

SHENWAN HONGYUAN GROUP CO., LTD.

2018 Environmental, Social and Governance Report



NOTES ON PREPARATION OF THE REPORT

About this report:

This report presents the activities and performance of Shenwan Hongyuan Group Co., Ltd. in actively undertaking of its economic, social and environmental responsibility in 2018.

Period of this report:

Unless otherwise indicated, the reporting period of this report is from January 1, 2018 to December 31, 2018.

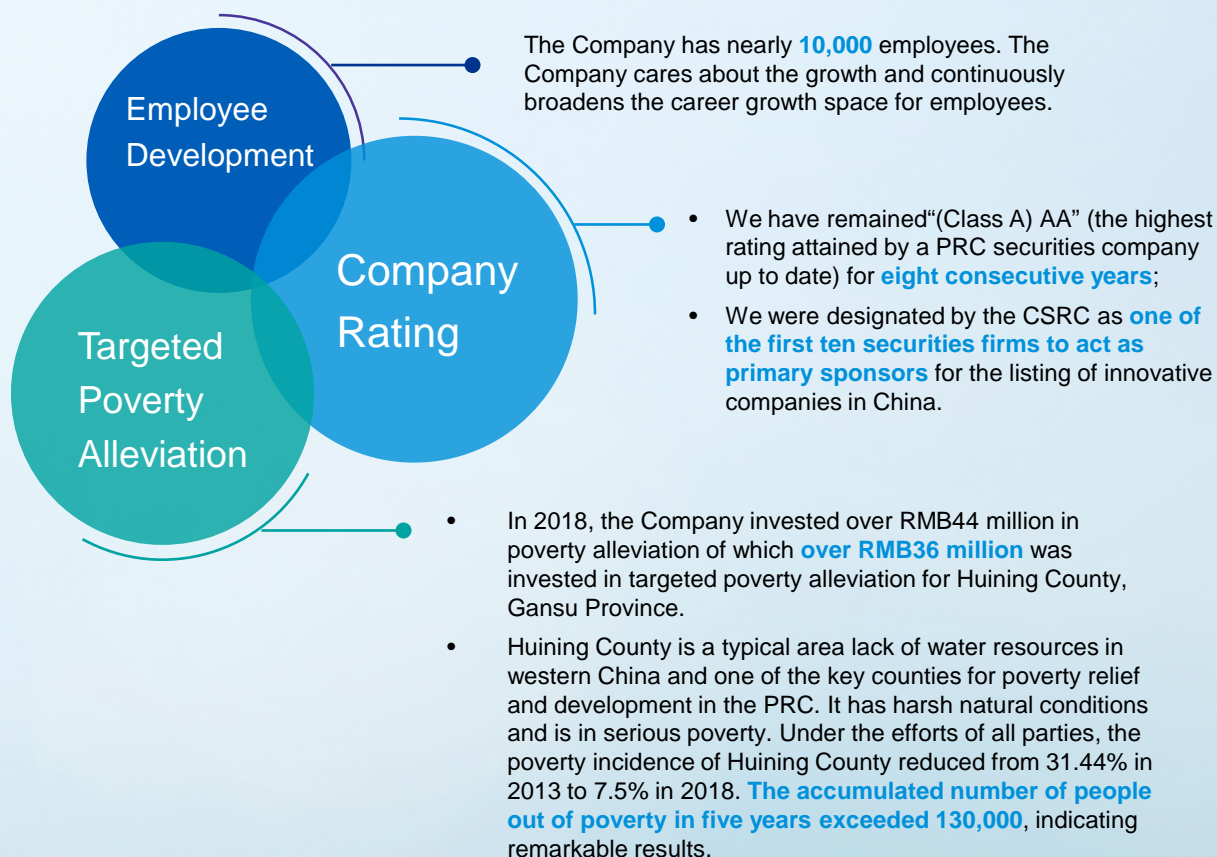
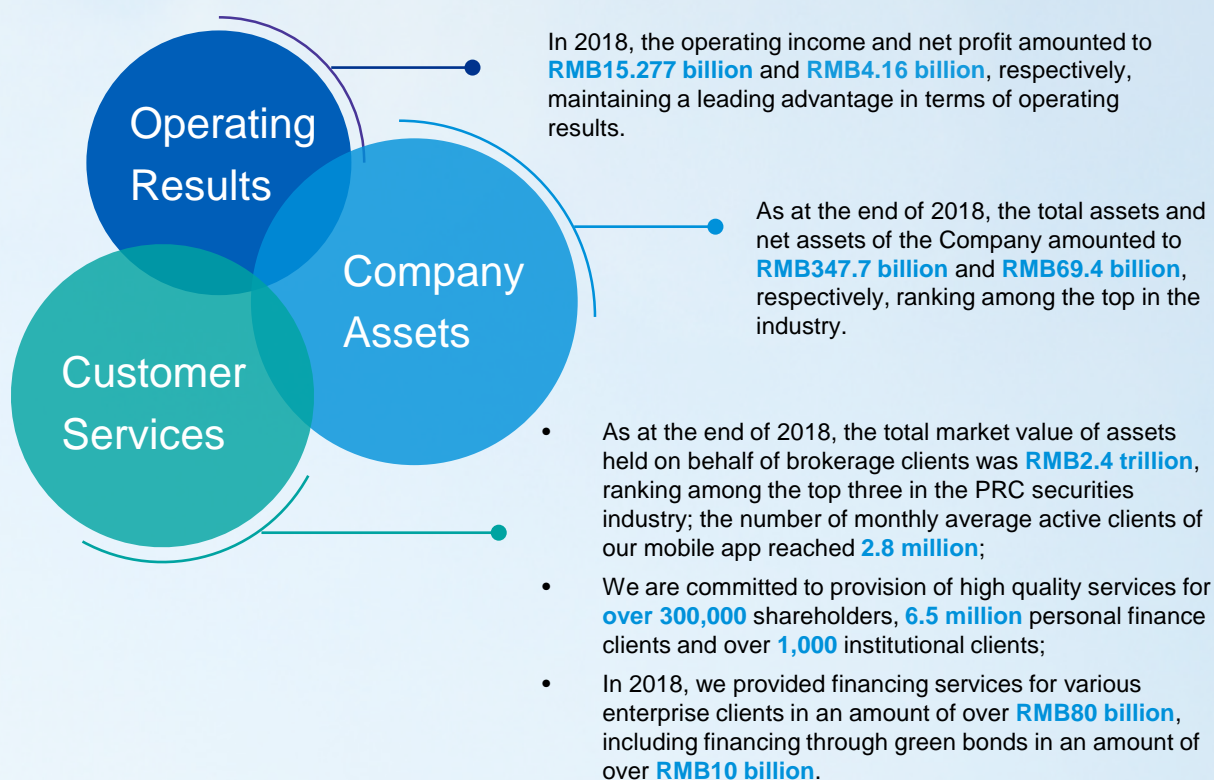
Preparation standards:

This report is prepared in accordance with the requirements of the Social Responsibility Guidelines for Companies Listed on the Shenzhen Stock Exchange issued by the Shenzhen Stock Exchange and the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong Limited.

Approval and release of the report:

This report was released after being reviewed and approved by the board of directors of the Company. This report is available in PDF file on the website of Shenzhen Stock Exchange, the website of the Hong Kong Stock Exchange and the website of the Company.

Data of Shenwan Hongyuan in 2018



Content

01	Company Overview	04
02	Improvement of the Social Responsibility System	08
03	Full Support and Serving for Economic Development and Improvement of Internal Control Management System	12
04	Adherence to priority to the interests of shareholders to effectively protect the legitimate rights and interests of shareholders	16
05	Client-centered, provision of diversified services to clients	19
06	Broadening the Career Development Space of Employees	27
07	Provocative Discharge of Social Obligations to Contribute Value to the Society	32
08	All-Round Assistance For Targeted Poverty Alleviation	37
09	Provocative Promotion of Green and Sustainable Development	43
	Attachment: Honorary Awards	48

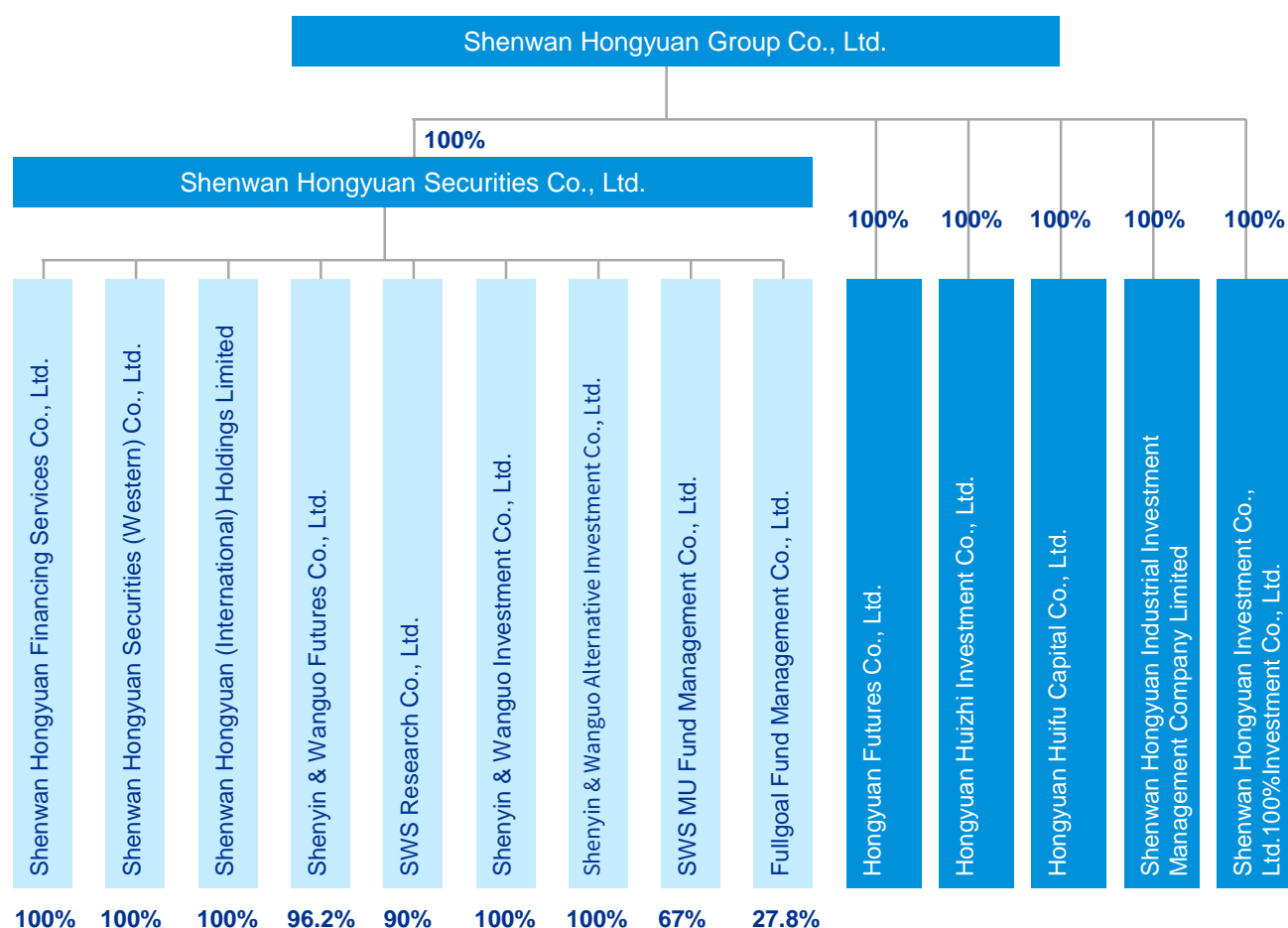
01

Company Overview

Company Profile

Shenwan Hongyuan Group Co., Ltd. ("the Company") was established through the merger of Shenyin & Wanguo Securities Co., Ltd.-the first joint-stock securities company in the PRC, and Hong Yuan Securities Co., Ltd.- the first listed securities firm in the domestic capital market, and was listed on the Shenzhen Stock Exchange on January 26, 2015. The company adopts the structure of "investment holding group + subsidiary securities firm" and continuously improves the comprehensive industry chain of investment and financing centered on the capital market, in order to share the clients among different types of businesses, to deeply explore customer needs and to provide integrated comprehensive financial services for the real economy.

