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Guotai Junan Securities Co., Ltd.
國泰君安證券股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02611)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of Guotai Junan Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019. This announcement sets out the full text of 2019 Annual Report of the Company and complies with the relevant requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2019.

The 2019 Annual Report and results announcement will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.gtja.com.

The 2019 Annual Report will be dispatched to holders of the Company's H shares in due course and will be published on the aforesaid websites of the Company and The Stock Exchange of Hong Kong Limited.

By order of the Board
Guotai Junan Securities Co., Ltd.
HE Qing
Chairman

Shanghai, the PRC
24 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. HE Qing, Mr. WANG Song and Mr. YU Jian; the non-executive directors of the Company are Ms. GUAN Wei, Mr. ZHOU Lei, Mr. ZHONG Maojun, Mr. WANG Wenjie, Mr. LIN Facheng, Mr. ZHOU Hao and Mr. AN Hongjun; and the independent non-executive directors of the Company are Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. Lee Conway Kong Wai.

Important Notice

- I. The Board, Supervisory Committee, Directors, supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete, without any misrepresentation, misleading statements or material omissions, and severally and jointly bear the legal responsibilities thereof.**
- II. All Directors of the Company attended the Board meeting.**
- III. Ernst & Young issued a standard unqualified audit report to the Company.**
- IV. HE Qing, the person in charge of the Company, and XIE Lebin, the person in charge of accounting affairs and the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.**
- V. The profit distribution proposal or the proposal on transfer of the capital reserve fund into capital, within the Reporting Period, was approved by the Board**

The Company's profit distribution plan for the year of 2019 is as follows: based on the total share capital of the Company recorded on the date of the dividend distribution, the Company shall distribute cash dividends of RMB3.9 (tax included) for every 10 shares to holders of A Shares and holders of H Shares. As the conversion period for convertible corporate bonds began on 8 January 2018, the total share capital of the Company recorded on the date of dividend distribution for holders of A Share cannot be currently ascertained. Based on the total share capital of the Company, being 8,907,948,159 Shares on 31 December 2019, the total cash dividend distributed amounted to RMB3,474,099,782, accounting for 40.22% of net profit attributable to the shareholders of the parent company in combined calibers for 2019.

The proposal for profit distribution of the Company in 2019 has been passed in the 15th meeting of the fifth session of the Board of the Company, but is still subject to the consideration in the general meeting of the Company.

VI. Statement of the risks involved in forward-looking statements

☒ Applicable ☐ Not applicable

Forward-looking statements included in this report, including future plans and development strategies, do not constitute any substantial commitment of the Company to investors. Investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

VII. Was there any appropriation of funds on a non-operating basis by controlling shareholders of the Company or their related parties?

No

VIII. Did the Company provide any external guarantees in violation of the prescribed decision-making procedures?

No

Important Notice

IX. Major risk warning

The risks faced by the Company in its operations mainly include: market risk, credit risk, liquidity risk, operational risk and reputational risk, which are specifically embodied as the risk of loss to the Company due to unfavorable changes of market prices; risk of loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuer, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity; risk of not being able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation; risk of possible loss caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events; risk of negative evaluation of the Company's reputation due to the Company's operation and management or external events.

The Company has established an effective internal control system, compliance management system and a dynamic regulatory system based on risk control indicators to ensure that the operations of the Company are conducted within an extent of predictable, controllable and tolerable risks.

Investors are advised to read the "Report of the Directors" as set out in Section IV of this report carefully for risks related to the operations of the Company.

X. Others

☐ Applicable ☒ Not applicable

Chairman's Statement

Dear shareholders,

2019 is the 70th anniversary of our great motherland China, and it is also a great year for the reform of China's capital market system. With the establishment of the Sci-Tech Innovation Board and the pilot reform of the registration system, major reform measures have been continuously implemented, and the pace of opening up has been significantly accelerated. Therefore, the capital market is facing historical development opportunities, and the strategic position of providing services for high-quality economic development has continued to improve.

2019 is also the first year for the Company to implement a new three-year plan. Facing a complex and volatile market environment, we have shared in one purpose and maintained our determination to deliver the annual results marked with steady progress to our shareholders and customers in the new journey towards being “an integrated financial services provider with domestic leading position and international competitiveness” – the Company recorded the consolidated operating income of RMB29.949 billion and net profit attributable to owners of the parent company of RMB8.637 billion for the year, representing an increase of 31.83% and 28.76% over the previous year, respectively, and its operation results and primary business performance still ranked high in the industry; the Company continued to improve shareholders' returns, and the distribution plan determined that there will be a cash dividend of RMB0.39 per share, accounting for 40.22% of the net profit attributable to owners of the parent company which represents an increase of nearly 4 percentage points over the previous year; the Company has attained the rating of Class A Grade AA in the classification and evaluation of securities companies for 12 consecutive years and retained the highest international credit ratings determined by S&P and Moody's among domestic industries.

Note: the above financial information is based on the Chinese accounting standards for enterprises

Chairman's Statement

Over the year, we have been determined to achieve innovative breakthroughs and seize the market opportunities. We have firmly grasped the opportunities arising from the establishment of the Sci-Tech Innovation Board and the pilot reform of the registration system through our active participation in building the Shanghai Technology Innovation Center – our application is the first one accepted by the SSE; we are the first one who sponsored a subsidiary of a listed company for a spin-off listing; and we are the first to sponsor a red-chip enterprise to apply for the issuance of CDR and received 100% approval rate for all application projects submitted by us. We have launched the “Daohe” institutional customer service system that accompanies the development and growth of a customer throughout the whole lifecycle by offering one-stop services based on all markets and all assets, We have also launched the Jun Hong “Star” service system to serve the retail customers, realizing innovation and upgrading of the service model for retail business in the securities industry, and received the Second Prize of Shanghai Financial Innovation Awards. We have cooperated with China Foreign Exchange Trade System and Shanghai Clearing House to release the first CDS Index in the world based on global capital markets and the PRC capital market to offer customers with comprehensive risk management solutions of multiple asset categories.

Over the year, we have accelerated empowerment of ourselves by application of technologies and innovated our service models. We always regard technology as an important force to drive business development and service upgrade, and continued to empower ourselves by application of technologies. In particular, we built a comprehensive and industry-leading clearing and settlement system to cater the needs of institutional, corporate and retail customers, made progress in the deployment of a “Smart Guotai Junan”, and formulated a financial technology platform with artificial intelligence. We have introduced the usage of big data, cloud computing, artificial intelligence, blockchains and other technologies, which will provide us with competitive edges in future innovative development in the financial sector. We invested RMB1.117 billion in information technology for the year, accounting for 6.62% of the operating income of the parent company in the previous year.

Chairman's Statement

Over the year, we focused on wealth management and insisted on business transformation. We continued to develop a team of investment advisors, achieving a growth of 26% year-on-year in terms of the number of investment advisors in the year. We also increased the coverage and the width and depth of services provided to wealthy customers and high net-worth customers. The number of wealthy customers and high net-worth customers increased by 35% and 28% year-on-year, respectively. We have improved the big wealth management system, consolidated the investment advantages of fixed income instruments and enhanced the investment capabilities in equities. The ratio of our size of assets under proactive management business accounted for 60%, the total size of our new OTC equity derivatives increased by 311%, and the percentage of our proprietary products in product sales maintained at around 70%.

Over the year, we never forgot our social responsibility by offering corporate warmth. In the “battle” against and “test” by the COVID-19 pandemic, we breathe and share the fate with people at frontlines by donating nearly RMB25 million in cash and medical supplies through various channels to the severely affected areas in Hubei and the Shanghai hospitals designated to support Hubei, striving to “show our care in a crisis”. We actively responded to the call from the country as well as the industry for the “One Company, One County” targeted poverty alleviation, paired with three national-level poverty-stricken counties, Ji'an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province, for poverty alleviation, and contributed RMB31.86 million to poverty alleviation and public welfare funds in the year. Moreover, we contributed RMB10 million to set up an industrial poverty alleviation fund in Puge, Sichuan, issued various poverty-alleviation bonds in the amount of nearly RMB1.1 billion for Sichuan, Gansu, Guizhou and other places, and built 3 Hope Primary Schools in Yunnan, Jiangxi, Gansu and other places.

2020 is the final year for China to develop into a well-off society, to achieve its first centenary goal and to accomplish the 13th Five-Year Plan. It is also a crucial year for China to alleviate poverty and comprehensively deepen the reform of capital market. At present, the world is undergoing an evolution at a faster pace with unprecedented changes. with the acceleration of financial opening-up and the deepening of financial supply side reform, competitions with industries are also intensifying. At the historic moment of striving for national prosperity and rejuvenation, and at the key juncture of fighting for industry's healthier development and gearing up for faster growth, we are constantly thinking about how Guotai Junan can overcome difficulties and move forward, keep deserving the trust of shareholders, be worthy of the weight of history, and stay worthy of this great era. Our answer to it is: create new paths and strive for the future!

Chairman's Statement

To be the winner, be the hardest worker first; A thousand boats set sail and the brave one wins. Today, we still think ourselves as a “start-up” company, and we need to keep the enthusiastic and time-cherished atmosphere for start-up companies, keep up our hard work, and do our best to overcome any obstacle. We will work hard to serve as a booster for conversion of economic force, a stabilizer for development of capital markets, a pioneer for industry reform and opening up and a major force for residents' wealth management. Let's seize the day and live it to the full, develop the Company into “an integrated financial services provider with an across-the-board leading position in China and international competitiveness and make our greater contributions to achieve the two centenary goals and the Chinese dream of national rejuvenation.

Chairman of the Board: **HE Qing**

24 March 2020

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Section I Definitions

I. DEFINITIONS

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

Definitions of frequently-used terms

the Company/Company/Guotai Junan	Guotai Junan Securities Co., Ltd.
the Group/Group	Guotai Junan Securities Co., Ltd. and its subsidiaries
Articles of Association/Articles	the articles of association of Guotai Junan Securities Co., Ltd.
Share(s)	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
Shareholder(s)	holder(s) of the Share(s) of the Company
Board/Board of Directors	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	the supervisor(s) of the Company
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Shanghai Bureau of the CSRC	Shanghai Office of the China Securities Regulatory Commission
SAC	Securities Association of China (中國證券業協會)
SSE/Shanghai Stock Exchange	Shanghai Stock Exchange
SZSE/Shenzhen Stock Exchange	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
International Group	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
Shanghai SA	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)
Shenzhen Investment Holdings	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司)
Guotai Junan Asset Management	Shanghai Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司)
Guotai Junan Futures	Guotai Junan Futures Co., Ltd. (國泰君安期貨有限公司)
Guotai Junan Financial Holdings	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司)
Hong Kong Subsidiaries	Guotai Junan Financial Holdings Co., Ltd. and its controlled subsidiaries
Guotai Junan International	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), controlled by Guotai Junan Financial Holdings Co., Ltd. and a public company listed on the Hong Kong Stock Exchange
Guotai Junan Innovation Investment	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)

Section I Definitions

Guotai Junan Zhengyu	Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司)
Shanghai Securities	Shanghai Securities Co., Ltd. (上海證券有限責任公司)
Hicend Futures	Hicend Futures Co., Ltd. (海證期貨有限公司)
HuaAn Funds	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
Guoxiang Properties	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司)
SPD Bank	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司)
Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司)
Convertible Bonds/A Share Convertible Bonds	the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on SSE on 24 July 2017
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
SSE Listing Rules	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified otherwise from time to time
Reporting Period	the year of 2019
Yuan	RMB Yuan
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and are traded in RMB
H Shares	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
FICC	Fixed Income, Currencies and Commodities
Daohe APP	APP serving corporate and institutional customers
Matrix System	the corporate and institutional customers management system
Jun Hong APP	APP serving retail customers
Jun Hong Bai Shi Tong	the retail customers management system

Section II Company Profile and Key Financial Indicators

I. PROFILE

Name in Chinese	國泰君安證券股份有限公司
Abbreviation in Chinese	國泰君安、國泰君安證券
Name in English	Guotai Junan Securities Co., Ltd.
Abbreviation in English	GTJA、Guotai Junan Securities
Legal Representative	HE Qing
President	WANG Song

Registered Capital and Net Capital of the Company

☒ Applicable ☐ Not applicable

Unit: thousand yuan Currency: RMB

	At the end of the Reporting Period	At the end of the last year
Registered Capital(Note 1)	8,907,948	8,713,934
Net Capital	85,971,493	86,576,140
Share Capital(Note 2)	8,907,948	8,713,941

Note 1: In April 2019, the Company completed the placing of 194,000,000 new H Shares under a general mandate. The Convertible Bonds issued by the Company has become convertible into A Shares of the Company since January 2018, and, during the period from January 2018 to July 2019 at the end of which the Company updated its registered capital, the cumulative number of Shares converted from the A Share Convertible Bonds was 14,154 Shares; as a result, the registered capital of the Company changed from RMB8,713,933,800 to RMB8,907,947,954.

Note 2: From July 2019 to the end of the Reporting Period, the cumulative number of Shares converted from the A Share Convertible Bonds of the Company was 205 Shares, the shares of the Company increased to 8,907,948,159 Shares. The Company will apply for registering the change of the registered capital in a timely manner in accordance with the relevant requirements.

