering propaganda into the daily business management of branches and departments. Besides, the Company continues to carry out promotion concerning the significance, basic concepts and knowledge of anti-money laundering work, in order to improve the employees and customers' awareness of anti-money laundering.

In order to improve awareness of anti-corruption of employees, the Company has actively advocated anti-corruption work, through the organization of Party-building activities and educational activities. During the Reporting Period, the Company did not receive any litigation or complaints regarding the employees' involvement in bribery, extortion, fraud and money laundering.



Photo: “Two Learn One to Do” Educational Studies

Under the theme of “Two Learn One to Do”, the Company supervised the Party branches to organize tutorials in strict accordance with educational proposals. The tutorial combined spot teaching with video tutorials, and invited the Party teachers for lectures focusing on “Two Learn One to Do” for several times.



Photo: Red Education Training

The Company gathered the Party members, all Party branch secretaries and Company executives to carry out a four-day red education training to Jinggang Mountains, Jiangxi, China.



Photo: Integrity Education Exhibition

The Company organized anti-corruption advocacy and publicity activities and convened all Party members in Hohhot, Inner Mongolia and non-Party leading cadres of the Company to participate in Integrity Education Exhibition which was organized by Inner Mongolia Discipline Inspection Commission.

Actively practise social responsibility and strongly support social welfare undertakings

The Company advocates to repay community and practise social responsibility. The Company has actively participated in social welfare undertakings, and taken the initiative to explore and carry forward the outstanding charity culture. The Company organized free blood donation activities with theme of “Offering our blood, Demonstrating Hengtai’s love”.

According to the unified arrangements of the Organization Department of Party Committee and Organization Department of the Union Committee of Inner Mongolia, the Company actively participated in the activities with the theme of “Financial Cadres Go to Towns and Counties”. From June 2015 to June 2016, Mr. Wang Li, the director of the executive center of the Company, took a temporary post in Alxa Left Banner Alxa League (“Alxa Left Banner”), the Inner Mongolia, as the deputy banners in the People’s Government of Alxa Left Banner, to assist in the financial management work in the whole banner.

Meanwhile, the Company has also been actively involved in poverty alleviation and assistance projects, and signed an agreement on helping poor town with the Xilinguole League Taipusi Banner in Inner Mongolia (“Taipusi Banner”). The project intended to improve the self-development capacity preciously of the poor town, by supporting the local industry, consumption, public welfare, education etc., and make progress on “poverty alleviation and poverty elimination”. The Company funded RMB100,000 to Ganggegacha village, Barunbieli Town, Alxa Left Banner, Inner Mongolia, for the construction of a new cultural activities room. The Company participated in the project named “for a warm tomorrow – demonstration project of whole village poverty alleviation in old revolutionary base area”, and purchased agricultural products amounting to RMB132,700 from Huichang County, Ganzhou City, Jiangxi Province of the PRC. The Company continues to encourage employees to actively participate in community activities, and vigorously support the industry poverty alleviation projects to further enhance the connection between the Company and society.



Photo: Free Blood Donation Activity



Photo: Signing Ceremony of Poverty Alleviation and Assistance Project with Taipusi Banner Government

Supply chain management

To standardize the centralized procurement, enhance the capital efficiency, establish and improve procurement mechanism, exercise the advantage of centralized procurement, ensure the products and service procured to meet the requirements, and effectively guarantee the demands of businesses and management, the Company has formulated the Management Approaches on Centralized Procurement of Hengtai Securities Co., Ltd. on the basis of Regulation on the Implementation of the Bidding Law of the People's Republic of China and relevant laws and regulations. Regarding suppliers' selection and procurement policies, in principle, the Company chooses the suppliers with leading products in the industry, satisfactory financial position and reputation, as well as good service support. Comparison shopping should be followed during the procurement process. Meanwhile, the Company also fully considers the social responsibility performance of suppliers, for example, the Company regards tax paying in accordance with the law, good commercial and social reputation, no record of law or discipline violations within three years of operation and so on as important prerequisites to select suppliers.

CREATE VALUE FOR ENVIRONMENT

The Company encourages environmentally responsible business practices as always. In the meantime of creating sustainable development value and environmental value, the Company actively explores to integrate environmental and social factors into the consideration of Company's businesses, including green investment, green travel, green office and so on, thereby achieving coordinated development of the Company with the society and the environment.

The Company attaches great importance to protecting the environment through its own influence on the upstream and downstream industries. On one hand, the Company encourages to select environmentally friendly suppliers and partners. On the other hand, the Company advocates green investment and encourages investment in environmentally beneficial industries, including environmental protection industry, resource comprehensive utilization industry, new energy industry, ecological agriculture, green technology, green service industry and so on.

In addition, the Company is concerned about the impacts of its own operations on the environment, and corresponding measures have been taken to offset the adverse influence. Since the Company's operations are mainly carried out in the office, the impacts on the environment is mainly reflected in the following aspects: energy consumption, office supplies consumption and carbon emissions from the use of energy and resources.

In terms of carbon emissions and energy consumption, the Company has developed related policies including green travel and energy-saving policies in office area. Firstly, green travel and low-carbon travel are advocated. The Company encourages employees to take public transport, make use of video conferencing seminars to replace non-essential travel, and select direct flights for inevitable business travel. In addition, the Company stipulates that unnecessary lighting during lunch, overtime and non-office hours should be turned off. Tips/slogans are posted next to lighting switches and office equipment (e.g. copiers, printers, etc.) to remind employees to turn off light fixtures and printers after use, so as to reduce the Company's energy consumption.

In view of the disposal of office waste and idle assets, the Company has formulated the Administrative Approaches on the Disposal of Physical Assets of Hengtai Securities Co., Ltd., which stipulates that physical assets should be internally transferred and recycled first, and then be disposed when the physical assets are no longer available to be reused, improving the efficiency of resource utilization during the operation. The Company actively promotes paperless office to reduce the paper consumption. For example, employees are encouraged to communicate electronically, using scanning, fax and so on to reduce the number of print jobs. The computer and printers should be preset to double-sided printing and ink-saving mode.

During the Reporting Period, the Company followed the green operation concept of protecting the environment and saving resources. There was no case that violated the environmental management regulations recorded in the Company.

APPENDIX 1: CONTENT INDICES OF ESG REPORTING GUIDE

Aspect A1: Emissions	Disclose or Not	Reference Page
Information on: (a) the policies; and (b) compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	✓	P.24
Aspect A2: Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.	✓	P.24
Aspect A3: The Environment and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.	✓	P.24
Aspect B1: Employment		
Information on: (a) the policies; and (b) compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	✓	P.13-14 P.18-19
Aspect B2: Health and Safety		
Information on: (a) the Policies; and (b) compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.	✓	P.18-19
Aspect B3: Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	✓	P.14-17
Aspects B4: Labor Standards		
Information on: (a) the policies; and (b) compliance with relevant laws and regulations relating to preventing child and forced labor.	✓	P.13
Aspect B5: Supply Chain Management		
Policies on managing environmental and social risks of the supply chain.	✓	P.23

Aspect B6: Product Responsibility		
Information on: (a) the policies; and (b) compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	✓	P.10-12
Aspect B7: Anti-corruption		
Information on: (a) the policies; and (b) compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	✓	P.21
Aspect B8: Community Investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	✓	P.22-23

恒投证券

HENGTOU SECURITIES

CONTACT US

Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the People's Republic of China

Business address in Hong Kong: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Company website: www.cnht.com.cn

E-mail: dongban@cnht.com.cn