The Company currently has nearly 10,000 full-time employees. The company has several subsidiaries including Shenwan Hongyuan Securities Co., Ltd. (the "Securities Company"), Shenwan Hongyuan Industrial Investment Management Company Limited (the "Industrial Investment Company"), Shenwan Hongyuan Investment Co., Ltd., Hongyuan Huifu Capital Co., Ltd. (the "Hongyuan Huifu"), Hongyuan Huizhi Investment Co., Ltd. (the "Hongyuan Huizhi"), and Hongyuan Futures Co., Ltd. As at December 31, 2018, the Company had 48 branch offices, 310 securities branches, and 40 futures branches, which were distributed in over 100 cities among 21 provinces, 4 municipalities and 4 autonomous regions. The Company's organizational structure is as follows:



In particular, the branch network of the Company has most advantage in the Yangtze River Delta Region and Xinjiang, and our branches in these regions represent approximately 41.2% and 14.1% of our total branches, respectively.

Principal Business

As an investment holding group focused on securities business, the Company is committed to providing diverse financial products and services to clients. By fully leveraging on the advantages of the structure of “investment holding group + subsidiary securities firm”, the Company continuously consolidates and enhances its position in the securities business industry, and strengthens the investment business and diversified financial business layout centering on the securities business, to create a closed loop of integrated financial services and proactively build a whole industry chain of financial services which focuses on capital market businesses. The Company's current business covers four segments, i.e. enterprise finance, personal finance, institutional services and trading, and investment management.

Enterprise Finance		Personal Finance	Institutional Services and Trading	Investment Management
Investment banking	Principal investment	Securities and futures brokerage		
<ul style="list-style-type: none"> Equity financing Debt financing Financial advisory 	<ul style="list-style-type: none"> Equity investment Debt investment Other investment 	<ul style="list-style-type: none"> Margin financing and securities lending Stock-backed lending Sales of financial products 	<ul style="list-style-type: none"> Prime brokerage Research Proprietary trading 	<ul style="list-style-type: none"> Asset management Mutual fund management Private equity fund management

Note: For details of the major results of the Company, please refer to the 2018 A-share annual report of the Company.

In 2018, in the face of complex and volatile market conditions, the Company kept adhering to robust operations, proactively promoted the development of various businesses centering on the needs of clients in terms of enterprise finance, personal finance, institutional services and trading, and investment management, and continued to fully construct a whole industry chain of financial business which focuses on the capital market. The Company has high-quality assets, good financial conditions and low financial risk, and continually maintains a strong profitability. In 2018, the Company achieved operating revenue of RMB15,277 million, representing a year-on-year increase of 14.29% over the previous year; net profit attributable to

shareholders of the parent company of RMB4,160 million, representing a year-on-year decrease of 9.55% compared with the previous year. The operating results continued to maintain a leading edge; as at the end of 2018, the Company's total assets and net assets attributable to shareholders of the Company amounted to RMB347.7 billion and RMB69.4 billion, respectively, ranking the forefront of the industry; In particular, with the joint efforts of all parties as well as all employees of the Company, the Company was successfully listed on the Stock Exchange of Hong Kong Limited on April 26, 2019, marking an important milestone in the Company's development history and opening a new chapter for the Company's development!

Corporate Governance

In accordance with the requirements of laws, administrative regulations, departmental rules and regulatory policies including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidelines on the Governance of Listed Companies, the Guidelines on the Standard Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, the Company has established an effective corporate governance structure, constantly improved the governance mechanism, and strengthened the power-balancing mechanism of the shareholders' general meeting, the Board of Directors, and the Board of Supervisors, to clarify and standardize the rights, obligations and behaviors of shareholders, directors, supervisors and senior management, and to ensure the Company's normative operation, faithful fulfillment of its information disclosure obligations, and emphasize on investors relations management, in order to effectively protect the Company's and the investors' interests and constantly endeavor to maintain and enhance the Company's good market image.

Since the merger, restructuring and A-share listing in 2015, the Company has continuously improved its corporate governance mechanism and constantly strengthened the Company's regulatory operations, including the establishment and improvement of the corresponding systems, optimization and improvement of internal organizational structure and

authorization management mechanism, etc. in accordance with the regulatory documents on governance of listed companies published by the CSRC and the actual conditions of the Company. At present, the Company has formulated the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors, the Management Policy of Connected Transactions, the Internal Control Policy, the Internal Control Evaluation Policy, the Internal Audit Policy, the Financial Management Policy, the Accounting Policy and the working rules of the committees of the Board of Directors.

In accordance with the Company Law and other relevant laws and regulations and the regulatory requirements for listed companies, the Company has set up a complete, clear and scientific internal management system and operational mechanism. The general meeting, the Board of Directors, the Board of Supervisors, the management, etc. perform their respective duties and responsibilities, to ensure the Company's standard operation, enhance decision-making ability, and improve the level of operation management. The Board of Directors of the Company has four special committees including the strategy committee, the remuneration and nomination committee, the risk control committee, and the audit committee. The special committees of the Board of Directors are accountable to the Board of Directors.



02

Improvement of the Social Responsibility System

The Company insists on proactive integration of social responsibility into its core value framework, striving to achieve synergistic development with stakeholders, protect clients' legitimate rights and interests, help employees achieve self-worth, proactively bring ideal returns to shareholders, and promote economic development and social harmony.

Social Responsibility Concept

To create value for clients:



The Company continues to enhance the ability to create value for clients, and strive to expand and optimize clients' financial assets and share wealth increment and fruits of development and achieve a win-win situation with clients.

To enhance the value of employees:



the Company endeavors to provide professional development space for employees and help employees create results and achieve self-achievement, to let them work happily, live a healthy life, and grow together with the Company.

To realize value for shareholders:



As a state-owned listed company, the Company is obliged to make conscientious efforts to maximize the value increment for shareholders through continuous expansion of the size of the Company, growth of assets and improvement of profitability.

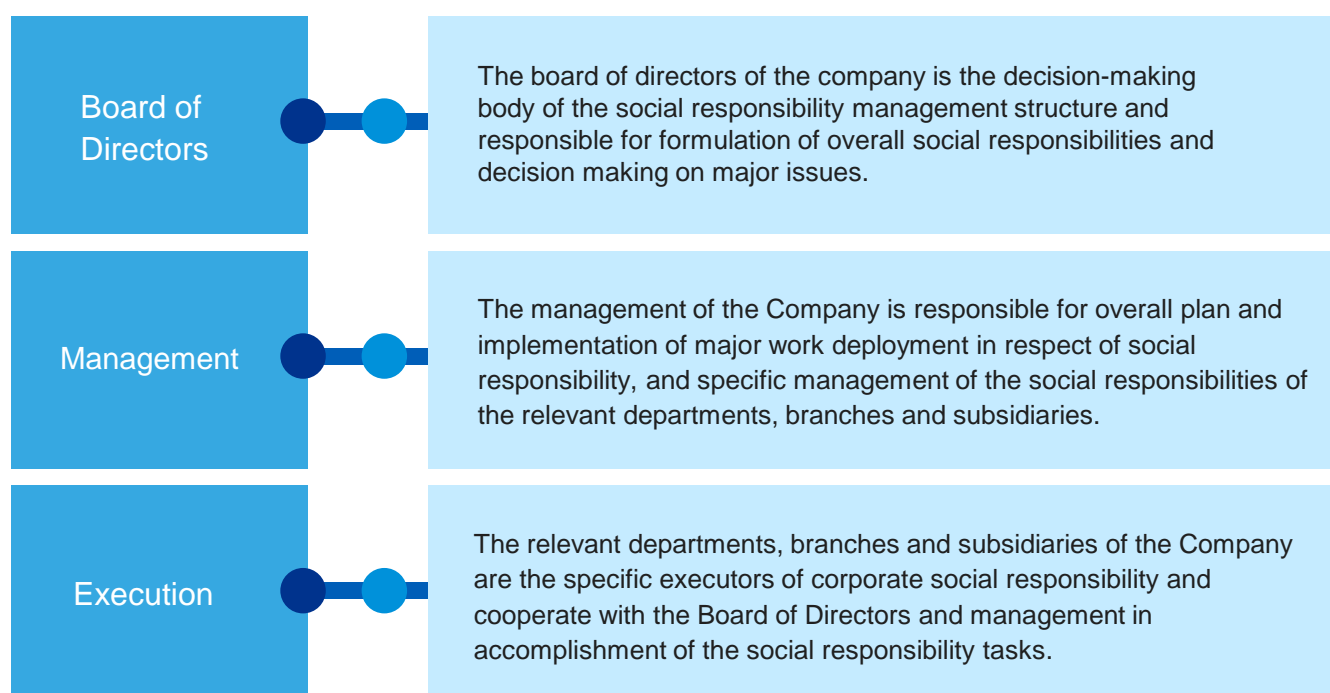
To make value contribution to the society:



It is the Company's due responsibilities to proactively undertake social responsibility, make selfless dedication, accumulate good virtues, help the poor, and be grateful and repay to the society. The Company insists on "acquiring from the society and repaying to the society", to be an excellent company with a sense of social responsibility.

The structure of Social Responsibility Management

The Company integrates the concept of social responsibility into all aspects of daily operations and has established the organization structure and system of social responsibility management, to persistently promote the close integration of social responsibility concept and business development and implements social responsibility in practices.