Business Qualifications for Each Individual Business of the Company

☒ Applicable ☐ Not applicable

1. Individual Business Qualifications of the Company

No.	Approval Department	Qualification Name/Membership
1	The People's Bank of China	Interbank Borrowing Qualification (Yin Huo Zheng [2000] No. 122, Yin Zong Bu Han [2016] No. 22) Interbank Bonds Market Maker (Yin Fa [2004] No. 157) Participation of Gold Trading on Shanghai Gold Exchange as an Institutional Dealer (Yin Shi Huang Jin Bei [2014] No. 143) Free Trade Accounting Business (August 2015)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
2	CSRC and its local branches	Operation license of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment related financial advisory; securities underwriting and sponsorship; securities proprietary trading; margin financing and securities lending; agency sale of securities investment fund; agency sale of financial products; stock option market making. (Number: 10270000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No.3) Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2002] No.31) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 124, Hu Zheng Jian Ji Gou Zi [2010] No.103) Participating in Stock Index Futures Transaction (Hu Zheng Jian Ji Gou Zi [2010] No. 253) Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2011] No. 573, Shang Zheng Han [2013] No. 257) Agreed Repurchase Securities Trading Business (Ji Gou Bu Bu Han [2012] No. 250) Integrated Financial Services (Ji Gou Bu Bu Han [2012] No. 555) Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2013] No.311) Agency Sale of Financial Products(Hu Zheng Jian Ji Gou Zi [2013] No.56) Pilot of Agency Services for Gold and Other Precious Metal Spot Contracts and Proprietary Business for Gold Spot Contracts (Ji Gou Bu Bu Han [2014] No.121) Qualification for Securities Investment Fund Custody Business (Zheng Jian Xu Ke [2014] No.511) Foreign Exchange Business such as Proprietary Foreign Exchange Trading and Foreign Exchange Settlement and Sale on behalf of Customers, Proprietary Foreign Exchange Trading and Foreign Exchange Trading on behalf of Customers (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1614) Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No.154) Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Bu Han [2015] No.862) Conducting Cross-border Business at Pilot (Ji Gou Bu Han [2017] No.3002) First-class Dealer for Over-the-counter Options (Ji Gou Bu Han [2018] No. 1789) Qualifications to Conduct Credit Derivative Business (Ji Gou Bu Han [2018] No. 2545) Stock Index Options Market Making Business (Zheng Jian Hui Ji Gou Bu Han [2019] No.3066)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
3	SAC	Qualification for Participating in Related Innovation Activities (February 2005) Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No.378) OTC Trading Business (Zhong Zheng Xie Han [2012] No.825) Financial Derivatives Business (Zhong Zheng Xie Han [2013] No.1224)
4	China Securities Depository and Clearing Corporation Limited	Agency Registration Business (April 2002) Clearing Participant (Zhong Guo Jie Suan Han Zi [2006] No. 67) Class A Clearing Participant (Zhong Guo Jie Suan Han Zi [2008] No. 24)
5	China Securities Finance Corporation Limited	Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116) Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45) Science and Technology Innovation Board Securities Refinancing Business (Zhong Zheng Jin Han [2019] No.130)
6	Shanghai Stock Exchange/Shenzhen Stock Exchange	Treasury Bonds Outright Repo Business (December 2004) Carrying out the Business of "SSE Fund Connect (上證基金通)" (July 2005) First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006) Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No.90) Qualified Investor of Block Trade System (No.A00001) Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No.58) Participant for Trading of Stock Options (Shang Zheng Han [2015] No.66) SSE 50ETF Options Market Maker(Shang Zheng Han [2015] No.212, Shang Zheng Gong Gao [2015] No.4) Southbound Business (Shang Zheng Han [2014] No.654, Shen Zheng Hui [2016] No.326) Core Dealer of Credit Protection Contract (Shang Zheng Han [2019] No.205) Business Qualification as Lead Market Maker of Listed Funds (Shang Zheng Han [2019] No.1288) Credit Protection Certificate Creation Agency (Shang Zheng Han [2019] No.2253) Stock Option Business (Shen Zheng Hui [2019] No.470) CSI 300ETF Options Lead Market Maker Business (Shang Zheng Han [2019] No.2303, Shen Zheng Hui [2019] No.483)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
7	State Administration of Foreign Exchange	Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221) Transactions of Spot Sale and Purchase of Foreign Exchange, RMB and Foreign Exchange Related Derivative Business and Qualified Domestic Institutional Investor for Sale and Purchase of Foreign Exchange (Hui Fu [2014] No. 325) Filling for Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505)
8	National Association of Financial Market Institutional Investors	Main Underwriting Business of Debt Financing Instruments for Non-Financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19) Core Dealer of Credit Risk Mitigation Instruments (December 2016) Creator of Credit Risk Mitigation Warrants (2017) Creator of Credit-linked Notes (2017)
9	Shanghai Gold Exchange	Special Membership Qualification (Certificate No: T002) International Membership (Class A) Qualification (Certificate No: IM0046) Qualification for Proprietary Gold Trading (Shang Jin Jiao Fa [2013] No. 107) Interbank Gold Price Inquiries Business (Shang Jin Jiao Fa [2014] No. 114) Pilot Member of Implied Volatility Curve Quotation Group for Gold Inquiry Options (November 2017)
10	National Equities Exchange and Quotations	Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2013] No. 58, [2014] No. 706)
11	China Foreign Exchange Trading Center	China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3) China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59) Northbound Trading Link Business under "Bond Connect" (July 2017) Inter-bank Foreign Currency Market Membership (Zhong Hui Jiao Fa [2018] No. 412) Interbank Interest Rate Exchange Fixing (Closing) Curve Quote Agency (November 2019)

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No.	Approval Department	Qualification Name/Membership
12	Interbank Market Clearing House Company Limited	Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House) Business of Liquidation Agency of RMB Interest Rate Swap (2018 Bian Han No. 8, Qing Suan Suo Fa [2018] No. 30) Business of Central Clearing for Credit Default Swap (2018 Bian Han No. 29) Comprehensive Clearing Member for the Business of Central Clearing of Standard Bond Forwards (Qing Suan Suo Fa [2018] No. 193)
13	Shanghai Futures Exchange	Copper Options Market Maker (September 2018) Nickel Futures Market Maker (October 2018)
14	Shanghai International Energy Exchange	Crude Futures Market Maker (October 2018)
15	Asset Management Association of China	Filing Certificate of Private Equity Outsourcing Institutions (Filing No. A00005)
16	China Financial Futures Exchange	CSI 300 Stock Index Options Market Maker (December 2019)

2. Individual Business Qualifications of the Controlled Subsidiaries

No.	Name of subsidiary	Qualification Name/Membership
1	Hong Kong Subsidiaries	Issued by the Securities and Futures Commission of Hong Kong Type 1 (dealing in securities) (30 March 2004) Type 2 (dealing in futures contracts) (26 November 2010) Type 3 (leveraged foreign exchange trading) (21 October 2010) Type 4 (advising on securities) (20 March 2004) Type 5 (advising on futures contracts) (26 November 2010) Type 6 (advising on corporate finance) (20 March 2004) Type 9 (asset management) (26 November 2004) Issued by The Stock Exchange of Hong Kong Limited Exchange Participant Certificate (13 August 2001) Exchange Trading Right Certificate (July 2000) Market-maker Permit for Securities (Exchange-Traded Funds) (31 December 2019) Hong Kong Options Market Maker (2 October 2019) Hong Kong Derivative Warrant Issuer (31 October 2019) Issued by Hong Kong Futures Exchange Limited Exchange Participant Certificate and Exchange Trading Right Certificate (6 March 2000) Issued by HKFE Clearing Corporation Limited Participant Certificate of Future Clearing Company (6 March 2000)

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
		Issued by Hong Kong Companies Registry Money Lender License (25 January 2019) Issued by China Securities Regulatory Commission Qualified Overseas Institutional Investors (21 February 2013) RMB Qualified Overseas Institutional Investors (11 August 2014) Permit for Securities and Futures Operation Business (December 2017) Issued by the Hong Kong Confederation of Insurance Brokers Membership Certificate (1 March 2013) Issued by Monetary Authority of Singapore Registered Fund Management Company Qualification (12 October 2015) License for Capital Market Services (8 October 2018) Issued by the Hong Kong Mandatory Provident Fund Schemes Authority Principal Intermediary Qualification (20 December 2012) Approved by the Shanghai headquarters of The People's Bank of China "Bond Connect" Overseas Investors Business (2017)
2	Guotai Junan Asset Management	Operation permit of securities business: securities asset management business. (Number: 10278001) Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No.631) Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No.38) Pilot of Cash Management Products (Zheng Jian Xu Ke [2012] No.828)
3	Guotai Junan Futures and its subsidiaries	Permit for Securities and Futures Operation Business (No.91310000100020711J) Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No.148) Qualification for Futures Investment Consulting Business (Zheng Jian Xu Ke [2011] No.1449) Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506) Financing Contracts Services, Basis Trading, Cooperation, Hedge Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67) Membership Qualification of Shanghai International Energy Exchange (Shang Neng Pi Fu [2017] No.105) Participant for Trading of stock SSE options (Shang Zheng Han [2018] No. 63) Market Making Business (Zhong Qi Xie Bei Zi [2018] No. 41) Dealer for Over-the-counter Options Business (August 2018)

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
4	Shanghai Securities and its subsidiaries	Commodity Exchange Business (Da Shang Suo Fa [2018] No.494) Stock Options Business (Shen Zheng Han [2019] No.722) Copper Options Market Maker, Gold Futures Market Makers, Corn Options Market Maker, Fuel Oil Futures Market Maker, No. 20 Rubber Futures Market Maker, Tin Futures Market Maker, Iron Ore Options Market Maker, Gold Options Market Maker, PTA Options Market Maker, Methanol Options Market Maker (2019) Operation permit of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment activities related financial advisory; securities (excluding stocks, corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; margin financing and securities lending; securities investment fund agency sales; agency sales of financial products. (Number: 10710000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No.8) Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No.203) Interbank Borrowings Business (Yin Fu [2003] No. 68, Yin Zong Bu Han [2013] No.79) Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2004] No.74) SSE Treasury Bonds Outright Repo Business (December 2004) Clearing Participant of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2006] No.61) Class A Clearing Participant of China Securities Depository and Clearing Corporation Limited (February 2008) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 1039, Hu Zheng Jian Ji Gou Zi [2010] No.133) Qualification for Participating in Related Innovation Activities (December 2005) No Objection Letter on Implementation of Broker System by Shanghai Securities (Zheng Jian Ji Gou Zi [2009] No.260) Pilot of Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2012] No.596) Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2012] No.621) Foreign Currency Securities Brokerage Business (Hui Zi No. SC201211) Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2013] No.25)

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
		Agreed Repurchase Securities Trading Entitlement (Shang Zheng Hui Zi [2013] No. 22, Shen Zheng Hui [2013] No. 15) Stock Collateral Repo Trading Entitlement (Shang Zheng Hui Zi [2013] No.137, Shen Zheng Hui [2013] No. 73) Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.19) Engaging in Recommended Business and Brokerage Business on the National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2013] No. 80, [2014] No. 724) Qualification for participant of the Trader Quote Requests and Market Maker Quote Mechanisms (business entitlement: investment, agency transaction, innovation and design, recommendation, exhibition) Business for Hong Kong Stock Connect (Shang Zheng Hui Han [2014] No. 367, Shen Zheng Hui [2016] No.330) Participant of Stock Option Trading of Shanghai Stock Exchange (Shang Zheng Han [2015] No. 78) Option Settlement Business of China Securities Depository and Clearing Corporation Limited (Zhong Deng Jie Suan Han Zi [2015] No. 51) Operation Permit of Futures Business: commodity futures brokerage, financial futures brokerage, futures investment consulting (Number: 31390000) Asset Management Business (Zhong Qi Xie Bei Zi [2015] No. 5) Asset Management Direct Selling System Business Qualification Acting Securities Pledge Registration Business Qualification Stock Options Business (Shen Zheng Hui [2019] No.470)
5	Guotai Junan Innovation Investment	Qualification for Private Equity Fund Manager (No.: PT2600011780)

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	YU Jian	LIANG Jing
Contact address	768 Nanjing West Road, Jingan District, Shanghai	768 Nanjing West Road, Jingan District, Shanghai
Telephone	021-38676798	021-38676798
Facsimile	021-38670798	021-38670798
E-mail	dshbgs@gtjas.com	dshbgs@gtjas.com

Section II Company Profile and Key Financial Indicators

III. BASIC INFORMATION

Registered address of the Company	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC
Postal codes of registered address of the Company	200120
Office address of the Company	768 Nanjing West Road, Jingan District, Shanghai
Postal codes of office address of the Company	200041
Company website	http://www.gtja.com/
Email	dshbgs@gtjas.com

IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Name of media selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual report	http://www.sse.com.cn/
Website designated by the Hong Kong Stock Exchange for publication of annual report	http://www.hkexnews.hk/
Location for inspection of annual report of the Company	768 Nanjing West Road, Jingan District, Shanghai

V. SHARES OF THE COMPANY

Shares of the Company				Stock name before change
Type of share	Listing venue	Stock name	Stock code	
A Share	Shanghai Stock Exchange	国泰君安	601211	N/A
H Share	Hong Kong Stock Exchange	GTJA	02611	N/A

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including the reform and restructuring, capital injections in the previous years

☒ Applicable ☐ Not applicable

Guotai Junan was founded as a joint-stock limited company through the merger of Guotai Securities Co., Ltd. (國泰證券有限公司) and J&A Securities Co., Ltd. (君安證券有限責任公司). The brief history of the Company is as follows:

In August 1999, with the approval of the CSRC, Guotai Securities Co., Ltd. merged with J&A Securities Co., Ltd.. The shareholders of Guotai Securities Co., Ltd. and J&A Securities Co., Ltd. and other investors jointly established the Company, with a registered capital of RMB3,727.18 million.

In December 2001, with the approval of the CSRC, the Company was split into two companies with independent legal status by way of split-off. The Company, as the continuing company, owned and undertook the securities businesses related assets, businesses and liabilities relating to such assets and businesses. The registered capital of the Company changed to RMB3.7 billion.

Section II Company Profile and Key Financial Indicators

In January 2006, with the approval of the CSRC, Central Huijin Investment Ltd. subscribed for 1,000 million Shares and thus the registered capital of the Company changed to RMB4.7 billion.

In March 2012, with the approval of the Shanghai Bureau of the CSRC, the Company issued 1,400 million additional Shares and thus the registered capital changed to RMB6.1 billion.

In June 2015, with the approval of the CSRC, the Company issued 1,525 million A Shares through initial public offering, which were listed on the Shanghai Stock Exchange on 26 June 2015 and thus the registered capital changed to RMB7,625 million.

In April 2017, with the approval of the CSRC and the Hong Kong Stock Exchange, the Company issued 1,040 million H Shares, and the Company issued 48.9338 million additional H Shares upon the exercise of the over-allotment option in May 2017, and thus the registered capital changed to RMB8,713.9338 million.