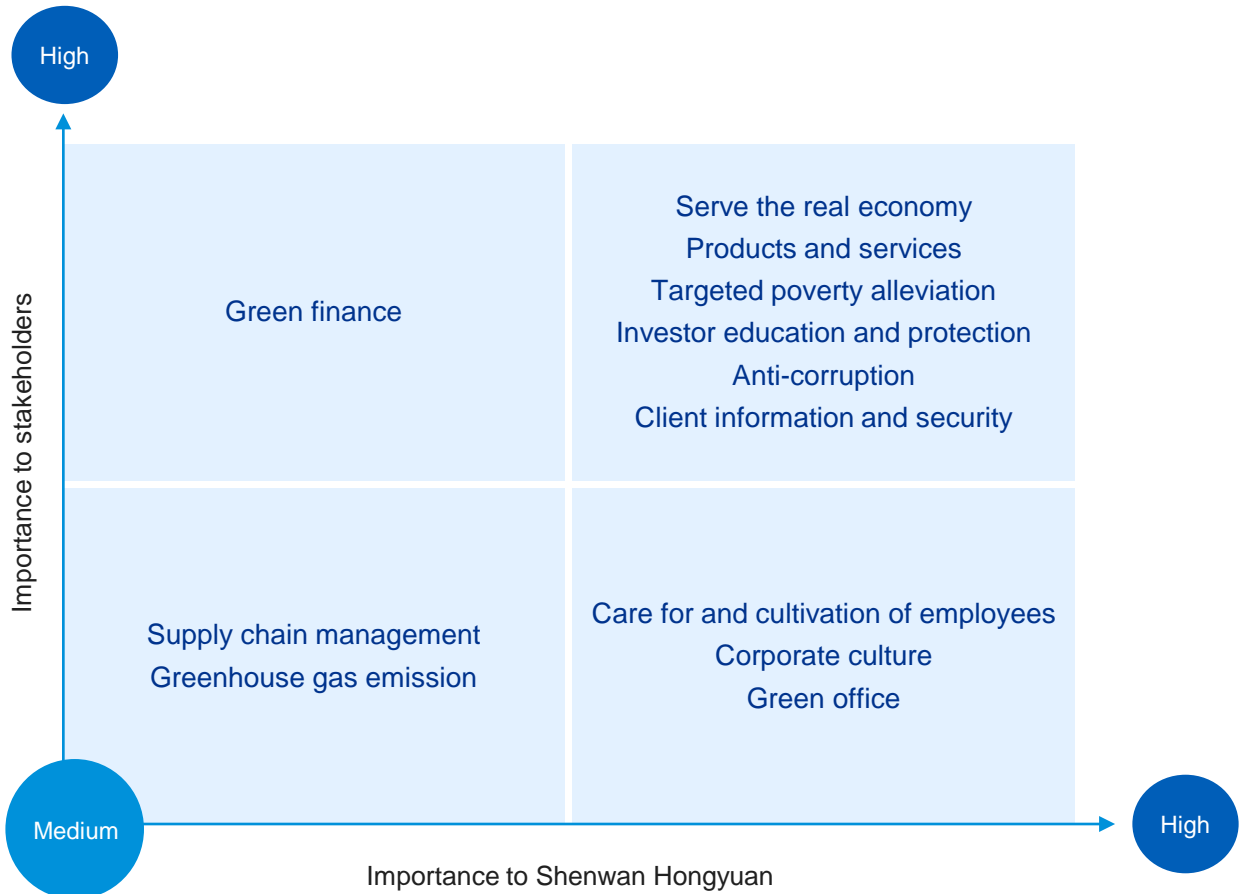
Based on the characteristics of actual business, management and operations, the Company has identified key stakeholders including shareholders and investors, government and regulatory authorities, employees, suppliers, clients, partners, communities and the public. In order to ensure timely and effective information communication between the Company and various stakeholders, the Company has established and continuously improved the communication mechanism.

In 2018, the main stakeholders identified by the Company and the main issues concerned by them are listed in the table below.

Key Stakeholders and Main Issues Concerned

No.	Main stakeholders	Main communication channels	Main issues concerned
1	Shareholders and investors	General meeting, corporate periodic reports, telephone, online platform	Profitability, operating results and strategy, transparency of information disclosure
2	Government and regulatory authorities	Major conferences, policy consultation, incident report, institution inspection, correspondence, information disclosure	Compliance in operations, corporate governance, environmental protection, anti-corruption, targeted poverty alleviation
3	Clients	Client visits, satisfaction surveys, investor education activities, risk management	Service quality, information security, privacy protection
4	Employees	Employee activities, employee training	Remuneration and welfare, growth, talents, training opportunities, working environment
5	Suppliers	Supplier inspection, communication meeting, tendering and bidding	Fair cooperation, integrity and discharge of duties
6	Partners	Strategic cooperation negotiation, exchange and interaction	Fair cooperation, integrity and discharge of duties, and common development
7	Community and the public	Public welfare activities, community interaction, corporate recruitment presentations and internship opportunities	Community relations, internship and employment, public welfare activities

In 2018, the Company identified the key aspects concerned by stakeholders through various means including telephone and questionnaire survey, and improved the work in respect of social responsibility. The Company's identification and analysis of key issues of social responsibility are presented in the matrix diagram.



03

Full Support and Serving for Economic Development and Improvement of Internal Control Management System

In 2018, the Company proactively responded to the requirements of “Serving the Real Economy, Prevention and Control of Financial Risks, and Financial Reform”, and served industrial innovation, transformation and upgrading, and solid results have been achieved.

Provision of financing services for entities to promote local economic development

According to the Company's overall development strategy, the Group Company proactively builds an investment holding company, accelerates the development of investment business and fund business, and continues to increase project development efforts, to proactively support the transformation of the real economy. In 2018, in the Group's new investment projects, the proportion of projects of the real economy including manufacturing and medical health has increased steadily; the scale of investment has grown steadily. In particular, the investment scale of the Group Company and its subsidiaries including Hongyuan Huizhi, Industrial Investment Company and Hongyuan Huifu has exceeded RMB14 billion, representing a year-on-year increase of more than 30%; Investment funds have been set up in Xinjiang, Sichuan and other provinces, and the Group Company cooperated with key industry groups, listed companies and related enterprises to set up industrial funds, industry merger and acquisition funds, and urban construction funds, to constantly expand the scale of funds and enhance investment strength. At present, the size of funds of the Group Company's headquarters exceeds RMB8 billion.

The Securities Company proactively implements the requirements on shift from virtual economy to real economy, promotes the construction of local real economy and serves the national innovation and development strategy. It was selected as one of the first ten securities firms to act as primary sponsors for the listing of innovative companies in the industry, and has obtained the qualification for dealer of OTC options and market making for SSE 50ETF options; it has successively undertaken projects of nearly ten central state-owned enterprises including Agricultural Bank of China, COFCO and China Huaneng Group and nearly 20 important local state-owned enterprises including Sichuan Development and Shandong Geo-Mineral, and more than 10

leading private enterprises including Midea Group, Hengtong Optic-Electric, and Xin Feng Ming; in 2018, it completed equity financing transactions in an aggregate amount of more than RMB10 billion and completed major asset restructuring projects in an aggregate amount of more than RMB13 billion; the fixed income underwriting amount exceeded more than RMB70 billion, representing a significant increase from the previous year, of which the enterprise bonds and corporate bonds underwriting amount was close to RMB30 billion; it completed a total of 104 recommendation and issuance projects through the National Equities Exchange and Quotations System and ranked the first in the industry in terms of the accumulated number of recommendation and issuance projects. In particular, the ABS project of Nanchang Expressway with an issuance size of RMB1,045 million as undertaken by the Securities Company was the first utilities charge right ABS in Jiangxi Province, which effectively relieved the financing pressure of Nanchang Expressway Co., Ltd.; the "Shenwan Hongyuan - CFCED First Accounts Receivable Assets-backed Special Plan" with a shelf-registered amount of RMB3 billion proactively served the large state-owned enterprises in deleveraging; in addition, it assisted Sichuan Development to complete the overseas fixed-price issuance of 3-year bonds in an amount of US\$500 million, hitting a record of the largest size and lowest coupon among provincial state-owned enterprises in the current period.

In addition, on the one hand, the Company fully promoted the business of joining underwriting syndicate for local government bonds, with the successful bid size ranking the forefront of the industry; on the other hand, it increased the investment and distribution of special bonds and supported the poverty alleviation, environmental protection and sustainable development of special bonds.

Prevention and dissolution of financial risks, proactive support of the development of private enterprises, and enhancement of construction of risk management system

In 2018, regulation continued to be strict and tight, the volatility in the stock market increased, and various types of default events in terms of credit bonds, stock-backed lending, etc. increased significantly. The Company regarded compliance risk control as the top priority of work, and under the premise of risk control, increased support for private enterprises and the real economy, further improved the construction of the Group's risk management system. In addition, it comprehensively strengthened risk prevention, control and response, reinforced the construction of internal control system. As a result, the Company maintained healthy development as a whole. The Securities Company won the Class A Grade AA rating in the 2018 class rating.

1

First, in response to the problems including financing difficulties and liquidity strain of certain private enterprises and small and medium-sized enterprises, the Company increases support of stock-backed lendings to private enterprises and small and medium-sized enterprises when the risk is under control. The funds lent are used for investments in entities' production and operation, investment in research and development innovation, and replenish working capital. The Company has provided stock-backed lending in an aggregate amount of nearly RMB30 billion to over 200 clients for development of real economy. In particular, more than 90% of fund receivers are shareholders of private listed companies, including a considerable number of small and medium-sized enterprises in the economic sectors including light industry manufacturing, communication, non-ferrous metals, medical biology, textile and garment, agriculture, forestry, animal husbandry and fishery. Since the implementation of the new regulations on stock-backed lending business in 2018, the Securities Company has strictly implemented the relevant regulations of the regulatory authorities, strengthened business cooperation with banking institutions including SPDB, Industrial Bank, and CITIC, and established special funds supervision accounts, to strictly regulate the investment of funds, prevent the funds from "idling" and ensure that funds are used to serve the real economy. In light of the gradual emergence of market risk, the Securities Company has proactively formulated the risk dissolution plan for the stock-backed lending business. In the development of the stock-backed lending business, it lays great emphasis on the investment of the fund receiver, focusing on the industries with material influence and demonstration and guidance effects on the adjustment to the industrial structure and the transformation and upgrading. 。

2

Second, to proactively implement the requirements of the CSRC on effective support for the development and growth of private enterprises in various aspects and promotion of the further improvement of the functions of the capital market, the Group and the Securities Company are cooperating with local enterprises in Sichuan, Jiangsu, Xinjiang, Fujian and other places to set up bailout funds to help promising private listed companies alleviate financing difficulties and stock-backed lending risks, and positive progress has been achieved; have set up asset management plans to support for private enterprises' development and subscribed for RMB2 billion with their own funds to support the development of the real economy.

3

Third, continuous effects were exerted to improve the construction of internal control and risk management system. The Group has further improved the risk management system, formulated liquidity management measures, and revised the rules and regulations of management measures, the working rules of the investment committee and other systems; to consolidate the risk organization construction, the risk control committee under the Board of Directors and the risk management committee under the management regularly debrief the Company's risk management work; the Group promoted risk culture construction, updated regulatory policies and case studies on a monthly basis, and organized special training on new asset management regulations; in order to strengthen integrated risk management and control within the Group, the Group has improved the risk events and important risk information reporting mechanism of subsidiaries, the Group Company and the Securities Company have jointly developed the plan on management and control of concentration on the same client, streamlined and formed the basic database of subsidiaries and related fund management and control platforms, and they timely understood the operation and management risks of the subsidiaries through regular tracking and updating of the basic database; the Group regularly prepared and distributes risk reports, and timely tracked and monitored the risks in the Company's operation management and business; of carrying out the process; modified and perfected the scale of investment business, amount of single investment, liquidity fund management, financing and fund management, subsidiary management, etc.; in addition, the Group streamlined the corporate contract management ledger and strengthens legal affairs management and control; it promoted rectification and improvement of internal control defects and organized the implementation of the revision of risk matrix and internal control manual.