In April 2019, the Company completed the placing of 194 million H Shares under a general mandate and thus the registered capital changed to RMB8,907.947954 million.

(II) The organization structure of the Company

√ Applicable □ Not applicable

1. The organization chart of the Group

As of the disclosure date of this report, please refer to Appendix I for the organization chart of the Group.

2. Subsidiaries

As at the end of the Reporting Period, the Company directly owned six domestic subsidiaries and one overseas subsidiary, the particulars of which are as follows:

No.	Name of Subsidiary	Registered Address/Domicile	Date of Establishment	Registered Capital/ Paid Up Capital	Legal Representative/ Person in Charge	Contact Number
1	Guotai Junan Financial Holdings	Units 1804-1807, 18/F, Tower I, Lippo Centre, 89 Queensway, Hong Kong	10 August 2007	HK\$2.61198 billion	WANG Song	0852-31831118
2	Guotai Junan Asset Management	Unit 409A10, No. 381 South Suzhou Road, Huangpu District, Shanghai	27 August 2010	RMB2 billion	GONG Dexiong	021-38676666
3	Guotai Junan Futures	29/F, 30/F, No. 669 Xinzha Road, Jing'an District, Shanghai	6 April 2000	RMB2 billion	CHEN Yutao	021-33038999
4	Guotai Junan Innovation Investment	Units 11F07-09, Bank of Shanghai Building, 168 Middle Yincheng Road, Pudong New District, Shanghai	20 May 2009	RMB7.5 billion	GONG Dexiong	021-38675884
5	Guotai Junan Zhengyu	Unit 1106, No. 3255 Zhoujiazui Road, Yangpu District, Shanghai	12 February 2018	RMB2 billion	NIE Xiaogang	021-38672928
6	Shanghai Securities	7/F, No. 213 Middle Sichuan Road, Huangpu District, Shanghai	27 April 2001	RMB2.61 billion	LI Junjie	021-53686888
7	Guoxiang Properties	Floor 2-12, Main Building No.C, No. 688 Waima Road, Huangpu District, Shanghai	30 December 2011	RMB1.05 billion	MU Qing	-

Section II Company Profile and Key Financial Indicators

3. Branch offices

As at the end of the Reporting Period, the Group had 33 securities branch offices and 4 futures branch offices in the PRC, among which, 30 securities branch offices were established by the Company, 3 securities branch offices were established by Shanghai Securities, 3 futures branch offices were established by Guotai Junan Futures and 1 futures branch office was established by Hicend Futures. For basic information of these branch offices, please refer to Appendix II.

(III) Number and distribution of securities branches of the Company

√ Applicable □ Not applicable

As at the end of the Reporting Period, the Group had 420 securities branches and 28 futures branches in the PRC, among which, 344 securities branches were established by the Company, 76 securities branches were established by Shanghai Securities, 20 futures branches were established by Guotai Junan Futures and 8 futures branches were established by Hicend Futures.

Number and distribution of securities branches of the Group in the PRC are as follows:

Province/ Municipality or Region	Number of Branches	Province/ Municipality or Region	Number of Branches	Province/ Municipality or Region	Number of Branches
Shanghai	54	Beijing	18	Ningxia	1
Jiangsu	29	Zhejiang	45	Hainan	6
Guangdong	50	Hunan	19	Fujian	16
Henan	11	Shandong	14	Sichuan	14
Hebei	10	Hubei	15	Jiangxi	20
Guangxi	6	Liaoning	9	Shanxi	7
Shaanxi	6	Anhui	5	Guizhou	5
Yunnan	7	Chongqing	12	Jilin	9
Xinjiang	3	Gansu	9	Heilongjiang	6
Inner Mongolia	5	Tianjin	7	Qinghai	1
Tibet	1				

Number and distribution of futures branches of the Group in the PRC are as follows:

Province/ Municipality or Region	Number of Branches	Province/ Municipality or Region	Number of Branches	Province/ Municipality or Region	Number of Branches
Shanghai	7	Beijing	1	Sichuan	1
Tianjin	1	Zhejiang	3	Shandong	3
Jilin	1	Liaoning	1	Henan	2
Jiangsu	2	Hubei	1	Hunan	1
Hebei	1	Shaanxi	1	Guangdong	2

Section II Company Profile and Key Financial Indicators

(IV) Number and distribution of other branches

☐ Applicable ☒ Not applicable

VII. OTHER RELEVANT INFORMATION

Domestic accountant engaged by the Company	Name	Ernst & Young Hua Ming LLP
	Office address	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Overseas accountant engaged by the Company	Name of signing accountants	LI Fei, CHEN Qi
	Name	Ernst & Young
	Office address	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
	Name of signing accountants	Choi Kam Cheong, Geoffrey
Domestic legal advisor	Haiwen & Partners	
Hong Kong legal advisor	Freshfields Bruckhaus Deringer	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

VIII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

(I) Key accounting data

Unit: thousand yuan Currency: RMB

Key accounting data	2019	2018	Movement during the current period compared with the corresponding period of last year (%)	2017
Total revenue and other income	39,049,645	31,229,385	25.04	32,953,352
Operating profit	11,270,606	9,140,797	23.30	13,646,548
Profit before income tax	11,444,619	9,268,342	23.48	13,661,308
Profit for the year attributable to equity holders of the Company	8,637,037	6,708,116	28.76	9,881,545
Net cash generated from/(used in) operating activities	18,800,355	77,494,857	-75.74	-39,705,776

Section II Company Profile and Key Financial Indicators

			Movement at the end of the current period compared with the end of the corresponding period of last year (%)	
Key accounting data	At the end of 2019	At the end of 2018		At the end of 2017
Total assets	559,314,278	436,729,080	28.07	431,648,187
Total liabilities	413,220,455	303,055,688	36.35	297,952,964
Equity attributable to equity holders of the Company	137,501,490	123,450,063	11.38	123,127,983
Share capital	8,907,948	8,713,941	2.23	8,713,934

(II) Key financial indicators

			Movement during the current period compared with the corresponding period of last year (%)	
Key financial indicators	2019	2018		2017
Basic earnings per share (RMB/share)	0.90	0.70	28.57	1.11
Diluted earnings per share (RMB/share)	0.90	0.70	28.57	1.10
Weighted average return on net assets (%)	6.75	5.42	Increase by 1.33 percentage points	9.05
Net assets per share attributable to equity holders of the Company (RMB/share)	15.44	14.17	8.96	14.13
Gearing ratio (%)	67.50	62.19	Increase by 5.31 percentage points	61.50

Section II Company Profile and Key Financial Indicators

(III) Net capital and risk control indicators of the parent company

Unit: thousand yuan Currency: RMB

Item	At the end of the Reporting Period	At the end of last year
Net capital	85,971,493	86,576,140
Net assets	126,344,316	112,483,890
Risk coverage ratio (%)	271.23	343.15
Capital leverage ratio (%)	19.97	21.54
Liquidity coverage ratio (%)	258.18	372.53
Net stable funding ratio (%)	146.85	151.12
Net capital/Net assets (%)	68.05	76.97
Net capital/Liabilities (%)	40.53	58.05
Net assets/Liabilities (%)	59.57	75.42
Equity securities and derivatives held/Net capital (%)	41.75	27.45
Non-equity securities and derivatives held/Net capital (%)	194.63	133.40

(IV) Key accounting data and financial indicators for the last 5 years

1 Profitability

Unit: thousand yuan Currency: RMB

	2019	2018	2017	2016	2015
Total revenue and other income	39,049,645	31,229,385	32,953,352	36,022,508	52,108,759
Total expenses	27,779,039	22,088,588	19,306,804	21,291,949	30,074,914
Profit before income tax	11,444,619	9,268,342	13,661,308	14,773,524	22,051,117
Profit for the year attributable to equity holders of the Company	8,637,037	6,708,116	9,881,545	9,841,417	15,700,291

Section II Company Profile and Key Financial Indicators

2 Assets

Unit: thousand yuan Currency: RMB

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Share capital	8,907,948	8,713,941	8,713,934	7,625,000	7,625,000
Total equity	146,093,823	133,673,392	133,695,223	110,751,722	101,636,721
Equity attributable to equity holders of the Company	137,501,490	123,450,063	123,127,983	99,964,418	95,324,415
Total liabilities	413,220,455	303,055,688	297,952,964	300,997,320	352,705,666
Accounts payable to brokerage customers	109,336,526	82,347,043	84,356,232	112,956,690	147,789,747
Total assets	559,314,278	436,729,080	431,648,187	411,749,042	454,342,387
Basic earnings per share (RMB/share)	0.90	0.70	1.11	1.21	2.21
Diluted earnings per share (RMB/share)	0.90	0.70	1.10	1.21	2.21
Weighted average return on net assets (%)	6.75	5.42	9.05	10.64	23.65
Gearing ratio (%)	67.50	62.19	61.50	61.66	66.72

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

(I) Differences between the net profit and net assets attributable to the shareholders of the listed company in the financial statements disclosed in accordance with International Accounting Standards and China Accounting Standards for Business Enterprises

☐ Applicable ☒ Not applicable

(II) Differences between the net profit and net assets attributable to the shareholders of the listed company in the financial statements disclosed in accordance with overseas accounting standards and China Accounting Standards for Business Enterprises

☐ Applicable ☒ Not applicable

(III) Explanation on the differences between domestic and overseas accounting standards

☐ Applicable ☒ Not applicable

Section III Summary of Businesses of the Company

I. DESCRIPTION OF PRINCIPAL BUSINESSES, OPERATING MODEL AND INDUSTRY CONDITION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal businesses and operating model of the Company

Driven by customer demand, the Group established a business system including institutional finance, personal finance, investment management and international business. Specifically:

Our institutional finance business comprises investment banking and institutional investor services. Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients. Our institutional investor services business provides PB, stock-pledged financing and securities repurchase, and research services to institutional investors, and also conducts investment trading in equities, derivative financial instruments and FICC.

Our personal finance business provides securities and futures brokerage, margin financing and securities lending, wealth management, and financial planning services to individual clients through both offline and online channels.

Our investment management business provides asset management and fund management services to institutions and individuals, and also includes alternative investment business.

In respect of the international business, the Group built an international business platform around Guotai Junan Financial Holdings and conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, the Group expanded its business presence into the United States, Europe and Southeast Asia.

The Group is customer-focused, has created the two major service systems of retail customers and corporate institutional customers, and generates fee and commission income through the provision of securities products and services and receives investment gains through securities or alternative investment.

In 2019, the Group recorded total revenue and other income of RMB39.050 billion, representing an increase of 25.04% compared with the same period of last year. Profit for the year attributable to equity holders of the Company was RMB8.637 billion, representing an increase of 28.76% compared with the same period of last year. For details of the Group's operation condition, please refer to "Section IV Report of the Directors" of this report.

Section III Summary of Businesses of the Company

The Group's business composition and income drivers for 2019

Principal business category	Total revenue and other income (RMB' 000)	Change (%)	Contribution to total revenue and other income (%)
Institutional finance	19,480,900	30.84	49.89
Personal finance	11,976,622	13.16	30.67
Investment management	2,969,327	18.33	7.60
International business	3,928,923	57.90	10.06
Others	693,873	-8.53	1.78
Total	39,049,645	25.04	100.00

(II) Description of the status of the industry

Over the past two decades, with the development of the PRC securities market, the PRC securities industry has continued to standardize and expand. The securities companies have gradually accelerated their pace of innovation, expanded their business scope, improved their profitability and enhanced their risk resistance capacity. Meanwhile, the profitability of the PRC securities industry is driven by brokerage, proprietary trading, underwriting, margin trading and asset management businesses. This leads to the revenue and profits of the industry being more dependent on the trends of the securities market. Along with the change in the booming cycle of the securities market, the profit level of the PRC securities industry also experienced substantial fluctuations, clearly reflecting a strong cyclical nature.

Take the latest round of industry cycle, the results of the securities businesses was record high in 2015; despite a steady growth over scale of assets afterwards, the results continue to slide affected by the market fluctuation. In 2018, the operating revenue from the securities businesses amounted to RMB266.3 billion and the net profit amounted to RMB66.6 billion, representing a decrease of 53.70% and 72.78% respectively compared with 2015. Cyclical characteristics of the industry have emerged.

Since 2019, the specific location of capital market hub has brought new development opportunity to the securities businesses. According to the statistics of the SAC, as at the end of 2019, the total assets, net assets and net capital of the PRC securities industry amounted to RMB7.26 trillion, RMB2.02 trillion and RMB1.62 trillion, respectively, representing an increase of 16.10%, 6.96% and 3.01% respectively compared with the end of 2018, while the scale of asset continued to secure a steady growth; in 2019, the PRC securities industry recorded an operating revenue of RMB360.483 billion and a net profit of RMB123.095 billion, representing an increase of 35.37% and 84.77% respectively compared with last year, which reversed the continuous downward trend since 2015.

Section III Summary of Businesses of the Company

In the long run, the PRC securities industry is still in the historic period which offers opportunities for rapid development. The development of the capital market and the reform and opening-up of the financial system shall provide the industry with broad development room. The securities industry will show a development trend of diversified businesses, differentiated developments, international competition and technology-based operations.

(III) Position of the Company in the industry

The Group is a long-term, constant and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. Since its establishment, the Group has maintained strong comprehensive competitiveness, ranking top in the industry in terms of capital scale, profitability, business strength and risk management capability. So far, the Company has attained the rating of Class A Grade AA in the classification and evaluation of securities companies for 12 consecutive years.

Significant changes in the Company's major assets during the Reporting Period

☒ Applicable ☐ Not applicable

At the end of 2019, the total assets of the Group amounted to RMB559.314 billion, representing an increase of 28.07% compared with the end of last year. Among our total assets: cash and bank balances amounted to RMB25.253 billion, representing an increase of 24.10% compared with the end of last year, due to the fluctuation under ordinary operation of the Group; margin accounts receivable amounted to RMB72.088 billion, representing an increase of 34.35% compared with the end of last year, mainly due to the increase in the scale of margin loans and securities lending; financial assets at fair value through profit or loss amounted to RMB189.022 billion, representing an increase of 37.29% compared with the end of last year, mainly due to the adjustment by the Group of the trading and investment structure; debt instruments at fair value through other comprehensive income amounted to RMB60.267 billion, representing an increase of 53.87% compared with the end of last year, mainly due to the adjustment by the Group of the trading and investment structure.

Of which: offshore assets amounted to 945.76 (Unit: RMB100 million Currency: RMB), and accounted for 16.91% of our total assets.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

The Group's core competency can be embodied in the following three aspects:

(I) Deeply rooted culture of risk management and excellence

Since its inception, the Group has developed the operational philosophy and corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practices the "Guotai Junan Consensus", thereby further enhancing our cohesiveness and culture recognition.

Section III Summary of Businesses of the Company

The Group firmly believes that risk management is the core competency of securities companies. During the Reporting Period, the Group optimized and adjusted the annual overall risk appetite policy, strengthened its unified risk management, improved the vertical risk management of subsidiaries and enhanced its capability of quantitative analysis, and therefore, the Group's compliance and risk control and management capabilities have been further improved. The Group optimized the business risk management and control mechanism, gave play to professional risk management and established an innovative fault tolerance mechanism, and the ability of compliance and risk control to support the business gradually exhibited. So far, the Group has attained the regulatory rating of Class A Grade AA from the CSRC for twelve consecutive years, which is the only one among the top five securities companies.

In pursuit of excellence, the Group endeavors to select the best talents to provide the best services for customers. In 2019, the Group will continue to strengthen construction of the management and talent team, enrich supply of high-quality talents through multiple channels, refine management of the salaries and professional ranks, and continuously improve assessment and incentive mechanism; further promote construction of service system for corporate institutions and retail customers, and optimize the collaboration and operation mechanism, enhance comprehensive financial service capabilities, and further enlarge its customer base. At the end of the Reporting Period, the number of corporate institution customers of the Group was approximately 43,000, representing an increase of 22% compared with the end of last year. The number of personal financial accounts was approximately 13.54 million, representing an increase of 6.7% compared with the end of last year.

(II) Across-the-board leader in the PRC capital market

As a consistent leader in terms of business scale, we have strong profitability. Since its inception, the scale strength of the Group has been standing at the top of the industry. For the past eight years, the Group's total assets, operating revenue and net profit ranked among the top three companies in the industry. After the last round development of strategic planning cycle, the Group's scale strength has further enhanced. In 2018, the Group ranked third in the industry in terms of total assets and operating revenue, and ranked second in the industry in terms of net assets and net profit. According to the statistics of the SAC, in 2019, the Company ranked second in the industry in terms of operating revenue, net profit, net assets and net capital respectively, and ranked third in the industry in terms of total assets.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. During the Reporting Period, in respect of institutional finance, the number of underwritings of securities and underwriting amount of the Group ranked third and fourth in the industry, respectively; the margin loans for stock pledged financing ranked third in the industry. In respect of personal finance, the Company's net revenue from securities brokerage business (including seat leasing) ranked first in the industry; the balance of margin financing and securities lending ranked third in the industry; and the amount of financial futures trading by Guotai Junan Futures ranked third in the industry. In respect of investment management, the scale of asset management business of Guotai Junan Asset Management ranked third in the industry. In respect of international business, the major operating indicators of Guotai Junan International continued to rank high among Chinese security dealers in Hong Kong.

Section III Summary of Businesses of the Company

(III) Pioneer of technology and innovation in the PRC securities industry

The Group makes strategic investments in IT and continuously promotes proprietary financial technology innovation. The Group is a frontrunner in the application of financial technology in the securities industry. According to the statistics of the SAC, in 2017 and 2018, the Company's IT system investment scale ranked first in the industry for two consecutive years and it is also the only securities firm that has passed CMMI4 certification.

During the Reporting Period, the Group continued to increase investments in science and technology, deepened technology-enabled initiatives, launched Daohe (道合) App and Matrix system and optimized the “five ends and one micro” digital wealth management platform to empower the construction of the customer service systems for corporate and institutional customers and retail customers and enhance customers' operating capabilities. At the end of the Reporting Period, the number of users of Jun Hong APP, a mobile application, amounted to 33.26 million, representing an increase of 9.3% compared with the end of last year, and ranked second in the industry with the average monthly number of active users reaching 4.12 million. The Group deepened the application of artificial intelligence and knowledge maps, constantly promoted the construction of intelligent investment research, built a comprehensive asset management system, initially set up a technology platform for OTC derivatives business, laid out a big trading system and increased the independent research and development rate of major trading systems. Guotai Junan was the first company to launch the online reservation on the science and technology innovation board and also one of the first batch of companies to obtain the permission to trade on the science and technology innovation board. The construction of the Company's operation and management system has been completed, the informatization and digitalization of operation and management has reached a new level, and the financial technology capability has constantly strengthened.

The Group has outstanding innovation capability and is one of the frontrunners in industry innovation. During the Reporting Period, the Group steadily promoted construction of the customer service systems for corporate institutional customers and retail customers, committed to promote the innovative development of institutional finance, personal finance, investment management and international business, and consolidated its leading advantages in its main business area.

In respect of institutional finance, the Group endeavored to promote the science and technology innovation board project for investment banking business. The scale of the custody and outsourcing business continued to rank second in the industry, the scale of mutual fund custody ranked first among securities companies. We were one of the first companies qualified as market maker of CSI 300ETF options and CSI 300 stock index options, and dealer of credit protection contract. We built the Hedging Brand under Guotai Junan, resulting in a rapid growth of the OTC derivatives business. In respect of personal finance, we strived to build an intelligent wealth management platform, and our wealth management capability was continuously enhanced. In March 2020, we obtained the first batch of pilot qualifications to conduct mutual fund investment and advisory business, and became one of the first batch agreed pilot brokers of securities refinancing on the science and technology innovation board. In respect of investment management, Guotai Junan Asset Management was one of the first batch of companies which were granted with the pilot qualifications to conduct large-scale mutual funds reconstruction and the first one to complete the reconstruction for the first collective product participating in mutual funds; and Guotai Junan Innovation Investment created Guotai Junan's fund of funds. In respect of international business, we completed the acquisition of the controlling interests in Vietnam Investment Securities Co., Ltd. (越南投資證券股份公司), and achieved breakthroughs in product innovation.

Section IV Report of the Directors

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

In 2019, facing complicated external environment, the Group adhered to the strategic planning requirements for a new term and the implementation of the risk control oriented business philosophy, took market opportunities actively, optimized the annual overall risk appetite policy, accelerated the construction of the customer service systems for corporate and institutional customers and retail customers, which lead to continuous increase in comprehensive financial service capabilities, obvious improvement in research support and financial product supply capabilities and a more solid customer base. The Group steadily promoted its business development. For institutional finance, reform and innovation were promoted and synergistic mechanism was optimized. For personal finance, wealth management transformation was accelerated while reinforcing its leading strength in retail business. For investment management, discretionary management capability was enhanced continuously. For international business, presence in Europe and Southeast Asia was promoted. The principal businesses grew steadily and remained its strong competitive position. The Group continued to promote Fin Tech innovation and digital construction in key areas, and the Company's digitalization and intelligence levels have significantly improved. The Group built an integrated risk control system platform for the Group and deepened the group management, resulting in a more refined and intensive cost management and significant improvement in the empowerment consciousness and effectiveness of administration and support departments. The Company optimized assets and liabilities management, achieved steady growth in capital strength and its financial position remained sound. So far, the Company has attained the rating of Grade AA credited by the CSRC for 12 consecutive years and maintained international credit ratings at Standard & Poor's BBB+ rating and Moody's Baa1 rating with the outlook of the Company being "stable".

(II) Analysis of principal businesses

1. Institutional finance

In 2019, the Group actively promoted the establishment of the customer service systems for corporate and institutional customers, optimized the Matrix system and Daohe (道合) Platform and improved comprehensive financial services to key customers, and therefore, our capabilities to serve corporate and institutional customers continuously improved. At the end of the Reporting Period, the Group's corporate and institutional customers reached approximately 43,000, representing an increase of 22% compared with the end of last year, and the scale of customer assets reached RMB2.4 trillion, growing by 56% compared with the end of last year.

(1) *The investment banking business*

In 2019, the total financing amount in the securities market was RMB8,259.0 billion, representing an increase of 32.5% compared with the same period of last year. In particular, the total equity financing amount was RMB916.9 billion, representing an increase of 41.9% compared with the same period of last year. The total debt financing underwritten by securities companies was RMB7,342.0 billion, representing an increase of 31.4% compared with the same period of last year. The amount of M&A transactions which had been examined and reviewed by the CSRC was RMB531.9 billion, representing an increase of 8.4% compared with the same period of last year.

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In 2019, the Group took advantage of opportunities arising on the science and technology innovation board for its investment banking business by optimizing the organization structure, strengthening collaboration, increasing investments in IPO business and focusing on key industries, which resulted in a rapid growth in underwriting size. For equity underwriting business, the Group endeavored to promote the science and technology innovation board project and increased project reserves, and the underwriting amount of IPO increased 142.5% compared with the same period of last year. For the bond underwriting business, the Group took great efforts to develop key customers, and its competitive advantages have been further consolidated and ABS business has made significant progress. The Company improved the initial matching capabilities of its M&A and restructuring business, and its market influence steadily increased. The transformation of the National Equity Exchanges and Quotation business was continuously promoted. During the Reporting Period, the number of lead underwritings of securities was 1,379 and the amount of lead underwritings of securities was RMB564.57 billion, representing increases of 79.1% and 47.4% compared with the same period of last year, and ranking third and fourth in the industry, respectively. In particular, the underwriting amount of new issuance, preferred shares, corporate bonds and financial bonds ranked third in the industry. The underwriting amount of convertible bonds ranked second in the industry. There were 6 approved M&A and restructuring projects, ranking fifth in the industry.

The scale of the Group's investment banking business in 2019

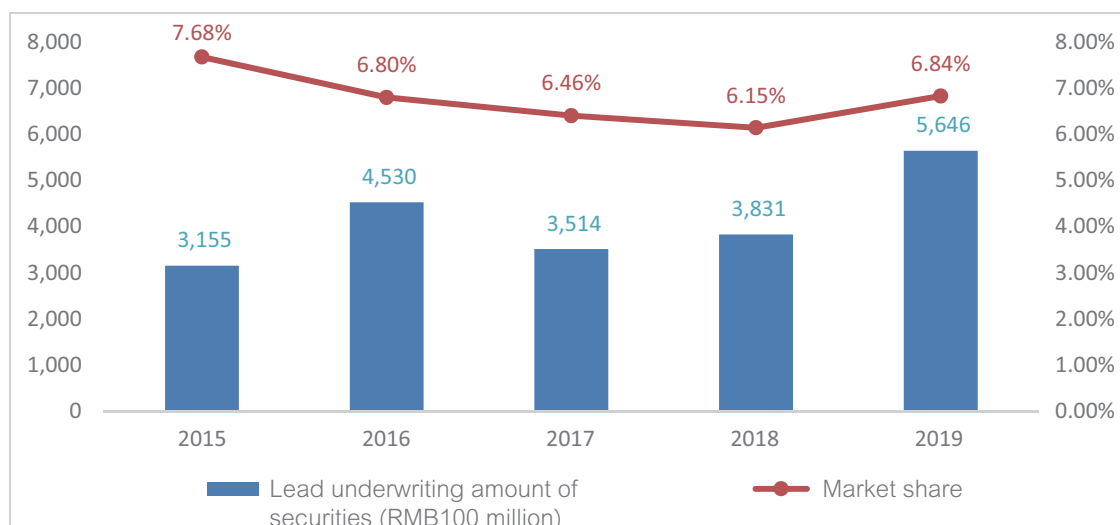
		Reporting Period	Corresponding period of last year
IPO	Number of lead underwritings	9	4
	Amount of lead underwritings (RMB billion)	6.96	2.87
Refinancing	Number of lead underwritings	21	17
	Amount of lead underwritings (RMB billion)	68.80	72.02
Enterprise bonds	Number of lead underwritings	24	5
	Amount of lead underwritings (RMB billion)	18.86	4.88
Corporate bonds	Number of lead underwritings	222	161
	Amount of lead underwritings (RMB billion)	151.02	93.18
Other bonds	Number of lead underwritings	1,103	583
	Amount of lead underwritings (RMB billion)	318.94	210.13

Source: Wind Info

Note: Statistical calibers of the financing products include IPO, new issuance, allotment of shares, preferred shares, convertible bonds, exchangeable bonds, corporate bonds, enterprise bonds, local government bonds, short-term financing bills, medium-term notes, private placement notes, financial bonds and ABS, and figures for the corresponding period of last year were adjusted based on these statistical calibers accordingly.