The Group strengthened the construction of compliance risk control team, conscientiously implemented the risk control indicators and supervised the pilot work. Besides, it earnestly promoted the implementation of various new regulations including the internal control guidelines of investment banking, the new regulations on the Shanghai-London Stock Connect, the new rules and regulations of the securities industry, the guidelines on aggregation of asset management, the new regulations on OTC options, the opinions on the law enforcement of the bond market, and the new regulations on integrity in practice, proactively carried out supervision and communication reporting, and practically conducted coordination and rectification of risk-based surveillance to ensure the effective implementation of regulatory requirements. While performing comprehensive project management and strengthening evaluation and review of stock-backed lending and asset securitization projects, etc., the Group intensified risk monitoring and early warning in key business areas, organized self-inspection of compliance and risk screening for asset securitization, commission, stock-backed lending, investment banking and other related businesses to identify and fill leaks and strengthen risk prevention and control. The Group has organized multi-level and multi-form special trainings on compliance risk control to further enhance the awareness of compliance and control of all employees.

4

Fourth, strict audit and supervision were implemented. According to the economic situation, regulatory environment and regulatory requirements, the audit department of the Company implemented the overall requirements on financial supervision in the internal audit and followed the basic risk-oriented principles in stressing on the key points, difficulties and hotspots of regulation and prevention and control of corporate risks. The audit department strictly conducted all audits and ensured performance of all due audits in a strict manner to proactively promote safeguarding development, preventing risks, and improving internal control. The Group Company carried out 9 performance audits, economic responsibility audits and special audit projects throughout the year. The audit department of the Securities Company completed regular audit for 9 business headquarters, 10 regional branches, 88 securities branches and 3 subsidiaries. The audit department of the company has established a sound rectification mechanism for identified problems or hidden risks, and clarified that the relevant units shall conduct rectification within a time limit.

04

Adherence to priority to the interests of shareholders to effectively protect the legitimate rights and interests of shareholders

The Company adheres to priority to the interests of shareholders to effectively protect the legitimate rights and interests of shareholders, in particular minority shareholders. The Company discharges its responsibilities to shareholders through continuous improvement of corporate governance structure, strengthening internal control system construction, strict discharge of information disclosure obligations, and strengthening investor relations management.

Safeguarding the equal rights of all shareholders in accordance with the law

The Company convenes general meetings of shareholders in the form of on-site meetings and provided online voting services to facilitate shareholders' participation in the general meeting of shareholders, provides true and accurate answers to the shareholders' questions and suggestions, and engages law firms issue legal opinions to ensure the standardization of the general meetings and safeguard the equal rights of all shareholders.

In 2018, the Company held a total of 3 general meetings of shareholders to consider 23 proposals including regular proposals regarding annual report,

final account report, work report of the Board of Directors, work report of the Board of Supervisors, profit distribution plan, authorization to the Board of Directors at the general meetings, re-engagement of auditors, etc. and proposals on material matters including issuance of corporate bonds and application for issuance and listing of H shares, allowing the full reflection of the will of shareholders in the Company's major decisions on operation management.

Establishment of a scientific, sustained and stable return mechanism

The Company pays full attention to the return to shareholders, clarifies the profit distribution policy in the Company's Articles of Association in accordance with the relevant laws and regulations and administrative regulations including the Company Law, and has formulated the Shareholders' Return Plan for the Coming Three Years of the Company (2018-2020). It is committed to establishing a scientific, sustained and stable shareholder return mechanism to effectively protect the legitimate rights

and interests of shareholders (in particular minority shareholders).

In the past three years (including the reporting period), the Company has distributed cash dividends in an aggregate amount of RMB4,259 million based on the actual operations, which is in line with relevant laws and regulations and the Articles of Association of the Company.

Discharge of information disclosure obligations in accordance with regulations

The Company publishes its periodic reports and discloses its major events in accordance with the regulations. In 2018, the Company earnestly prepared four periodic reports and disclosed 84 announcements on major matters including resolutions of the general meetings of the Company, resolutions of the Board of Directors, periodic reports, non-public offerings, and monthly financial data of securities subsidiaries. All announcements were true, accurate, complete, fair and timely, without any errors or delays, and closely follow the market and media reports to ensure investors' right to know and the Company's stable operation. The

Company was awarded the "A" rating in the 2018 assessment of annual information disclosure by companies listed on the Main Board of the Shenzhen Stock Exchange. The Company was awarded consecutively for 4 times the "A" rating since the listing of the Company in 2015.

Strengthening investor communication and optimizing shareholder service

The Company attaches great importance to investor relations management and has established effective interaction with the capital market through active, interactive, professional and efficient investor communication to enhance the transparency of the Company and safeguard investors' right to know. The Company proactively plans and organizes various investor relations management activities, earnestly accepts surveys by analysts and buyers' institutions, and promptly replies to the questions from investors on the interactive platform of the Shenzhen Stock Exchange. In addition, it patiently

responds to the daily inquiries from investors and proactively participates in the online collective reception day for investors organized by Xinjiang Securities Regulatory Bureau to listen to and collect opinions and suggestions from shareholders on the Company's operation management and future development. The communication with all shareholders is strengthened through various forms, to promote the formation of relatively stable market expectations and build a company image that is respected by investors and favored by the capital market.

05

Client-centered, provision of diversified services to clients

The Company always takes clients' needs into consideration, and provides clients with three-dimensional, professional and personalized comprehensive financial services through a number of ways including investment platform construction, financial product innovation, service experience optimization, and investor education to enhance customer satisfaction.

Elaborate development of investment advisory business

Investment Advisory Team



In respect of investment advisory team, as at the end of 2018, the Company has over 1,800 qualified investment advisors, ranking the forefront of the industry; has established a high-end client service manager team and improved the working mechanism to collaborate with the research institute to serve high-end clients; the “Shenwan Hongyuan Wealth Management Summit” was organized twice a year; clients were organized to participate in the “Zero Distance from Listed Company” Shenwan Hongyuan high-end client research activity, high-end client salon activity, high-end clients to participate in the new wealth star chief group meeting, listed company presentation and other activities.

Training on Investment Advisors



In respect of training on investment advisors, corresponding centralized service training is organized for investment advisors by levels, including training course on asset allocation for investment advisors, training course for investment advisor elites (standardized product investment advisors), and training courses for high-end customer service managers.

Construction of Investment Advisory Team



In terms of construction of investment advisory system, Shenwan Hongyuan Butler CRM platform designs and optimizes marketing and service personnel management, client service, service records, statistics and assessment of results, and other functions. Meanwhile, to promote long-term development of investment advisory business, the Company has formulated the Guidelines on Development of Investment Advisory Business for 2018-2020 which sets out the three-year plan on construction of investment advisory team, investment advisory services, customer service standards for investment advisory business, assessment of investment advisors, etc.

Proactive engagement in investor education and protection

In 2018, the Company proactively responded to the new situation and new requirements of investor education and highlighted the pertinence and practicability of investor education. The investor education and service were provided through consolidating the investor education base, carrying out theme activities, organizing training at the school for investors, community service and report meetings, publishing self-media information, sending text messages, and visiting listed companies, etc.

The Company launched the "3.15" protection of investors' rights and interests, "Rational Investment Starts From Me" investor protection, publicity on "Deep Engagement in Investor Education, Service Foremost", warning publicity on prevention of illegal financial activities, publicity month on prevention of illegal fund-raising and other large special investor education activities. The Company continued to enrich the "Xiao Zhu Ge Dian Jin" investor education brand and launched a variety of investor education publicity works for securities business.

The Company proactively participated in the "Investment Knowledge Spreading Pioneers" assessment of the Shanghai Stock Exchange and obtained three "Top 100" titles, organized the shooting of two micro-videos on investor education and 17 on-site activities of visiting listed company for medium and small investors, two activities of online collective reception day, and completed 51 questionnaire surveys for investor protection funds and investors of stock exchange.

The Company practically conducted organization and management of the provincial-level entity investor education bases, the creation and updating of exhibit materials, and the organization of base activities, and widely publicized and promoted the entity investor education base through the Internet investor education base, the Company's website and nationwide branches to increase the number of public who accept investor education and services and the influence. In the investor education base assessment held in Xinjiang Uygur Autonomous Region in 2018, the Company's entity investor education base was awarded the provincial-level excellent assessment rating.

In 2018, the Company organized 31 speaking tours on "Simple Finance, Fulfillment of Dreams" for investors throughout the PRC covering 26 cities including Shanghai, Beijing, Tianjin, Shenzhen, Xi'an and Changsha, and served a total of more than 8,000 clients.

Speaking Tour on Approaching Investors

Tianjin



Speaking Tour on Approaching Investors

Huangshi



In addition, the Company continued to optimize and improve the investor suitability management related systems and procedures, and continuously enhanced the client experience while strictly implementing the requirements on investor suitability management. At the same time, according to the needs of business development, the Company developed or amended the investor suitability management systems for innovative enterprises' shares or depositary receipts, Shanghai-London Stock Connect, and bond-pledged repurchase.

Proactive development of products and services

The Company has always adhered to the "Client-Centered" business philosophy, strengthened business collaboration on the basis of building a client classification and grading system, and built client-centered organizational structure system and product system through comprehensively streamlining financial products and businesses.



The Company has restructured the product system to fully cover the self-developed financial products and financial products developed by third parties. The types include asset management schemes, structured notes, mutual funds, private equity funds, wealth management products of commercial banks and other financial products, which completely satisfy investors' diversified investment needs;



The Company seeks to upgrade product quality and proactively adapts to the changes in the market and regulatory situation, striving to overcome the adverse effects of the external environment. It enhances active management capability and the introduction selection of agency sales, expands business channels and improves investment standards, to strictly control product quality and go all out to meet the wealth preservation and appreciation needs of investors;



The Company comprehensively implements the investor suitability in strict accordance with the Management Measures for the Suitability of Securities and Futures Investors and the Management Measures for Investor Suitability, and strictly manages suitability requirements in the entire business chain including introduction / creation of audit, branch training, product promotion, fundraising, duration management, etc. to protect investors' right to know, ensure risk adaptation, and effectively protect investors.



The Company has set up three customer service centers in Shanghai, Urumqi and Chengdu, which is the first customer service center system in the securities industry that realizes unified access to all media and multi-center interaction. The customer service centers support access to all media including telephone, video, text and pictures, and multiple channel services including WeChat, website, APP and telephone, and provide investors with standardized services including comprehensive securities business consulting, online account opening and business processing, investment consulting and return visits to clients. The Company has established an intelligent customer service system to provide clients with 7*24 online consulting services. In order to further improve the service quality and enhance customer experience, the Company's customer service centers have carried out a series of work in terms of enriching service content and improvement of service efficiency, and added 7 off-site business functions including update of ID card information, which reduces the cost of clients in handling businesses. At the same time, the right of return visit to clients has been taken back and is subject to unified implementation, which improves the efficiency and quality of the return visit.

Guaranteeing client information security

The Company has intensified technical means for the system of customer service centers, and implements corresponding shielding measures for important information including client's telephone number and ID number to ensure the security of client information. The Company has always been client-centered and understands and accepts client's appeals through customer service centers 95523, branches' customer service hotline, the Company's website, email and other channels, to wholeheartedly solve problems for clients, continue to safeguard investors' rights and practically defend the Company's reputation. The Company attaches great importance to complaints in the form of petition

letter, and continuously strengthens the management of complaint handling through complaint case training, research and other methods, to improve the efficiency of complaint handling, standardize the complaint handling process, and greatly promote the standardized operation of branches.

In 2018, the complaint handling work was identified and commended by the regulatory authorities: the award of outstanding complaint handling case issued by the Shenzhen Stock Exchange; the Shanghai Securities Regulatory Bureau forwarded client's letter of thanks.