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Securities underwriting scale and share change of the Group's investment banking business



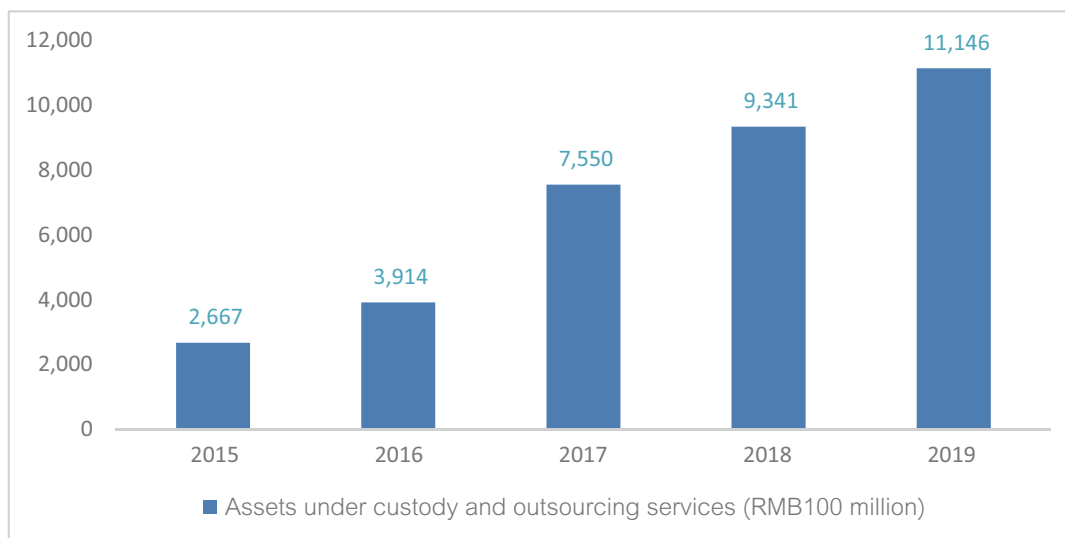
(2) Institutional investor services

1) Institution brokerage business

In 2019, the Group's mutual funds business deepened matrix management and innovated the sales pattern, and the share of sub-position of mutual funds was significantly increased. The PB business improved professional trading systems and enriched the strategy and structure over-the-counter derivatives to create the service platform for the entire industrial chains and successfully held the "Daohe-Xunxing(道合-寻星)" activity. The customer assets under PB System were RMB118.0 billion during the end of the period, increased by 90.0% as compared with the end of last year and the number of customers was approximately 1,097. QFII/RQFII business endeavored to improve the quality of investment research services and the enforceability of the trade, and the number of customers and the coverage of strategic customers increased significantly. The custodian and outsourcing business deepened the cooperation between financial institutions and private fund, upgraded technology capabilities and optimized business procedure, promoted internalized development, and the brand influence was raised stably. At the end of the period, the aggregate asset management products of our asset custodian and outsourcing business amounted to 8,413, increasing by 22.4% compared with the end of last year. The scale of business was RMB1,114.6 billion, increasing by 19.3% compared with the end of last year and ranking second in the securities industry. In particular, the assets under our custody from mutual funds amounted to RMB78.0 billion, ranking first among securities companies.

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Continuous growth of the Group's custody and outsourcing business scale



2) Trading and investment business

In 2019, CSI 300 Index rose by 36.07% and ChinaBond Total Net Price (Total Value) Index rose by 0.65%, the middle exchange rate of RMB against USD decreased by 1.65%, NYMEX crude oil rose by 34.79% and COMEX gold rose by 18.63%.

The Group's trading and investment business continued to center on the idea of an "outstanding financial asset trader" and adhered to developing a low risk and non-directional business, to steadily enhance the transaction pricing ability and the customer service ability. During the Reporting Period, our proprietary trading optimized asset allocation, which has achieved good investment returns. Our customer demand-oriented services accelerated innovation, created the brand "Avoiding Risk of Guotai Junan" and established entire products line covering E-FICC field. The products variety became increasingly diverse, the business scale was constantly increasing and the main variety maintained its industry-leading position.

In terms of equity business, we adhered to value investment concept in the equity investment and optimized long-term asset allocation. The first batch of Exchange-traded options has acquired the qualification for the market making operator of the CSI 300ETF options and the CSI 300 Index options, and positions and trading amount of the options continued to maintain industry-leading position. The cumulative amount of additional nominal principal amount over-the-counter equity derivatives business amounted to RMB118.6 billion, representing an increase of 311% compared with the corresponding period of last year. Among them, the additional nominal principal amount of cross-border equity business amounted to RMB29.1 billion, representing an increase of 4,547% compared with the corresponding period of last year.

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In terms of fixed income business, due to grasping the market opportunity in fixed income investment and enhancing the appliance of the comprehensive financial instrument, we have achieved good investment returns. The transaction of interbank domestic currency market increased significantly compared with the corresponding period of last year, ranking second in security industry, which made us be conferred with “Core Interbank Trader”. The net settlement of bonds ranked first among securities companies. The market share of the Bond Connect was 8.1%. The credit derivatives business has acquired the qualification for core trader of credit protection contract at the Shanghai Stock Exchanges and Shenzhen Stock Exchanges, and jointly released the first CDS index “CFETS-SHCH-GTJA High-grade CDS index” and jointly worked as the index manager with the Foreign Exchange Trading Center and Shanghai Clearing House. The credit default swap promoted the scale of corporate bond issuance over RMB12 billion. The transaction of interest rate swap amounted to RMB1.3 trillion, ranking first among securities companies. We launched over-the-counter interest rate option business and linked interest rate options to interest rate swap transaction of LPR. The agency liquidation transaction of interest rate swap and agency liquidation transaction of standard bonds forward exceeded RMB200 billion, ranking first among securities companies.

In terms of foreign exchange business, the scale of inter-bank RMB foreign exchange proprietary trading and foreign currency hedging trading continued to increase, ranking “the Top 10 ESP Trade Pattern of Inter-bank Foreign Exchange Market” for 2 consecutive years. We optimized and improved service function of customer foreign exchange business and carried out quotation trading services of foreign exchange derivatives for peer customers.

In terms of commodities and precious metals, we have stably carried out the cross-market, cross-variety and the inter-period arbitrage and the forward contract market making business of commodities, options and the spot options of precious metals to put efforts in the development of over-the-counter derivatives business of precious metals and commodities. The cumulative amount of additional nominal principal amount of over-the-counter derivatives of the linked subjects amounted to RMB85.3 billion, representing an increase of 399% compared with the corresponding period of last year.

3) *Stock pledging business*

According to SIC’s statistics, the outstanding balance of the stock pledging business in the market as of the end of 2019 was RMB431.146 billion, decreasing by 30.2% compared with the end of last year.

In 2019, the Group’s stock pledging business adhered to prudent operation, improved business system and operation model, enhanced professional capabilities, actively introduced high-quality assets, optimized asset structure and business structure, and conduct business smoothly and orderly. At the end of the Reporting Period, the outstanding balance of the Group’s stock pledging business was RMB41.07 billion, decreasing by 16.6% compared with the end of last year. In particular, the amount of margin loans was RMB32.85 billion, decreasing by 17.5% compared with the end of last year, ranked third in the industry. The average collateral coverage ratio was 260%. The outstanding balance of securities repurchase was RMB0.71 billion, increasing by 226.7% compared with the end of last year.

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Scale of the Group's stock-pledged financing and securities repurchase business at the end of 2019 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Outstanding balance of the stock pledging business	410.7	492.4
Including: the margin loans for stock pledged financing	328.5	398.4
Outstanding balance of securities repurchase	7.1	2.2

4) *Research business*

In 2019, the Company's research institute actively served the Group's overall strategy, optimized the research system, innovated the service model, strengthened the coverage of key listed companies, and provided comprehensive research service support for business development. We completed 6,291 research reports and held 308 themed telephone roadshows relating to macro economy, strategy, bonds, industry and companies throughout the year.

2. Personal finance

In 2019, the Group further enhanced the retail customer service system, optimized customer classification and grading services, improved the full customer coverage response mechanism, and promoted the development of high-net-worth customers, the customer scale grew steadily and the customer portfolios optimized continuously. At the end of the Reporting Period, the users of the Jun Hong APP, a mobile application, reached 33.26 million, increasing by 9.3% compared with the end of last year, and ranked second in the industry in terms of monthly customer activeness. The personal financial accounts amounted to 13.54 million, increasing by 6.7% compared with the end of last year, and ranked third in the industry in terms of the number of A Shares capital accounts. Wealthy customers and high-net-worth customers increased by 34.7% and 28.0%, respectively, compared with the end of last year.

(1) *Retail brokerage and wealth management business*

According to statistics of SSE and SZSE, in 2019, the trading volume of stock transactions in SSE and SZSE was RMB127.42 trillion, representing an increase of 41.11% compared with the same period last year.

In 2019, the Group adhered to its differentiated strategy, promoted the transformation of wealth management, optimized the O2O retail exhibition industry model, consolidated the leading position of the brokerage business, and steadily increased its market share; the Group vigorously promoted its business development in the science and technology innovation board, and the diversified brokerage businesses such as Futures IB, Hong Kong Stock Connect and share options, have also grown steadily; deepened the application of financial technologies, promoted the construction of the "five ends and one micro" platform, upgraded Jun Hong APP and Jun Hong

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Bai Shi Tong (君弘百事通) system, and created an intelligent, scenario-based, one-stop digital wealth management platform; optimized the layout of outlets, comprehensively promoted the construction of intelligent outlets, promoted the transformation of service models of branches; strengthened the construction of investment advisory teams, strengthened research support, improved professional service capabilities; optimized financial product systems, and strengthened asset allocation services. During the Reporting Period, the Company boasted a market share of 5.75% in net revenue from the securities brokerage business (including seat leasing), increasing by 0.21 percentage point compared with last year, keep ranking first in the industry; the size maintained by the agency sales of financial products was RMB161.9 billion, increasing by 13.9% compared with the end of last year, ranking second in terms of the net revenue of agency sales of financial products of the Company. At the end of the Reporting Period, the number of the Group's investment consultants reached 2,698, increasing by 26.3% compared with the end of last year; the number of contract customers of investment consultants reached 0.187 million, increasing by 24.4% compared with the end of last year. In March 2020, the Company was among the first in the industry to qualify for pilot investment advisory in public funds.

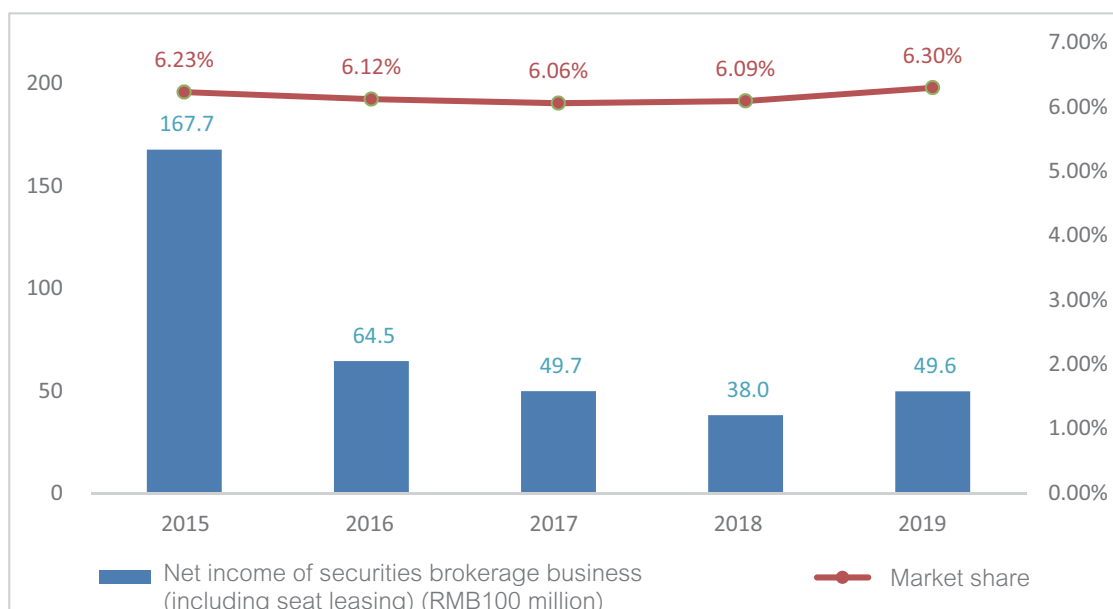
Change in the scale of the Group's securities brokerage business in 2019 (Unit: RMB100 million)

Item		Reporting Period	Corresponding period of last year
Stocks	Trading amount	126,845	87,921
	Market share	4.98%	4.87%
Securities investment funds	Trading amount	5,308	14,027
	Market share	2.90%	6.83%
Bond spot	Trading amount	362,572	373,360
	Market share	7.36%	7.87%

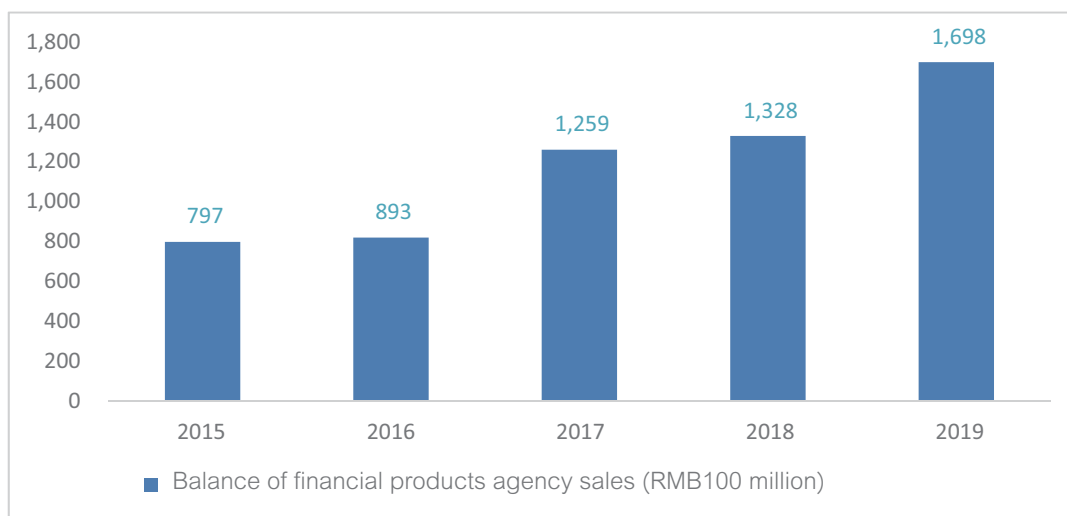
Source: Wind Info. Bond spot include debt securities repurchase

Section IV Report of the Directors

Net income of the Group's securities brokerage business and change of market share



Continuous growth of the Group's inventory level of financial products agency sales



(2) Futures brokerage business

In 2019, the aggregate number of board lots of the futures market was 3.96 billion (unilateral) and the aggregate trading volume of the futures market was RMB290.6 trillion (unilateral), representing an increase of 30.8% and 37.8% respectively compared with the same period of the last year. Among which, the aggregate number of board lots of the financial futures was 66.41 million and the aggregate trading volume of the financial futures was RMB69.62 trillion, representing an increase of 144.1% and 166.5% respectively compared with the same period of the last year.

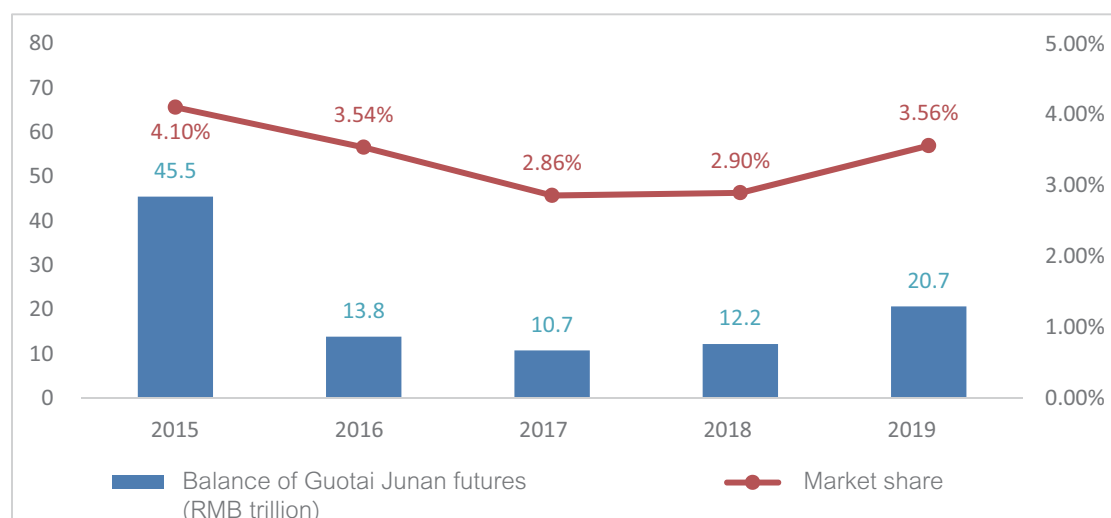
Section IV Report of the Directors

In 2019, Guotai Junan Futures increased its investment in information technology, promoted the construction of the customer service system centering core customers; optimized the diversified allocation of own funds, promoted asset management, risk management and international business development and continuously improved comprehensive financial services capabilities. During the Reporting Period, Guotai Junan Futures' trading share significantly increased, the trading volume of treasury bond futures and stock index futures ranked third in the industry, and the scale of customer equity ranked third in the industry at the end of the Reporting Period.

Major business indicators of Guotai Junan Futures in 2019

Item	Reporting Period	Corresponding period of last year
Trading volume (RMB trillion)	20.7	12.21
Number of board lots (hundred million)	2.3	1.5
	At the end of the Reporting Period	At the end of last year
Cumulative effective accounts (number)	108,126	96,679
Customer equity at the end of the period (RMB100 million)	246.6	157.7

Trading amount of Guotai Junan's futures and change of market share



(3) Margin financing and securities lending business

At the end of the Reporting Period, the balance of margin financing and securities lending in the market amounted to RMB1,019.3 billion, increasing by 34.9% compared with the end of last year, in which, the balance of margin loans amounted to RMB1,005.5 billion, increasing by 34.3% compared with the end of last year, the balance of securities lending amounted to RMB13.8 billion, increasing by 105.4% compared with the end of last year, the balance of margin refinancing

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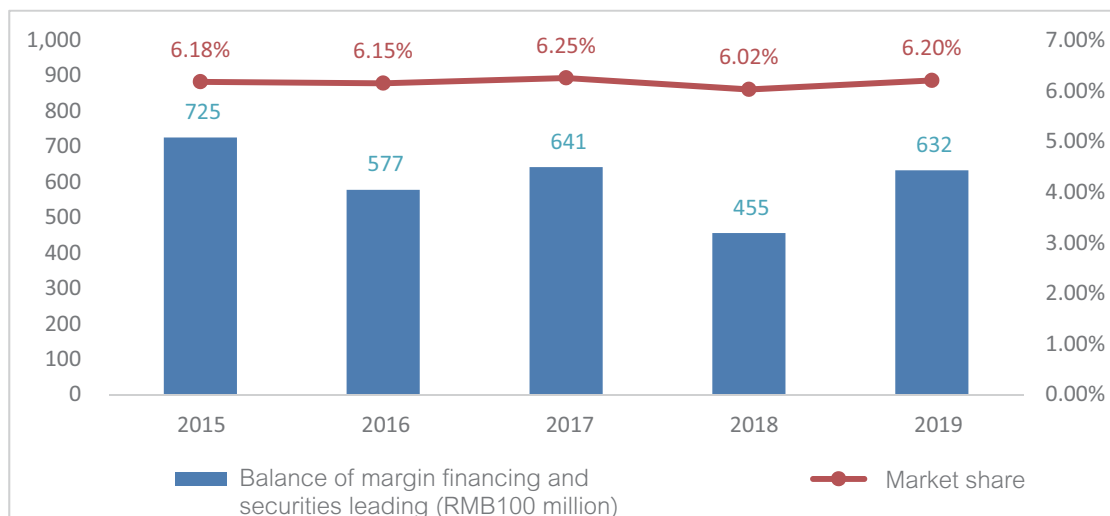
amounted to RMB72.1 billion, increasing by 41.2% compared with the end of last year, and the balance of securities refinancing amounted to RMB11.6 billion, increasing by 1,784.6% compared with the end of last year.

In 2019, the Group improved its target research system of the margin financing and securities lending business, optimized the floating interest rate management mechanism, strengthened its counter-cyclical adjustment and the market share has steadily increased; the Group seized the lending opportunities of science and technology board and public fund securities, improved the ability to obtain securities and liquidity management capabilities of securities sources, focused on professional investor securities lending services, the securities lending and refinancing securities business has grown rapidly; continued to tap the strategic trading needs of institutional customers, improved the service level of high net worth customers, and continuously optimized the customer structure. At the end of the Reporting Period, the balance of the Group's margin financing and securities lending amounted to RMB63.23 billion, increasing by 38.9% compared with the end of last year, with a market share of 6.20%, ranking third in the industry, among which, the balance of securities refinancing amounted to RMB1.58 billion, increasing by 116.2% compared with the end of last year, with a market share of 11.48%. The maintenance margin ratio was 279%.

Scale of margin financing and securities lending business of the Group at the end of 2019 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Balance of margin loans	616.4	447.9
Market value of securities lending	15.8	7.3
Balance of margin refinancing	40.0	11.5
Balance of securities refinancing	15.9	1.0

The Group's scale of margin financing and securities lending business and change of market share



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3. Investment management

(1) Asset management

According to the statistics of the SAC, as at the end of 2019, the scale of assets under management of securities companies amounted to RMB12.3 trillion in aggregate, representing a decrease of 12.9% compared with the end of the last year.

In 2019, Guotai Junan Asset Management focused on discretionary management, optimized product portfolio and continuously promoted the transformation and upgrade of its business model with steady improvement of its discretionary management capacity. During the Reporting Period, it was one of the first asset management companies to obtain the qualification for the pilot of restructuring collective asset management products according to mutual fund standards and completed such restructuring of two big collective asset management products and issued 131 new collective asset management products, representing a year-on-year increase of 167%, ranking second in the industry in terms of the number of new collective asset management products issued, and its business scale increased by 20.9% year-on-year.

As at the end of the Reporting Period, the scale of asset management of Guotai Junan Asset Management amounted to RMB697.4 billion, representing a decrease of 7.1% compared with the end of the last year, among which the scale of discretionary asset management amounted to RMB420.0 billion, representing an increase of 35.2% compared with the end of the last year, and the scale of discretionary asset management as a percentage of total asset management increased to 60.2%. According to the statistics of the SAC, as at the end of 2019, Guotai Junan Asset Management ranked third in terms of the scale of asset management.

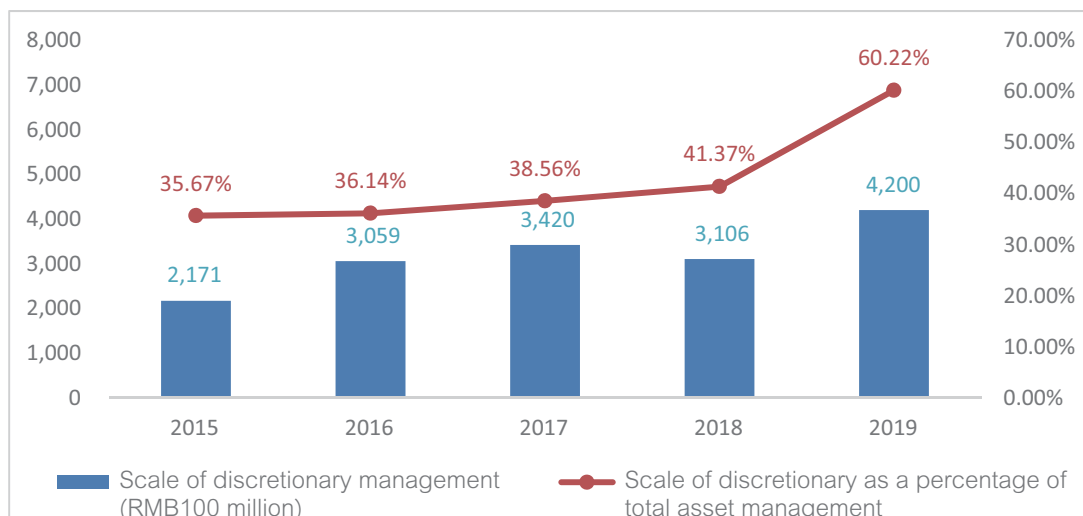
Scale of asset management of Guotai Junan Asset Management as at the end of 2019 (RMB100 million)

Item	As at the end of the Reporting Period	As at the end of last year
Scale of asset management business	6,974	7,507
Including: Scale of targeted asset management business	5,413	6,368
Scale of Collective asset management business	987	690
Scale of specialized asset management business	574	449
Scale of discretionary management business	4,200	3,106

Note: The calculation of the scale of collective asset management business is based on the net management asset.

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Change of scale of discretionary asset management as a percentage of total asset management



(2) Private fund management and alternative investment

According to the statistics of the Asset Management Association of China, as at the end of 2019, there were 24,471 private fund managers and 81,739 private equity funds registered with the Asset Management Association of China, with a paid-up capital of RMB13.7 trillion, increasing by 7.5% compared with the end of 2018.

In 2019, Guotai Junan Innovation Investment actively promoted the fund-raising of Guotai Junan's fund of funds and completed the fund registration in January 2020. In addition, Guotai Junan Innovation Investment steadily promoted new and existing projects of industrial funds and completed the establishment of four bailout funds, preliminarily establishing the new business model with the fund of funds playing a leading role, industrial funds playing a cornerstone role and special-opportunity funds playing a supplemental role.

Overview of private equity fund business in 2019

Item	As at the end of the Reporting Period	As at the end of last year
Number of managed funds (unit)	42	39
Cumulative committed capital of managed funds (RMB100 million)	347.2	333.5
Cumulative paid-in capital of managed funds (RMB100 million)	230.9	227.1
Cumulative number of investment projects (unit)	107	104
Cumulative investment project amount (RMB100 million)	137.5	132.9

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Overview of alternative investment business in 2019

Item	As at the end of the Reporting Period	As at the end of last year
Cumulative number of investment projects (unit)	31	26
Cumulative amount of investment projects (RMB100 million)	16.6	14.4

(3) Fund management

According to the statistics of the Asset Management Association of China, as at the end of 2019, the assets under management (AUM) of mutual funds management institutions was RMB14.8 trillion, representing an increase of 13.3% compared with the end of the last year. The AUM of the segregated accounts of fund management companies and its subsidiaries was RMB8.5 trillion, representing a decrease of 24.4% compared with the end of the last year.

In 2019, HuaAn Funds promoted the development of the innovation business and optimized the layout of its product lines with the significant increase in the scale of initial public offering of its products and the rate of return for active equity products ranking the top in the industry. As at the end of the Reporting Period, the AUM of HuaAn Funds amounted to RMB409.2 billion, representing a year-on-year increase of 16.1%, among which the AUM of mutual funds amounted to RMB351.7 billion, representing an increase of 27.6% compared with the end of last year.

4. International Business

The Group conducted brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong, mainly through Guotai Junan International. The Group has also actively expanded business presence into the United States, Europe and South-east Asia.

In 2019, Guotai Junan International enhanced its efforts on the development of large-enterprise institutional clients with significant optimization of client structure and promoted diversified business development with its investment banking business maintaining good development momentum, rapid growth of wealth management and new breakthrough in product innovation, thereby continuing to maintain its leading position among Chinese securities companies in Hong Kong; steadily promoted its international expansion with the completion of its acquisition of Vietnam Investment Securities Co., Ltd..

Major components of revenue of Guotai Junan International for 2019 (Unit: HK\$'000)

Item	During the Reporting Period	During the same period of last year
Fee and commission income		
– Brokerage	531,233	454,962
– Corporate finance	809,047	594,970
– Asset management	36,439	16,716
Income from loans and financing	1,134,972	1,307,294
Gains from financial products, market making and investments	1,733,845	651,948
Total revenue	4,245,536	3,025,890

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II. ANALYSIS OF FINANCIAL STATEMENTS

(I) Analysis of consolidated statements of profit or loss

1. Total revenue and other income structure

Unit: thousand yuan Currency: RMB

Items	January to December 2019		January to December 2018		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission income	12,124,791	31.05%	9,794,186	31.36%	2,330,605	23.80%
Interest income	12,630,205	32.34%	12,841,989	41.12%	-211,784	-1.65%
Net investment gains	8,096,610	20.74%	5,073,084	16.24%	3,023,526	59.60%
Total revenue	32,851,606	84.13%	27,709,259	88.72%	5,142,347	18.56%
Gains on disposal of a subsidiary	-	0.00%	648,287	2.08%	-648,287	-100.00%
Other income and gains	6,198,039	15.87%	2,871,839	9.20%	3,326,200	115.82%
Total revenue and other income	39,049,645	100.00%	31,229,385	100.00%	7,820,260	25.04%

In 2019, the Group's total revenue and other income amounted to RMB39.050 billion, representing an increase of 25.04% compared with the same period of last year, among which:

Our fee and commission income, accounting for 31.05% of the total revenue and other income, increased by 23.80% to RMB12.125 billion compared with the same period of last year, primarily due to the increase in fee income from the securities brokerage business resulted from the increase in the trading volume of the securities market in 2019;

The net investment gains, accounting for 20.74% of the total revenue and other income, increased by 59.60% to RMB8.097 billion compared with the same period of last year, primarily due to the increase in investment gains affected by the securities market;

The other income and gains, accounting for 15.87% of the total revenue and other income, increased by 115.82% to RMB6.198 billion compared with the same period of last year, primarily due to the increase in the transaction volume of commodities.