Protection of intellectual property rights

The Company complies with relevant intellectual property laws and regulations including the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China. These laws and regulations prohibit the infringement of the trademark registrant's exclusive right to use the registered trademark or infringement of the copyright of copyright owner, which has a significant impact on the Company's protection of intellectual property rights.

As at the end of 2018, the Company had registered 70 software copyrights (including 5 unpublished), 124 trademarks, and 121 domain names. The Company has effectively protected its trademarks and copyrights. When the Company's rights and interests are infringed, the Company's legal department and other departments will effectively protect its legitimate rights and interests in accordance with national and local laws and regulations.

Continuous innovation of financial services

The Company proactively responds to the Internet transformation of securities companies and the wave of financial technology, continuously expands the R&D operation team to proactively explore the application of artificial intelligence, big data and other financial technologies in the industry. It is committed to building a comprehensive and intelligent mobile Internet financial service platform to provide users with safe, convenient, comprehensive and timely wealth management services.



First, with the focus on mobile APP, the Company promotes the construction of “Two Terminals and Official WeChat Account”.

The Company focused on promoting the optimization and improvement of mobile APP functions and has initially constructed the Big Winner APP operation system, which is customer-centered, and launched the all-in-one Big Winner APP which integrates and supports the original APP transaction functions of Shenwan and Hongyuan. Meanwhile, the Company constantly improved the product features of the Big Winner APP, with the stress laid on improvement of functions in terms of market information, account opening and trading, intelligent services, and operational support functions. The Company also improved the construction of the functions of official WeChat account, endeavoring to improve the operational capability of official WeChat account, and completed the upgrade and transformation of the official WeChat account system platform; in addition it gave full play to the media attributes of the official WeChat account as a social platform, and strengthened the marketing function of official WeChat channel and the message push and personalized service ability to enhance content service capabilities.



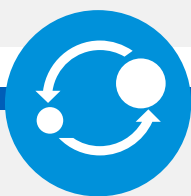
Second, the Company carries out omni-channel and refined online operations to create featured core services.

The development focuses on creating omni-channel content services + marketing activities. The Company uses the Big Winner APP push system, official WeChat text and subscription services, PC clients and website advertising and other self-media channels, to carry out distribution of various information messages, online marketing services, etc. to clients by means of self-produced graphics and text, self-production by the research institute, information outsourcing, etc.; it goes all out to build the featured audio and video columns of the Big Winner APP and displays the institutionalized service content of the Company's research institute to retail clients through the audio and video live on-demand system of the "Big Winner Live".



Third, the Company promotes the construction of its online comprehensive acceptance platform.

The Company implements the online and offline two-wheel drive strategy, adopts an innovative project construction mode, and enhances self-control and project quality, with a view to promoting the construction of the service system for unified access to all channels, unified operation of business processes, unified storage of information and data, unified submission and processing of pre-acceptance information, remote whole process-accompany and unified management of business departments.



Fourth, the Company promotes the optimization of self-service account opening process and marketing support.

The Company promotes self-service account opening and has launched the SDK embedded mobile phone APP. It has optimized and standardized the process of opening fund account, added the subscription of cash deposit management product in the account opening process, etc. In particular, with the launch and optimization of deposit products, the opening rate of the new account opening client increased from 50% to 85%.



Fifth, the integration of the Company's counter centralized platform (Beijing) Stock Option System and Jinzheng WIN Stock Option (Shanghai) System was completed.

The Company has optimized the workflow of the options business and consolidated and perfected the option information system, laying a technical foundation for the steady expansion of the options business.

06

Broadening the Career Development Space of Employees

The Company always regards human resources as the first resource for the Company's development, proactively expands the career development space of employees, and creates good working conditions and atmosphere for employees.

Protecting employees' rights and interests according to law

The Company strictly follows the national labor laws, regulations and policies to ensure that employment is in compliance with relevant regulations and legal, and proceeds with the signing, change, termination and cancellation procedures for labor contracts in accordance with law, striving to build a harmonious labor relationship and safeguard the legitimate rights and interests of employees.

Strengthening the construction of a talent team

The Company accelerates the reform of the talent team construction, and strives to cultivate and reserve a talent team with strong belief, good moral character, solid knowledge and strong skills with the support of the Company's strategic transformation as the center and the construction of a talent echelon in stages, levels and series. It has successively formulated and issued human resources management system, salary management system, attendance and holiday management measures, recruitment and transfer management measures, training management measures, labor contract management measures, and the scheme on cultivation and implementation of six types of cadres and talents that are urgently needed at the current stage of the Company to enhance the cultivation and use of current cadres, reserved managers of sales department, wealth management professionals, comprehensive business talents, international talents, and Party and mass talents.

At present, the Company's cadre team is constantly optimized. In particular, in terms of age group, professional collocation and experience complementation, etc., the overall strategy implementation capability is improved; the Company's assessment and incentive mechanism is

gradually optimized and has always been performance-oriented and market-oriented. Through salary and benefit matching, the "Readiness for both Promotion and Demotion" incentive and restraint mechanism has been perfected; the Company continues to increase talent development efforts and vigorously promotes the model of "Learning in Work, Work in Learning". Through establishment of mechanisms, construction of platforms, reform of systems, and change of models, the Company selects young talents as key training targets and provides career development opportunities for the young talent team; with the orderly progress of talent replenishment, the Company has prepared unified campus recruitment plans and standards on social recruitment. Currently, the Company has initially formed talent team construction system and mechanism that meet market requirements and its own development needs. The total number of talents is increasing and the talent structure is gradually becoming reasonable.

As at December 31, 2018, the Company had 9,764 full-time employees, of which: Shenwan Hongyuan Group Company had 102 employees, Shenwan Hongyuan Securities Co., Ltd. had 9,179 employees, and other subsidiaries had 483 employees, as shown in the following table and diagram:

Table of Employees Distribution of Shenwan Hongyuan in 2018 (by age and gender)

Total number of employees				9,764	
age				gender	
Of which: Number of employees aged 30 and below	Number of employees aged 31-40	Number of employees aged 41-50	Number of employees aged 51 and over	Of which: number of male employees	Number of female employees
2,950	3,548	2,569	697	5,268	4,496

**Diagram of Employees Composition of Shenwan Hongyuan in 2018
(by business type and geographic region)**

Business type	Number of employees	Proportion	Region	Number of employees	Proportion
Enterprise finance	656	6.7%	Shanghai	3,294	33.7%
Personal finance	5,778	59.2%	Xinjiang	984	10.1%
Institutional services and trading	559	5.7%	Beijing	1,181	12.1%
Investment management	347	3.6%	Other regions of mainland China	3,955	40.5%
Financial Accounting	261	2.7%	Hong Kong and other overseas regions	350	3.6%
Information Technology	712	7.3%	-	-	-
Legal Compliance and Risk Management	501	5.1%	-	-	-
Administration	438	4.5%	-	-	-
Liquidation	180	1.8%	-	-	-
Other	332	3.4%	-	-	-
Total	9,764	100%	Total	9,764	100%

Vigorously conducting training

The training is implemented throughout the Company to improve the quality of training, create a long-term training system to more effectively meet the dynamic needs of the Company's development for employee quality and skills, and promote the sustainable development of the workforce. The Group Company conducts multi-level and targeted training and cultivation of key business segments to enhance the professionalism of employees and support the development of the principal businesses. The training mainly focuses on company-level business, including private equity investment, asset-securitization, information disclosure, new asset management regulations, individual tax reform, macro-economy and other related contents. Moreover, the Company also provides training on strengthening Party's rules and discipline, business etiquette training and quality development training. At the same time, in order to strengthen the pertinence and effectiveness of training, all units independently carry out internal and external training in combination with their own business characteristics; offer employee qualification training and online study courses.

In view of the characteristics of multiple sites, wide

range and long periods, in order to enhance the penetration and coverage of training, the training of the Securities Company is mainly online training, in particular mobile terminal training, on macro-economy, industry development trends, the Company's products introduction, compliance and risk control, business policies and processes, asset allocation, business case and other aspects; in order to improve the business skills of front-line employees, it has held various regular on-site training courses including investment advisory training, institutional business training, asset business training, investment banking training, etc. The follow-up education and training of various qualifications have been fully completed in strict accordance with the requirements of the Securities Association of China.

In 2018, the average training time of senior management of the Company was about 40 hours. The average training time of middle and grassroots employees was about 36 hours. In terms of training times, senior management accounted for 1.84%, and middle and grassroots employees accounted for 98.16%.

The Company held the "financial technology" business training activity



Wenzhou Branch held the training on Southbound Trading business



Strengthening the construction of corporate culture

The Company has strengthened the construction of corporate culture to enhance the cultural consensus of all cadres and employees, and carried out the second “Rong (融)” cultural year activity for employees. The Company’s cohesive force has been enhanced through organization of badminton competition, participation in the sports meeting of China Investment Corporation, the establishment of yoga and calligraphy and other interest activity groups, the training on micro-landscape production and other colorful cultural and sports activities, to jointly promote the Company’s development.

The Company always pays attention to benefits and welfare guarantee for employees, proactively does

good things and solves difficult problems for employees, and organizes health checkups for all employees every year; it has established “Shenwan Hongyuan Mutual Aid Fund for Serious Diseases for Workers” to provide supplementary protection for employees suffering from serious illnesses; the Company opens Loving Mommy Hut, Medical Hut, infirmary, etc.; the Company provides support for employees or immediate family members suffering from serious illnesses, family accidents, etc.; the company also carefully organizes visits on traditional festivals, provides key support for those in need, prepares birthday wishes for employees, holds blind dates for single employees, etc., to make all employees truly feel the warmth of home.



07

Provocative Discharge of Social Obligations to Contribute Value to the Society

As a state-controlled listed enterprise, the Company proactively upholds the concept of contributing value to the society and strives to create good social benefits and develops and progresses together with the society.

Honest tax payment according to law

Tax payment according to law is the basic requirement for enterprises to fulfill their social responsibilities and repay to the society. The Company has always declared the tax amount truthfully and paid taxes in a timely manner. In 2018, the Company paid various taxes in an amount of more than RMB2 billion.

Awareness Month on Preventing Illegal Securities Activities


The Company puts a new premium on publicity of cracking down on illegal securities activities, and proactively fulfills its social responsibilities, to promote regular, systematic and standard education on cracking down on illegal securities activities. Through the formulation of the activity plan, the Company clarifies the work objectives and way of activities, and practically implements the activity of cracking down on illegal securities activities. The publicity on knowledge of cracking down on illegal securities activities and typical cases has been conducted with the focus on online “illegal recommendation of shares”, online “illegal fund-raising” and other new illegal securities investment advisory activities as risk warnings. Moreover, the Company proactively implemented the work arrangements for cracking down on illegal securities activities by securities regulatory authorities and

self-regulatory organizations and organized 4 special publicity activities on cracking down on illegal securities activities, i.e. “Rational Investment Starts From Me” investor education and cracking down on illegal securities activities, cracking down on illegal fund-raising activities, warning publicity on prevention of illegal financial activities, and publicity month of cracking down on illegal securities activities. The page view of the investor education base’s website, micro-blog, WeChat official account, and the column of cracking down on illegal securities activities on APP of the Company exceeded 100,000 person times. The Company sent 222,700 SMS messages, distributed 68,000 copies of promotional materials, and held 1,400 seminars, and nearly 30,000 investors attended the on-site activities.



Practical reinforcement of anti-money laundering work

The Company has further improved the money laundering risk management system and earnestly implemented the anti-money laundering measures in strict accordance with the anti-money laundering laws and regulations and relevant regulatory requirements.



Steadily advancement of the key works for the year. According to the work requirements of the People's Bank of China, the Company made arrangements for the key works in 2018, and required all departments to effectively organize anti-money laundering work in terms of full implementation of key systems and carrying out anti-money laundering classification and rating; in order to implement the requirements on identification of beneficiary owners, the Company has issued more than 10 notices including the Notice on Strengthening the Identification of Anti-Money Laundering Clients to further strengthen anti-money laundering requirements and operational procedures; in order to implement the requirements under the Guidelines on Management of Money Laundering and Terrorist Financing Risks of Corporate Financial Institutions, the Company studied and formulated an implementation plan, and implemented thereof.

Continuous improvement of client account information. For individual clients, the Company promoted the improvement of the "ten unregulated" account in a timely manner; for the information on institution accounts, the Company improved the license, beneficial owner, etc.; further checked leakages and filled gaps, and improved the basic management of accounts.

Effective report on suspicious transactions. While improving suspicious transaction monitoring standards, the Company intensified manual screening of suspicious transactions; and strengthened the review and supervision of suspicious transactions by branches.

Improvement of the anti-money laundering system. The Company accelerated the integration progress of the anti-money laundering system; unified clients' money laundering risk level; and extended the anti-money laundering system to the satellite business units.

Proactively carrying out anti-money laundering publicity activities. According to the requirements of the People's Bank of China Shanghai Branch, the Company, based on its actual conditions, carried out the publicity month activity themed by "Strengthening 'Three Preventions' to Prevent Anti-money Laundering Risks" for all its outlets. During the activity, the Company issued a large number of promotional materials and send promotional SMS and WeChat messages to key clients.

Proactively holding anti-money laundering training activities and knowledge tests. The Company and its branches have also proactively cooperated with the People's Bank of China in on-site inspection and off-site supervision.

Strict prevention of commercial bribery and reinforcement of anti-corruption and integrity construction

The Company has vigorously strengthened the construction of anti-corruption mechanism, to strictly prevent commercial bribery, adopted strict disciplines over tendering to standardize the tendering process, and carried out supervision throughout the process to ensure open, fair and just centralized procurement. It improved the level of financial standards and beef up the implementation of supervision, to prevent risks and eliminate violations.

Solid advancement of the construction of a long-term mechanism for maintaining safety and stability to ensure the healthy development of the Company

The Company strictly supervises and urges the implementation of the Company's responsibility system for maintaining safety and stability, and has identified the responsible persons of all units as the first responsible persons for maintaining safety and stability of the units. It has established a major emergency reporting system, prepared emergency handling plans, and improved the public opinion monitoring mechanism. Meanwhile, the Company has strengthened daily safety management and taken appropriate emergency preparedness and preventive measures. In 2018, with the joint efforts of all parties, the Company's safety and stability maintenance work was conducted normally, thus maintaining the Company's stable and orderly situation.

Enhancement of supply chain supervision to ensure procurement quality

The Company has formally promulgated and implemented the new procurement management measures since January 2017, pursuant to which the procurement management is subject to the model in combination of unified leadership, centralized management, centralized procurement and decentralized procurement, and established a relatively sound procurement system which has obvious effects in respect of saving costs. In procurement management, the Company, upholding the spirit of fairness, impartiality and openness in cooperation, regulates its supply chain management and strengthens supply chain supervision, to ensure procurement quality, improve efficiency and reduce costs, thus safeguarding the Company's interests and controlling supply chain risks.

1

Supplier management

In accordance with the provisions of the procurement management measures, the Company has reinforced the management of project and procurement activities and standardized the implementation process of project establishment, development, construction and procurement activities, to control and prevent risks in project development, implementation and procurement activities. It maintains good communication and cooperation with suppliers and regularly evaluates suppliers' products, quotations, services and performance to ensure the quality of projects and purchased products or services while minimizing costs. The Company also regularly evaluates suppliers and has established a rating and evaluation mechanism for suppliers. Evaluation is divided into three types: (1) the suppliers who are awarded contract of projects and meet procurement requirements in performance are classified as Class A; (2) the suppliers in the supplier base who are not awarded contract of projects are classified as Class B; (3) the suppliers whose financial strength is insufficient and have poor credit and bad social influence, or suppliers who fail to meet procurement requirements in performance are classified as Class C and will be removed from the supplier base. The centralized procurement management office reports the major changes in the supplier base to the procurement management committee every half year.

2

Strict regulation of the procurement process

The Company's procurement management committee is the highest decision-making body for the Company's procurement management, and the Company's centralized procurement management office discharges the duties of the procurement management committee. The Company has updated its internal systems including the Procurement Management Measures, the Rules of Procedure of the Procurement Management Committee, and the Rules of Procedure of the Procurement Project Review Panel. The Company organizes the establishment of a review expert database composed of internal experts in finance, technology, auditing and business recommended by the relevant departments of the Company.

3

Green procurement

In the process of transformation and improvement of the office environment, the Company practices the concept of green procurement. Specific environmental requirements are imposed on the purchased products and the construction environment. In the construction management, the construction procedures producing odors were arranged on weekends and holidays, to minimize the impact on the office environment; for the newly decorated and renovated floors, air quality inspection certificates were obtained before being put into use. In the selection of furniture, the Company selected qualified products that meet the national environmental protection standards. In particular, for the main materials including plates and cloths, the Company has set high standards on selection of environmentally friendly furniture in the industry. In the selection of materials, only qualified materials in line with national environmental standards would be selected, and it was required to provide environmental monitoring related reports and implement strict management over the entry verification and acceptance monitoring procedures.

4

Raising requirements on relevant qualifications for suppliers or contractors

In the project collection process, the Company raised requirements on the relevant qualifications for suppliers or contractors. For example, the bidding unit must provide certification documents including ISO9000 and ISO14000, enterprise related credit certificates, balance sheets and evidentiary materials for results for the past three years. The qualification verification and assessment of supply capacity and market position of suppliers and contractors can effectively reduce the adverse impact of potential environmental and social management risks on the Company. The Company has clarified the supplier selection standards, implemented strict check for supplier selection, strengthened the dynamic evaluation of the supplier base in combination with suppliers' performance, and established the access and exit mechanism of the supplier base.

08

All-Round Assistance For Targeted Poverty Alleviation

The Company's survival and development depend on national policies, market environment and support from all walks of life. The Company always keeps its mission in mind, strengthens its responsibility, and proactively plays the citizen role as a state-owned enterprise and discharges its social responsibilities. The Company has practically utilized the advantages of systematic and multi-channel financial services to help the fixed-point assistance for "six counties, one district and one village", i.e. Huining County, Gansu Province, Maigaiti County and Jimunai County, Xinjiang, Baiyu County and Jinyang County, Sichuan Province, Xi County, Shanxi Province, Qianjiang District, Chongqing, and Gaobei Village, Shibong County, Guizhou Province. In addition, the Company's mass organizations at all levels proactively carry out various volunteer activities. In 2018, the Company provided fixed-point assistance at multiple levels in an all-round manner. Throughout the year, the Company accumulatively invested more than RMB44 million of assistance funds in the "six counties, one district and one village".

In particular, Huining County, as the Company's key poverty alleviation target, is a typical area lack of water resources in western China and one of the key counties for poverty relief and development in the PRC. It has harsh natural conditions and has drought nine years out of ten. The ecological environment is difficult to improve. The local poverty is widely spread and serious, resulting in larger difficulty in poverty alleviation and development. The Company has earnestly conducted poverty alleviation in Huining County through industrial development, education, Party building, education and consumption. In 2018, it invested more than RMB36 million of poverty alleviation funds in Huining County. As of the end of 2018, with the joint efforts of Huining County Government and assistance units, the poverty incidence of Huining County had dropped from 31.44% in 2013 to 7.5% in 2018. In the five years from 2014 to 2018, the accumulated number of people who have gotten out of poverty has exceeded more than 130,000, and significant results have been achieved in getting rid of poverty and tackling difficulties.

The Company's poverty alleviation work in 2018 mainly includes:

Full implementation of organization

On the basis of the Company's poverty alleviation work leading group and working group, in order to further proceed with poverty alleviation, in the first half of 2018, the Company set up a special poverty alleviation office, clarified relevant job responsibilities, and allocated competent poverty alleviation staff, to be responsible for specifically implementing poverty alleviation under the leadership of poverty alleviation working group.

Proactive engagement in Party building and support of collective economic development of villages

While implementing the work requirements and innovating poverty alleviation methods, the Company proactively explored the "Party building + poverty alleviation" model. It signed the Special Plan of Shenwan Hongyuan on Poverty Alleviation through Industrial Development for Huining, Gansu with Huining County, pursuant to which the Company shall invest RMB30 million in

supplementary payment of Party membership dues which, together with local supporting funds, will be invested in the administrative villages of Huining County to support the development of village-level collective economy and key industries and leading enterprises in Huining County, to help Huining County achieve the rigid target of collective income of no less than RMB20,000 for each village by 2020.



The Company signed a special plan on poverty alleviation with Huining County

In September 2018

Comprehensive focus on poverty alleviation through industrial development

In Huining County, Gansu Province, the Company regarded the up-to-standard industrial development of poor households as the key to targeted poverty alleviation, and invested the second installment of RMB2 million in the “Development Fund for the Targeted Cooperation Project of Beef Cattle Industry in Huining” to support local farmers to introduce basic improved cows. So far, the local 554 households and 2,216 people have been lifted out of poverty; combined with the weak foundation of Huining industry, lack of village-level resources and leading enterprises, and weak industrial driving effect, the company vigorously promotes industrial poverty alleviation and financial precision poverty alleviation, and dispatched the business team to Huining County for in-depth research for 6 times, and closely integrated the company's resource advantages with the local advantages of Huining County. In accordance with the work philosophy of “one company, one policy”, the Company proactively created leading enterprises with demonstration effects in Huining County, helped the formation and improvement of the industrial chain in

Huining County, and promoted the connection between leading enterprises and the capital market, to effectively promote the healthy and sustainable development of the local economy. In Gaobei Village, Shibing County, Guizhou Province, in July 2018, the Company invested RMB630,000 in expansion of the tea base in Gaobei Village, Shibing County, Guizhou Province, bringing long-term economic benefits to Gaobei Village and stable income to the villagers who can obtain steady income through participation in weeding, pruning, picking, tea processing, etc. or get land rental income by lease of the mountainous regions to cooperatives, which has a relatively strong long-term driving effects on poverty alleviation and achievement of prosperity; in Xixian County, Shanxi, the Company invested RMB750,000 in support of the poverty alleviation power station construction project in Zhaojia Village, Huangtu Town; in Jimunai County, Xinjiang, Hongyuan Futures, a subsidiary of the Company, invested RMB460,000 in support of poor households to build new camel breeding feedlot.