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2. Total expenses structure

Unit: thousand yuan Currency: RMB

Items	January to December 2019		January to December 2018		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission expenses	1,838,426	6.62%	1,574,713	7.13%	263,713	16.75%
Interest expenses	7,403,450	26.65%	7,009,885	31.74%	393,565	5.61%
Staff costs	7,766,427	27.95%	6,759,575	30.59%	1,006,852	14.90%
Depreciation and amortization expenses	1,291,570	4.65%	574,279	2.60%	717,291	124.90%
Tax and surcharges	136,880	0.49%	151,861	0.69%	-14,981	-9.86%
Other operating expenses and costs	7,271,807	26.18%	5,040,632	22.82%	2,231,175	44.26%
Provision for impairment losses	20,902	0.08%	1,150	0.01%	19,752	1717.57%
Credit loss expense	2,049,577	7.38%	976,493	4.42%	1,073,084	109.89%
Total expenses	27,779,039	100.00%	22,088,588	100.00%	5,690,451	25.76%

In 2019, the Group's total expenses amounted to RMB27.779 billion, representing an increase of 25.76% compared with the same period of last year, among which:

The fee and commission expenses, accounting for 6.62% of the total expenses, increased by 16.75% to RMB1.838 billion compared with the same period of last year, primarily due to the increase in the fee expenses of the securities brokerage business as a result of the increase in the trading volume of the securities market in 2019.

Other operating expenses and costs, accounting for 26.18% of the total expenses, increased by 44.26% to RMB7.272 billion compared with the same period of last year, primarily due to the increase in the transaction volume of commodities.

Credit loss expense, accounting for 7.38% of the total expenses, increased by 109.89% to RMB2.050 billion compared with the same period of last year, primarily due to the impairment provision for margin financing and securities lending business and stock-pledged financing business.

(II) Analysis of consolidated statements of cash flows

In the entire year of 2019, the net increase in cash and cash equivalents of the Group was RMB7.660 billion, among which:

The net cash generated from operating activities was RMB18.801 billion, primarily resulting from positive movements in working capital, mainly reflecting (i) the increase of RMB55.459 billion in financial assets sold under repurchase agreements, due to the increased bonds sold under repurchase agreements; (ii) the increase of RMB26.688 billion in accounts payable to brokerage customers, due to changes in the securities market; and (iii) profit before income tax of RMB11.445 billion. These cash inflows were partially offset by (i) the increase of RMB35.902 billion in financial instruments at fair value through profit or loss and derivative financial instruments, primarily resulting from increased investment of bonds, funds and other investment according to customer demand; (ii) the increase of RMB25.120 billion in cash held on behalf of brokerage customers; and (iii) the increase of RMB19.154 billion in margin accounts receivable, due to changes in the securities market.

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The net cash used in investing activities was RMB23.126 billion, primarily due to the RMB82.416 billion in cash paid to acquire financial assets at fair value through other comprehensive income and other investment assets, partially offset by the cash proceeds from the disposal of financial assets at fair value through other comprehensive income and other investment assets of RMB57.311 billion, reflecting our adjustment in trading and investment structure.

The net cash generated from financing activities was RMB11.985 billion, primarily due to (i) cash received from loans and borrowings of RMB55.252 billion; (ii) cash received from the issuance of short-term debt instruments of RMB39.065 billion; and (iii) cash received from the issuance of bonds of RMB23.213 billion. These cash inflows were partially offset by (i) the RMB53.028 billion in cash paid to repay loans and borrowings; and (ii) the increase of RMB51.225 billion in cash paid to repay bonds.

(III) Analysis of consolidated statements of financial position

Unit: thousand yuan Currency: RMB

Items	31 December 2019		31 December 2018		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current assets						
Property and equipment	5,211,423	0.93%	4,082,006	0.93%	1,129,417	27.67%
Right-of-use assets	2,926,043	0.52%	–	0.00%	2,926,043	N/A
Prepaid land lease payments	–	0.00%	785,312	0.18%	-785,312	-100.00%
Goodwill	599,812	0.11%	581,407	0.13%	18,405	3.17%
Other intangible assets	1,574,249	0.28%	1,472,424	0.34%	101,825	6.92%
Investments in associates	1,183,891	0.21%	1,294,133	0.30%	-110,242	-8.52%
Investments in joint ventures	1,274,671	0.23%	1,333,516	0.31%	-58,845	-4.41%
Debt instruments at fair value through other comprehensive income	53,408,720	9.55%	33,445,303	7.66%	19,963,417	59.69%
Equity instruments at fair value through other comprehensive income	17,547,076	3.14%	16,785,949	3.84%	761,127	4.53%
Financial assets held under resale agreements	1,959,737	0.35%	6,444,585	1.48%	-4,484,848	-69.59%
Financial assets at fair value through profit or loss	13,433,691	2.40%	7,364,543	1.69%	6,069,148	82.41%
Refundable deposits	12,975,377	2.32%	7,552,678	1.73%	5,422,699	71.80%
Deferred tax assets	1,251,032	0.22%	1,289,051	0.30%	-38,019	-2.95%
Other non-current assets	1,154,839	0.22%	2,932,037	0.67%	-1,777,198	-60.61%
Total	114,500,561	20.48%	85,362,944	19.56%	29,137,617	34.13%

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Items	31 December 2019		31 December 2018		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current assets						
Accounts receivable	3,484,166	0.62%	3,634,734	0.83%	-150,568	-4.14%
Other current assets	2,017,453	0.36%	1,867,556	0.43%	149,897	8.03%
Margin accounts receivable	72,088,344	12.89%	53,655,358	12.29%	18,432,986	34.35%
Debt instruments at fair value through other comprehensive income	6,858,108	1.23%	5,721,378	1.31%	1,136,730	19.87%
Financial assets held under resale agreements	51,980,260	9.29%	54,672,999	12.52%	-2,692,739	-4.93%
Financial assets at fair value through profit or loss	175,588,501	31.39%	130,317,537	29.84%	45,270,964	34.74%
Derivative financial assets	550,081	0.10%	648,358	0.15%	-98,277	-15.16%
Clearing settlement funds	4,460,152	0.80%	3,006,836	0.69%	1,453,316	48.33%
Cash held on behalf of brokerage customers	102,533,823	18.33%	77,492,497	17.74%	25,041,326	32.31%
Cash and bank balances	25,252,829	4.51%	20,348,883	4.64%	4,903,946	24.10%
Total	444,813,717	79.52%	351,366,136	80.44%	93,447,581	26.60%
Total assets	559,314,278	100.00%	436,729,080	100.00%	122,585,198	28.07%
Current liabilities						
Loans and borrowings	10,312,724	2.50%	8,279,422	2.73%	2,033,302	24.56%
Short-term debt instruments	17,424,352	4.22%	7,045,424	2.32%	10,378,928	147.31%
Placements from other financial institutions	9,488,642	2.30%	10,163,246	3.35%	-674,604	-6.64%
Accounts payable to brokerage customers	109,336,526	26.46%	82,347,043	27.19%	26,989,483	32.78%
Employee benefits payable	5,685,105	1.38%	4,984,863	1.64%	700,242	14.05%
Income tax payable	1,414,731	0.34%	1,518,105	0.50%	-103,374	-6.81%
Financial assets sold under repurchase agreements	126,017,296	30.50%	70,558,545	23.28%	55,458,751	78.60%
Financial liabilities at fair value through profit or loss	37,845,046	9.16%	28,820,153	9.51%	9,024,893	31.31%
Derivative financial liabilities	1,358,809	0.33%	255,973	0.08%	1,102,836	430.84%
Bonds payable	17,672,144	4.28%	15,476,842	5.11%	2,195,302	14.18%
Lease liabilities	638,382	0.14%	–	0.00%	638,382	N/A
Other current liabilities	14,229,188	3.44%	16,110,357	5.32%	-1,881,169	-11.68%
Total	351,422,945	85.05%	245,559,973	81.03%	105,862,972	43.11%
Net current assets	93,390,772		105,806,163		-12,415,391	-11.73%

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Items	31 December 2019		31 December 2018		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current liabilities						
Loans and borrowings	1,490,000	0.36%	–	0.00%	1,490,000	N/A
Bonds payable	51,901,409	12.56%	52,780,358	17.42%	-878,949	-1.67%
Lease liabilities	1,725,455	0.42%	–	0.00%	1,725,455	N/A
Deferred tax liabilities	13,762	0.00%	43,015	0.01%	-29,253	-68.01%
Financial liabilities at fair value						
through profit or loss	6,441,647	1.56%	4,456,490	1.47%	1,985,157	44.55%
Other non-current liabilities	225,237	0.05%	215,852	0.07%	9,385	4.35%
Total	61,797,510	14.95%	57,495,715	18.97%	4,301,795	7.48%
Total liabilities	413,220,455	100.00%	303,055,688	100.00%	110,164,767	36.35%
Total equity	146,093,823		133,673,392		12,420,431	9.29%

As of 31 December 2019, the total assets of the Group was RMB559.314 billion, increased by 28.07% compared with the end of last year; the total liabilities was RMB413.220 billion, increased by 36.35% compared with the end of last year; the total equity was RMB146.094 billion, increased by 9.29% compared with the end of last year.

The asset of the Group was mainly comprised of: financial assets at fair value through profit or loss of RMB189.022 billion (33.79% of the total assets); cash held on behalf of brokerage customers of RMB102.534 billion (18.33% of the total assets); margin accounts receivable of RMB72.088 billion (12.89% of the total asset); debt instruments at fair value through other comprehensive income of RMB60.267 billion (10.78% of the total assets). Financial assets held under resale agreements amounted to RMB53.940 billion (9.64% of the total assets), among which the current assets amounted to RMB444.814 billion and accounted for 79.52% of the total assets. The liquidity of the Group was fine with reasonable structure. In addition, the Group made impairment provisions for the assets showing impairment indications under market fluctuation and therefore the assets were of relatively high quality.

Non-current assets

As of 31 December 2019, our non-current assets amounted to RMB114.501 billion with an increase of 34.13% compared with the end of last year. Among the non-current assets, debt instruments at fair value through other comprehensive income amounted to RMB53.409 billion with an increase of 59.69% compared with the end of last year, which was primarily because the Group adjusted its investment scale according to the market conditions; financial assets at fair value through profit or loss amounted to RMB13.434 billion with an increase of 82.41% compared with the end of last year, which was primarily because the Group adjusted its investment scale according to the market conditions.

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Current assets

As of 31 December 2019, our current assets amounted to RMB444.814 billion with an increase of 26.60% compared with the end of last year. Among the current assets, financial assets at fair value through profit or loss amounted to RMB175.589 billion with an increase of 34.74% compared with the end of last year, primarily because the Group adjusted its investment scale according to the market conditions; cash held on behalf of brokerage customers amounted to RMB102.534 billion with an increase of 32.31% compared with the end of last year, primarily due to the impact of the securities market conditions; the margin accounts receivable amounted to RMB72.088 billion with an increase of 34.35% compared with the end of last year, which was primarily due to the increased size of margin financing and securities lending business given the securities market condition.

Current liabilities

As of 31 December 2019, our current liabilities amounted to RMB351.423 billion with an increase of 43.11% compared with the end of last year. Among the current liabilities, financial assets sold under repurchase agreements amounted to RMB126.017 billion with an increase of 78.60% compared with the end of last year, which was primarily due to the increase in bonds sold under repurchase agreements; accounts payable to brokerage customers amounted to RMB109.337 billion with an increase of 32.78% compared with the end of last year, primarily due to the impact of the securities market conditions; short-term debt instruments amounted to RMB17.424 billion with an increase of 147.31% compared with the end of last year, primarily due to the Group's adjustment to its liabilities structure.

Non-current liabilities

As of 31 December 2019, our non-current liabilities amounted to RMB61.798 billion with an increase of 7.48% compared with the end of last year. Among the non-current liabilities, financial liabilities at fair value through profit or loss amounted to RMB6.442 billion with an increase of 44.55% compared with the end of last year.

Equity

The equity attributable to equity holders of the Company increased by 9.29% from the end of last year to RMB146.094 billion as of 31 December 2019. The gearing ratio of the Group was 67.50% as of 31 December 2019, which has increased by 5.31 percentage points compared with the end of last year, given the Group's reasonable and stable assets liability structure.

Major restricted assets at the end of the Reporting Period

For details of assets with restricted ownership or use rights, please refer to note 28, 29, 31, 39, 40 and 41 of the consolidated financial statements.

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(IV) Borrowings and debt financing

As of 31 December 2019, the total borrowings and debt financing of the Group amounted to RMB98.801 billion, details of which are set out as follows:

Unit: thousand yuan Currency: RMB

	31 December 2019	31 December 2018
Loans and borrowings	11,802,724	8,279,422
Short-term debt instruments	17,424,352	7,045,424
Bonds payable	69,573,553	68,257,200
Total	98,800,629	83,582,046

For the details of the interest rate and the terms of the loans and borrowings, short-term debt instruments and bonds payable, please refer to note 42, 43 and 49 of the consolidated financial statements.

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 31 December 2019, the placements from other financial institutions amounted to RMB9.489 billion while the financial assets sold under repurchase agreements amounted to RMB126.017 billion. The total debt mentioned above amounted to RMB234.307 billion.

Except for the liabilities disclosed in this report, as of 31 December 2019, the Group did not have any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

(V) Major customers and major suppliers

The Group serves different individual, institutional and corporate customers across various sectors, providing comprehensive financial services to corporate and institutional customers and individual customers. In 2019, revenue from the five largest customers of the Group accounted for less than 2% of its total revenue and other income, and none of the five largest customers are its related party.