The Company assisted the expansion of the tea base in Gaobei Village, Shibing County, Guizhou Province

Continuous poverty alleviation through education

The poverty county has relatively low financial income and limited funds invested in education construction. In order to provide conditions to local children for receiving education, the Company continue to increase investment in supporting teaching equipment and education funding in poverty county. In June 2018, the Company donated RMB2 million to support the playground construction of Ningsiyuan Experimental School, and donated RMB24,000 in the form of 705 books to Huining County Experimental High School. In August 2018, the Company launched all employees to donate love by the "big hand holding small hand" paired assistance activity to the students from 225 poor families in Huining County who received donations of RMB300,000; in November 2018, the Company invested RMB2,821,900 of poverty alleviation funds

in Maigaiti County, Xinjiang to help local preschool education, introduce professional training institutions, and construct and improve the teaching quality testing system projects, etc.; in 2018, the Company invested RMB280,000 of poverty alleviation funds in Baiyu County, Sichuan Province to purchase winter uniforms, and donated RMB200,000 in organizing 16 "Best Rural Teachers" in Baiyu County, Sichuan Province to go to Shanghai for education and training; in 2018, the Company invested RMB372,000 of poverty alleviation funds in Jinyang County, Sichuan Province to purchase teaching equipment and build hardened roads; in November 2018, Shenyin Wanguo Futures, a subsidiary of the Company, invested RMB249,200 of poverty alleviation funds in Maigaiti County, Xinjiang to support the construction of a library.

Accurate implementation of poverty alleviation through consumption

In 2018, the Company's labor union and canteens purchased linseed oil, minor coarse cereals and other agricultural and sideline products in an aggregate amount of RMB1.06 million from Huining County and purchased agricultural products in an aggregate amount of RMB973,000 from Gaobei Village, Shibing County, Guizhou Province, effectively solving the worries of local farmers to develop characteristic agriculture; Shenyin Wanguo Futures, a subsidiary of the Company,

accumulatively purchased characteristic agricultural products in an aggregate amount of RMB305,200 from Maigaiti County, Xinjiang; Hongyuan Futures, a subsidiary of the Company, accumulatively purchased characteristic agricultural products in an aggregate amount of RMB288,000 from Jimunai County, Xinjiang; the headquarters of the Group Company purchased agricultural products in an aggregate amount of over RMB100,000 from Xinjiang and Huining.



In order to further increase efforts for poverty alleviation through consumption and achieve consumption upgrade of the system of China Investment Corporation, with the support of China Investment Corporation and its direct subsidiaries, the e-commerce platform for poverty alleviation of China Investment Corporation as constructed by the Company was officially launched on Jingdong Mall in the end of November 2018, so that the characteristic agricultural products of Huining County and Jingning County, Qinghai Province, Xunhua County, Qinghai Province and Shibing County, Guizhou Province can fully access to the sales and logistics channels of Jingdong Mall covering the whole country, broadening the sales channels of agricultural products in poverty-stricken areas, to help local farmers increase their income from the source. It built a bridge of love connecting all employees of China Investment Corporation and

poverty-stricken areas and will become an important vehicle for China Investment System continuously implementing targeted supporting work. As of the end of 2018, more than 40 types of local agricultural products from Huining County, Gansu Province and Shibing County, Guizhou Province, such as Huining Xiangtaile linseed oil, Huining Huishiyuan almond juice, Guizhou Shibing sausage, Yunwu green tea has been in online sales, among which Huining poverty alleviation section has achieved online trade turnovers of 2.72 million in the year of 2018, ranking the first among the four poverty alleviation sections in China Investment poverty alleviation sections for the same period. In addition, the Company made full use of the official website, the company newspaper and the official WeChat account to mobilize employees and clients to proactively participate in poverty alleviation through consumption.

Solid advancement of poverty alleviation through business

The Company gave full play to its own advantages and, based on the resource endowment and industrial base of Huining County, Gansu Province, proactively provided comprehensive financial services to local enterprises, to effectively improving the “profiting” ability. The Company fully exerted the professional advantages of Shenyin Wanguo Futures to develop the “corn + futures + insurance” business in Huining County and insured spot goods of nearly 23,000 tonnes, covering an area of about 56,000 Mu. Through the price insurance for bulk agricultural product of corn, the sales profit was locked for 9,407 registered poor households in 8 local townships and towns including Laojun Town and Xintian Township and the minimum income was guaranteed; the Company requires OTC, investment banking, fixed-income, futures, investment, asset management and other business lines to formulate professional poverty alleviation plans, conduct in-depth research and increase financial professional support based on the characteristics and development stages of enterprises in poverty-stricken areas, to help leading enterprises in poverty-stricken counties access to capital markets, introduce partners, optimize shareholding structure, conduct mergers and acquisitions, and integrate resources; the Company provides financing service consulting and futures investment consulting for enterprises in poverty-stricken enterprises including public issuance of corporate bonds, non-public issuance of corporate bonds, issuance of asset-backed securities or asset management schemes.

In 2018, the Company completed NEEQ financing for enterprises in poverty-stricken areas in an aggregate amount of over RMB100 million and helped enterprises in poverty-stricken areas to issue financial green bonds in an amount of nearly RMB3 billion. The Company organized relevant departments to distribute or invest in local government bonds, green bonds and private enterprise bonds in poverty-stricken areas to help the development of the real economy. In 2018, the Company participated in the sales of 14 poverty alleviation credit bonds issued with the approval of the National Association of Financial Market Institutional Investors with the participation rate of 100% and the total bid winning amount amounted to RMB1.25 billion, representing a bid winning ratio of 8.5%; in 2018, the Company participated in the subscription for 12 special interest rate bonds for poverty alleviation, with a total bid winning amount of RMB900 million. In addition, from 2017 to 2018, the Company put to good use of the advantages of existing sales channels, and participated in the bid for private enterprises’ credit bonds issued with the approval of the National Association of Financial Market Institutional Investors in an aggregate amount of RMB37.97 billion and the bid winning amount was RMB32.63 billion. The Company made initiative investment in an aggregate amount of RMB400 million, and the bid winning ratio reached 85.94%. The Company effectively assisted the issuers to reduce the issuance cost and contributed to the healthy development of private enterprises.

Intensification of poverty alleviation through talents

Since 2015, two professionals have been successively selected to serve as the first secretary of Gaobei Village, Shibing County, Guizhou Province. With the support of the village Party branch and village committee and the villagers, the two village cadres vigorously carries out local poverty alleviation and promoted poverty alleviation including industrial assistance, education assistance, infrastructure construction, relocation, rectification of village environment and sanitation, etc., which were highly recognized by the local government and the masses; in 2018, the Company selected three professionals to temporarily serve as deputy magistrate, deputy director general of the Bureau of Industry and Information Technology and the deputy director of the Poverty Alleviation Office of Huining County to intensify the talent support to the Gansu Huining targeted poverty alleviation district. At the same time, the Company strengthened the training of education improvement. In November 2018, centering on the special industrial plan, financial knowledge and targeted poverty alleviation, enterprise standard operation and financing

practices, etc., the Company carried out two special training sessions for 586 cadres and responsible persons of leading enterprises in Huining County to help cultivation of a local assistance cadre team with solid professional knowledge and strong capability and quality.

Due to the outstanding performance in poverty alleviation work, the Company's poverty alleviation work ranked as the first in the 2018 poverty alleviation work appraisal by China Investment Corporation, and successively obtained 2018 Poverty Alleviation Contribution Award of the Securities and Futures Industry of China, Special Contribution Award for the Development of Village-Level Collective Economy in Baiyin City; Shenwan Futures obtained 2018 Poverty Alleviation Supreme Contribution Award and Outstanding Innovating Award of the Securities and Futures Industry of China. Hongyuan Futures obtained the 2018 Best Innovative Financial Products Poverty Alleviation Award of the Securities and Futures Industry of China.

09

Provocative Promotion of
Green and Sustainable
Development

Intensification of green financial services

In 2018, during the continuous development of various businesses, the Company implemented the concept of green environmental protection to serve the development of the real economy. The Company helped environmental enterprises to get access to the capital market through IPO, non-public issuance, NEEQ listing recommendation and issuance of shares, green bonds, green asset-backed special schemes and other forms to help environmental enterprises develop faster and better. In 2018, the Company completed a total of three green bond projects with the actual financing size of RMB10,671 million.

The corporate bonds green projects with a total financing amount of RMB2.671 billion of Hunan Expressway Group is the first green bonds issued by road transport enterprise in the PRC, which has been assessed by the green bonds certification body. After the successful implementation of the industrial project in which the green bonds are invested, it is expected to collect about 870,000 cubic meters of topsoil, all of which will be used for green restoration or temporary land reclamation, thus protecting the original ecological environment of about 32,000 square meters and saving about 55 hectares of basic farmland;

The green corporate bonds project of Shanghai Lingang Economic Development (Group) Co., Ltd. raised funds of RMB1 billion;

The financing size of the green financial bonds of the Agricultural Development Bank of China is RMB7 billion. The proceeds are invested in green industrial projects in terms of energy conservation, pollution control, resource conservation and recycling, clean energy, ecological protection, adaptation to climate changes, etc.

In addition, Hainan Tianhong Municipal Design Co., Ltd. is a company listed on NEEQ under the continuous supervision of Shenwan Hongyuan. In light of the poor performance of equity financing on NEEQ, the Company assisted Tianhong Design to sign agreements with investment institutions with the financing amount of RMB40.80 million in two months, which were used for Tianhong Design's water supply and sewage treatment projects in several counties and cities in Hainan Province, providing guarantee for hundreds of thousands of people in respect of living water supply.

Meanwhile, while developing investment banking business, the Company proactively urged clients to conduct environmental impact assessment, fulfill corporate social responsibility, and fully verify and effectively regulate the environmental protection of

enterprises to be listed and quoted. In particular, for heavily polluting industries, according to relevant laws and regulations, it is clearly required to get reply on environmental impact assessment of construction projects, environmental protection acceptance, and sewage permit and take environmental protection measures for pollution treatment facilities; other enterprises that are not in the heavily polluting industries are also required to conduct comprehensive regulation in accordance with the requirements of environmental laws and regulations. It is required to proactively supervise and require enterprises to formulate environmental protection systems and publicly disclose environmental information in accordance with relevant laws and regulations, and perform corresponding obligations in accordance with regulatory requirements.

Implementation of green office

In daily operations, the Company proactively promotes the concept of green office and implements various environmental protection measures, including saving electricity consumed in illumination, banning installing or changing electric wire without permission, setting air-conditioners in public space to a proper temperature, saving water in toilets, and encouraging paperless office, to strengthen the implementation of sustainable development.

1

First, in light of paper saving, the Company stipulates that the default setting for PC network printing should be double sided printing in black and white, and encourages use of 70g printing paper, smaller front size, letter space and line space, as well as the re-use of paper with single sided printing, for informal documents. For large meetings including work meetings, the Company will no longer print and distribute conference materials which will be replaced by electronic materials to be received by conventioners with IPAD or mobile phone. By taking the above measures, the number of copy papers used by the company is declining.

2

Second, the Company requires the property management company to strengthen power management, strengthen inspections, and reduce the use of aisle lighting. The lights on each floor shall be turned off timely after work and it is prohibited to use of small household appliances. It is required to reduce the use of large electric water heaters on the floors and pay attention to energy saving setting of air conditioning temperature in public areas to effectively reduce the electricity consumption of office. The Company vigorously promotes video conferencing system to improve office efficiency and save conference costs.

3

Third, the Company promotes the concept of green travel and encourages employees to use public transportation. In 2018, the Company continued to implement the relevant spirit under the Plan on Vehicle Use System Reform of Shenwan Hongyuan Group and the Securities Company, to encourage savings and oppose waste. The Company has formulated the Interim Measures for Vehicle Management in relation to the use of vehicles, which clarifies the application and approval procedures and cost accounting rules during the use of vehicles. In order to meet the emission standards of relevant vehicles, the Company timely eliminates old vehicles and ensures that the exhaust emission standards of the vehicles meet the relevant national regulations. By implementing the vehicle management measures, the Company has significantly reduced the use of vehicles, effectively reducing the vehicle exhaust emissions generated during the Company's operations. In 2018, the Company's headquarters eliminated 5 old vehicles in accordance with the vehicle reform scheme and did not increase new vehicles, and the branches updated 12 vehicles and eliminated the old vehicles, resulting in a net decrease of 5 vehicles.

4

Fourth, as a financial services institution, the Company's business has no significant impact on the environment and natural resources, but the Company proactively contributes to reducing global greenhouse gas emissions. The Company continues to promote and improve the relevant measures of green operations and takes a variety of means to implement energy conservation and emission reduction in accordance with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the "Thirteen Five-year" Plan on Comprehensive Energy Conservation of the State Council and other important laws, regulations and national policies.

5

Fifth, the Company strengthens the publicity on environmental protection through internal magazines, mails, large screens, wall posters, etc., to further improve employees' awareness of environmental protection, rejects disposable tableware, and fully promotes recycling of toner cartridges. It is stipulated that smoking is prohibited in all working hours and non-working hours in the office. In the no-smoking area, no-smoking signs are posted and no smoking facilities are placed.

Table of Greenhouse Gas Emissions

Scope	Source	Emissions (tCO ₂ e)
Direct emissions	Natural gas consumption	434.76
Direct emissions	Gasoline consumption	120.8
Indirect emissions	Electricity consumption	11,464.3
Other indirect emissions	Paper consumption	25.045
Total		12,044.905

Note: The data includes that of the office buildings of the Company's headquarters in Shanghai and Beijing.

Table of Energy Consumption

Energy name	Consumption in 2018	Unit	Remarks
Electricity	13,530,960.83	kWh	
Water	39,961.58	m ³	
Gas	126,017.19	m ³	
Gasoline	44,740.74	Litre	

Note: The data includes that of the office buildings of the Company's headquarters in Shanghai and Beijing.

Looking forward to the future

Looking forward to the future, the Company will firmly grasp the important development opportunities of the capital market, striving to create value for clients, enhance value for employees, realize value for shareholders and contribute value to society, and continue to maintain industry leading edge with its strong sustainable profitability. It is committed to becoming an excellent corporate citizen and will make further efforts to speed up the construction of an internationally competitive financial service provider!

Attachment: Honorary Awards

Honorary Awards

No.	Awarding body	Awardee	Award
1	China Securities Journal	Shenwan Hongyuan Group Co., Ltd.	2017 Golden Bull Best Investment Value Award, 2017 Golden Bull Investor Relations Award
2	China Listed Companies Top 100 Forum	Shenwan Hongyuan Group Co., Ltd.	China Top 100 Companies
3	China Association for Public Companies	Shenwan Hongyuan Group Co., Ltd.	Excellent Special Research Award
4	Securities Times	Shenwan Hongyuan Group Co., Ltd.	Excellent Board Secretary of the Companies Listed on the Main Board
5	China Foreign Exchange Trade System, National Interbank Lending Center	Shenwan Hongyuan Securities Company	Core Trader, Excellent Bond Market Trader
6	Securities Daily and Chongyang Institute for Financial Studies, Renmin University of China	Shenwan Hongyuan Securities Company	Best Smart Broker
7	Shenzhen Stock Exchange	Shenwan Hongyuan Securities Company	2017 Excellent Local Bonds Underwriter
8	2017 China Capital Market Poverty Alleviation Pioneer Forum	Shenwan Hongyuan Securities Company	2017 Best "One Company for One County" Paired Assistance Case
9	Sina Finance	Shenwan Hongyuan Securities Company	"Top Ten APP" and "Best User Service App"
10	JRJ.com	Shenwan Hongyuan Securities Company	Outstanding Risk Control Award
11	Shanghai Stock Exchange	Shenwan Hongyuan Securities Company	"Best Graphic Award" Gold Award, "Best Public Course" Silver Award, "I am a Shareholder Organization Award"
12	New Fortune	Shenwan Hongyuan Securities Company	First place in the Best NEEQ Investment Banks
13	Shanghai Finance Office, Shanghai Equity Exchange	Shenwan Hongyuan Securities Company	2017 Excellent Cooperation Agency
14	China Fund News, Xiangshan Fortune Forum	Shenwan Hongyuan Securities Company	Best Fund Sales Broker
15	Shanghai Financial Staff Cultural and Sports Association	Shenwan Hongyuan Securities Company	2017 Advanced Unit for Financial Staff Cultural and Sports Work
16	Interbank Market Clearing House Co., Ltd.	Shenwan Hongyuan Securities Company	2017 Annual Settlement Business Special Award
17	National Equities Exchange and Quotations, China IPO	Shenwan Hongyuan Securities Company	Golden Horn – 2018 Top Ten Brand Brokers
18	2018 Securities Industry Fintech Summit	Shenwan Hongyuan Securities Company	"2018 Top Ten APPs of the Securities Firms Recognized by Investors", "2018 Broker APP Comprehensive Service Satisfaction Award", "2018 Broker APP Excellent Case Award", "2018 Broker APP Highest Outlook Value Broker APP" and "2018 Broker App Most Popular Broker Mascot".
19	dudong.com	Shenwan Hongyuan Securities Company	First place in the NEEQ "Best Broker Award"
20	Party Building Leading Group of CPC Gansu Baiyin Municipal Committee	Shenwan Hongyuan Securities Company	"Special Contribution Award for the Development of Village-Level Collective Economy in Baiyin City"

Honorary Awards

No.	Awarding body	Awardee	Award
21	Capital Spiritual Civilization Committee	Hongyuan Futures Co., Ltd.	Capital Spiritual Civilization Unit
22	Securities Association of China, China Futures Association, Securities Times	Hongyuan Futures Co., Ltd.	2018 Best Innovative Financial Products Poverty Alleviation Award of the Securities and Futures Industry of China
23	China Futures Association	Hongyuan Futures Co., Ltd.	2017 Outstanding Case of Futures Operating Agency Serving the Real Economy
24	hexun.com	Hongyuan Futures Co., Ltd.	Futures Industry Innovation Award
25	Futures Daily	Hongyuan Futures Co., Ltd.	Excellent Competition Organization Award at the 12th Futures Daily National Futures Real Trading Contest
26	Eastmoney.com, fund.eastmoney.com	SWS MU Fund Management Co., Ltd.	2018 Best Index Team, Tiantian Fund Annual Hot Products List

ESG Indicator Index

Subject Areas and Aspects	General Disclosure	Key Performance Indicators		Relevant content in the report
A1 Emissions	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	A1.1	The types of emissions and respective emissions data	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not applicable
		A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not applicable
		A1.5	Description of measures to mitigate emissions and results achieved	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office

ESG Indicator Index (continued)

Subject Areas and Aspects	General Disclosure	Key Performance Indicators		Relevant content in the report
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A2.3	Description of energy use efficiency initiatives and results achieved	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	09 Provocative Promotion of Green and Sustainable Development -Implementation of green office
		A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable
A3 The Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	09 Implementation of green office
B1 Employment	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	B1.1	Total workforce by gender, employment type, age group and geographical region	06 Broadening the Career Development Space of Employees -Strengthening the construction of a talent team
		B1.2	Employee turnover rate by gender, age group and geographical region	Not adopted

ESG Indicator Index (continued)

Subject Areas and Aspects	General Disclosure	Key Performance Indicators		Relevant content in the report
B2 Health and Safety	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	B2.1	Number and rate of work-related fatalities	Not adopted
		B2.2	Lost days due to work injury	Not adopted
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	06 Broadening the Career Development Space of Employees -Strengthening the construction of corporate culture
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	06 Broadening the Career Development Space of Employees -Vigorously conducting training
		B3.2	The average training hours completed per employee by gender and employee category	06 Broadening the Career Development Space of Employees -Vigorously conducting training
B4 Labor Standards	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	B4.1	Description of measures to review employment practices to avoid child and forced labor	06 Broadening the Career Development Space of Employees -Protecting employees' rights and interests according to law
		B4.2	Description of steps taken to eliminate such practices when discovered	Not applicable
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain	B5.1	Number of suppliers by geographical region	Not adopted
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	07 Provocative Discharge of Social Obligations to Contribute Value to the Society-Enhancement of supply chain supervision to ensure procurement quality

ESG Indicator Index (continued)

Subject Areas and Aspects	General Disclosure	Key Performance Indicators		Relevant content in the report
B6 Product Responsibility	Information on the policies; and compliance with relevant laws and regulations that have a significant	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
		B6.2	Number of products and service related complaints received and how they are dealt with	05 Client-centered, provision of diversified services to clients- Guaranteeing client information security
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	05 Client-centered, provision of diversified services to clients- Protection of intellectual property rights
		B6.4	Description of quality assurance process and recall procedures	Not applicable
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	05 Client-centered, provision of diversified services to clients- Guaranteeing client information security
B7 Anti-corruption	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Not applicable
		B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	07 Provocative Discharge of Social Obligations to Contribute Value to the Society -Strict prevention of commercial bribery and reinforcement of anti-corruption and integrity construction
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	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	08 All-Round Assistance For Targeted Poverty Alleviation
		B8.2	Resources contributed (e.g. money or time) to the focus area	08 All-Round Assistance For Targeted Poverty Alleviation



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Independent Limited Assurance Report

KPMG Huazhen Zhuan Zi No. 1900874

To the Board of Directors of Shenwan Hongyuan Group Co., Ltd

We were engaged by the Board of Directors of Shenwan Hongyuan Group Co., Ltd ("the Company") to provide limited assurance on the 2018 Environmental, Social and Governance Report of the Company for the year ended December 31, 2018 (the "ESG Report").

I. Responsibilities of the Board of Directors

The Board of Directors of the Company is solely responsible for the preparation and presentation of the 2018 ESG Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited's Guidelines for Environmental, Social and Governance Reporting ("SEHK's Guidelines").

The Board of Directors is also responsible for designing, implementing and maintaining internal control that enables the preparation and presentation of the ESG report that is free from material misstatement, whether due to fraud or error.

II. Responsibilities of KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board.

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and complied with the applicable requirements of International Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Our independent limited assurance report is made solely to the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of the Company those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.



Independent Limited Assurance Report (continued)

KPMG Huazhen Zhuan Zi No. 1900874

III. Summary of work performed

A limited assurance engagement on an ESG report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the ESG report, and applying analytical and other procedures, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of the Company's processes for determining the material issues for the Company's key stakeholders;
- Interviews with management and relevant staff concerning sustainability development strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at the Company responsible for providing the information in the ESG Report;
- A media analysis and an internet search for references to the Company during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the ESG Report;
- Comparing the information presented in the ESG Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the ESG Report;
- Reconcile key financial data and figures with the audited financial statements;
- Reading the information presented in the ESG Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company.

We have not implemented the assurance procedures for past and comparative data disclosed in the ESG report.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opinion on the effectiveness of the Company's systems and procedures.

IV. Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Company's ESG Report for the year ended 31 December 2018 is not prepared, in all material respects, in accordance with the SEHK's Guidelines.





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