Due to its business nature, the Group has no major suppliers.

III. ANALYSIS OF INVESTMENT CONDITION

(I) Overall analysis of external equity investments

√ Applicable □ Not applicable

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As at the end of the Reporting Period, the Group's material equity investment and on-going material non-equity investment was as follows:

1. Material equity investments

☐ Applicable ☒ Not applicable

2. Material non-equity investments

☒ Applicable ☐ Not applicable

Office buildings in Jingan District, Shanghai: Guoxiang Properties, a subsidiary of the Company, received planning permission for a construction project and a construction permit for pile foundations for land lot No. 49 in Jing'an District on 23 June 2014 and commenced construction in June 2014. According to the resolution in the second meeting of the fifth session of the Board in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The accumulative investment of the project was RMB1.697 billion as at the end of 2019.

3. Financial items measured at fair value

☒ Applicable ☐ Not applicable

Unit: thousand yuan Currency: RMB

Item	Opening balance	Closing balance	Change	Effect on profit
Financial instruments				
at fair value through profit or loss	104,405,437	144,735,499	40,330,062	7,109,777
Debt instruments				
at fair value through other comprehensive income	39,166,681	60,266,828	21,100,147	2,176,331
Equity instruments				
at fair value through other comprehensive income	16,785,949	17,547,076	761,127	1,079,162
Derivative financial instruments	392,385	-808,728	-1,201,113	-326,625

4. Material assets and equity disposal

☐ Applicable ☒ Not applicable

IV. ANALYSIS OF MAIN HOLDING COMPANIES

☒ Applicable ☐ Not applicable

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(I) Guotai Junan Financial Holdings

Guotai Junan Financial Holdings primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong through Guotai Junan International and its subsidiaries.

The paid-up capital of Guotai Junan Financial Holdings is HK\$2,611.98 million and the Company holds 100% of its equity interests.

As of 31 December 2019, the total assets of Guotai Junan Financial Holdings were RMB94.576 billion with net assets of RMB11.797 billion; in 2019, its operating revenue was RMB2.807 billion and its net profit was RMB783 million.

(II) Guotai Junan Asset Management

Guotai Junan Asset Management is principally engaged in securities asset management business.

The registered capital of Guotai Junan Asset Management is RMB2 billion and the Company holds 100% of its equity interests.

As of 31 December 2019, the total assets of Guotai Junan Asset Management were RMB7.701 billion with net assets of RMB5.113 billion; in 2019, its operating revenue was RMB2.058 billion and its net profit was RMB735 million.

(III) Guotai Junan Futures

Guotai Junan Futures is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting and investment management.

The registered capital of Guotai Junan Futures is RMB2 billion and the Company holds 100% of its equity interests.

As of 31 December 2019, the total assets of Guotai Junan Futures were RMB29.181 billion with net assets of RMB3.484 billion; in 2019, its operating revenue was RMB5.718 billion and its net profit was RMB259 million.

(IV) Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is principally engaged in equity investment business and other businesses approved by China Securities Regulatory Commission.

The registered capital of Guotai Junan Innovation Investment is RMB7.5 billion and the Company holds 100% of its equity interests.

As of 31 December 2019, the total assets of Guotai Junan Innovation Investment were RMB8.664 billion with net assets of RMB7.608 billion; in 2019, its operating revenue was RMB438 million and its net profit was RMB154 million.

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(V) Guotai Junan Zhengyu

Guotai Junan Zhengyu is principally engaged in equity investment, financial product investment, and businesses as stipulated in the management norms of alternative investment subsidiaries of securities companies.

The registered capital of Guotai Junan Zhengyu is RMB2 billion and the Company holds 100% of its equity interests.

As of 31 December 2019, the total assets of Guotai Junan Zhengyu were RMB2.128 billion with net assets of RMB2.089 billion; in 2019, its operating revenue was RMB113 million and its net profit was RMB70 million.

(VI) Shanghai Securities

Shanghai Securities is principally engaged in securities brokerage; securities investment consultation; financial advisory relating to securities trading and securities investment; securities (exclusive of stocks and corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; agency sale of securities investment fund; intermediary business for futures companies; margin financing and securities lending; agency sale of financial products.

The registered capital of Shanghai Securities is RMB2.61 billion and the Company holds 51% of its equity interests.

As of 31 December 2019, the total assets of Shanghai Securities were RMB33.535 billion with net assets of RMB7.261 billion; in 2019, its operating revenue was RMB1.539 billion and its net profit was RMB303 million.

(VII) HuaAn Funds

HuaAn Funds is principally engaged in fund establishment, management of fund business and other businesses approved by CSRC.

The registered capital of HuaAn Funds is RMB150 million and the Company holds 20% in its equity interests.

As of 31 December 2019, the total assets of HuaAn Funds was RMB3.812 billion with net assets of RMB2.916 billion; in 2019, its operating revenue was RMB1.852 billion and its net profit was RMB450 million.

V. THE SITUATION OF STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

☒ Applicable ☐ Not applicable

As of 31 December 2019, the Group consolidated 48 structured entities, which included asset management schemes and partnerships. For those asset management schemes where the Group is involved as a manager, and partnerships where the Group is involved as general partner or investment manager, the Group considered that it has control rights over some asset management schemes and partnerships, and incorporated them into the consolidated category after comprehensively considering various factors such as the investment decision rights they owned and their exposures to variable returns. On 31 December 2019, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets, consolidated operating income and consolidated net profit were RMB4.151 billion, RMB187 million and RMB69 million.

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VI. USE OF PROCEEDS

In April 2017, the Company publicly issued 1,040,000,000 H Shares and subsequently in May 2017, issued 48,933,800 H Shares upon the exercise of the over-allotment option, the total proceeds from which were HK\$17.24 billion. The actual proceeds amounted to HK\$16.801 billion after deducting fees in relation to issuance expenses. As at the end of 2019, the remaining proceeds of HK\$2,520 million has been used for related overseas business development, which was in line with the use of purposes set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Global Offering of H Shares. All proceeds from the IPO of H Shares have been utilized.

In April 2019, the Company conducted the placing of 194,000,000 new H Shares under a general mandate with the proceeds of HK\$3.17 billion, in order to raise funding for business development. The placees and their respective ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company. The actual proceeds amounted to HK\$3.122 billion after deducting fees in relation to issuance expenses. On 9 April 2019, the price of the Company’s H Shares was HK\$17.24 per share. In 2019, the Company used HK\$ 3.1 billion, and the remaining HK\$ 22 million was used up by February 2020. The funds raised from the placing of H shares had been fully used. The utilization was in line with the purposes set out in the announcement dated 10 April 2019 in relation to placing of new H Shares under the general mandate.

VII. ESTABLISHMENT AND DISPOSAL OF BRANCHES (SUBSIDIARIES, BRANCH OFFICES, BUSINESS BRANCHES AND SPECIAL PURPOSE VEHICLES), DISPOSAL, ACQUISITION, SWAP AND DIVESTMENT OF MAJOR ASSETS AND THE EFFECTS OF THESE ACTIVITIES ON THE RESULTS OF THE COMPANY

During the Reporting Period, the Group established 4 new branch offices, 2 new securities branches and 6 new futures branches, relocated 5 securities branch offices, 43 securities branches and 2 futures branches in the same cities and deregistered 2 securities branches and 1 futures branch in China. (Please see the below table. Please see Appendix III for the particulars of the establishment and disposal of domestic branches). The establishment of branches is beneficial for the Group to optimize its network layout and improve the customer service ability of the Company.

General information about the establishment and disposal of the Group’s domestic branches

	Newly established branch offices	Relocated branch offices	Newly established securities/ futures branches	Relocated securities/ futures branches	Deregistered securities/ futures branches
The Company		5		34	2
Shanghai Securities	–	–	2	9	–
Guotai Junan Futures	3	–	4	–	–
Hicend Futures	1	–	2	2	1

Note: Beijing Jianguomenwai Street Futures Branch was upgraded to Beijing Branch Office; Guangzhou Futures Branch was upgraded to Guangdong Branch Office; Jinan Branch of Hicend Futures was upgraded to Shandong Branch Office.

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VIII. PRINCIPAL FINANCING CHANNEL, STRUCTURE OF LONG AND SHORT TERM LIABILITIES, MEASURES TAKEN AND MANAGEMENT POLICIES ADOPTED TO MAINTAIN LIQUIDITY, FINANCING ABILITY, CONTINGENT MATTERS AND THEIR EFFECTS ON FINANCIAL CONDITIONS

(I) Financing channel

In the PRC, the Company mainly uses financing products such as interbank borrowings, debt securities repurchase, short-term financing bills, financial bonds, corporate bonds, subordinated bonds, structured notes, convertible bonds, new issuance and placing to conduct short-term financing and medium to long-term financing through various venues including exchanges and interbank and over-the-counter markets according to relevant policies and regulations and market environment and its own needs. The Company may also obtain foreign funds through placing, convertible bonds, rights issue and issuance of medium-term notes, etc., thereby supporting the Company's overseas business development.

(II) Liability structure

Please refer to "II (III) Analysis of consolidated statements of financial position" of Section IV Report of Directors in this report.

(III) Liquidity management policies and measures

In order to maintain the liquidity and yield rate of its assets, the Company has established a liquidity reserve pool system as well as mechanisms relating to the management and operation of proprietary funds and liquidity, whereby the Company has established explicit responsibility division and authorization mechanism for the departments involved therein and improved the professionalism of liquidity management and operation. The Company has established and improved its financing strategies by continuously improving the diversity and stability of its source of funding, thus effectively maintaining its overall liquidity condition at a relatively safe level. In respect of liquidity operation, the Company always maintains short-term financing channels, such as relatively stable interbank borrowing and repurchase, in domestic exchanges and interbank markets and continuously exploits new trading methods and counterparties.

(IV) Analysis of financing capability and financing strategies

In order to maintain a balance between liquidity and profitability, the Company holds a certain number of fixed income products. Changes in interest rates will have a direct impact on the interest income from the cash held by the Company, the market price of the bond investment and the investment income. Meanwhile, equity investments of the Company are also impacted indirectly by changes in interest rates. In addition, since the Company has subsidiaries which are incorporated outside Mainland China, the Company contributes their capital with foreign currency. As the Company has foreign currency-denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies through its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the financial conditions of the Company. The Company fine-tunes the structures of its different classes of assets in a timely manner and utilizes corresponding hedging tools to mitigate the risks and the impacts of the aforesaid factors.

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IX. DISCUSSION AND ANALYSIS OF THE COMPANY ABOUT THE COMPANY'S FUTURE DEVELOPMENT

(I) Industrial landscape and trend

☒ Applicable ☐ Not applicable

The PRC securities industry is still in the historic period which offers opportunities for rapid development. In the long run, the development of the capital market, the reform and opening-up of the financial system shall provide the industry with broad development room. The securities industry will show a development trend of diversified businesses, differentiated developments, international competition and technology-based operations.

1. Development of the capital market will further diversify the services and products of securities Companies

To develop a standard, transparent, open, active and resilient capital market and give a better play of pivotal functions of capital market, several basic system reforms which take the launch of STAR market and pilot registration-based IPO system as the core, will be actively promoted. As a result, capital market will enter into a new track for long-term healthy development and provide more valuable growth opportunities. The basic functions of securities companies, as intermediary agents in capital market, will be improved continuously. The transformation and upgrade of traditional business and the arising of innovative business will largely expand the business scope and room of securities companies. Going forward, PRC securities companies will continue to focus on client demand as they promote new innovative businesses, expand the scope and depth of businesses and services, consolidate their businesses, products, channels and supporting services, and transform themselves into integrated financial service providers covering complete business chains, industrial chains and service chains.

2. Differentiated competition will provide more growth potential for leading securities companies

In recent years, driven by market competition, the PRC capital market has demonstrated the differentiation in business and the concentration of capital and profit in leading securities companies. Going forward, capital market will enter into a new stage of innovative development, which will demonstrate more requirements for the capital strength, innovation capability and risk control capability of securities companies and provide securities companies with more room for differentiated development. Benefiting from their market positions, capitals and economies of scale, leading securities companies with comprehensive strength and strong innovation capabilities will accelerate their growth across all markets and business areas, and further enhance their overall competitiveness and achieve development in scale and comprehensiveness. By contrast, small and medium securities companies will concentrate their resources and form competitive edges in certain market segments or regional markets to achieve growth, thereby forming a differentiated and multi-tiered competitive landscape with leading securities companies.

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3. Liberalization of PRC capital markets will enable securities companies to accelerate their globalization

With the proceeding of economic globalization and capital market reform, PRC capital market has entered a new stage of overall opening-up. In recent years, the increasing improvement of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, the official launch of Shanghai-London Stock Connect and “Full Circulation” of H shares, the removal of foreign exchange quota limit on QFII and RQFII, and the early removal of restrictions on shareholding percentage in securities industry have driven capital market to open up at a higher level, in a broader scope and in more forms. While bringing with abundant business resources for securities companies, the overall opening-up will also bring with more intensive competition and motivate PRC securities companies to further develop their international businesses by utilizing both domestic and overseas resources to realize synergy and growth. Therefore, leading securities companies may grow to large investment banks with international competitiveness by allocating resources, serving customers and managing risks worldwide.

4. Advanced technology will drive securities companies to upgrade their business as well as operation and management models

Advanced IT has transformed PRC securities companies’ businesses from the traditional fee-based models to diversified models focusing on professional services, client relations and Internet-based services. A growing number of securities companies are bringing their offline operations online to streamline their businesses, lower service costs and improve operational efficiency. Furthermore, the Internet-based operating models enable securities companies to collect large amounts of client data to analyze and understand client needs, improve client satisfaction and loyalty and acquire new clients. With financial innovation as breakthrough, securities companies will provide investors with tailored products and services and strive to improve the investment returns for clients.

(II) Development strategies of the Company

☒ Applicable ☐ Not applicable

1. Opportunities and challenges for development

In terms of external environment, the improvement of strategic positioning and the continuous enhancement of pivotal functions of capital market, the promotion of basic system reforms, such as the launch of STAR market, have brought with significant opportunities for securities industry to accelerate development while presenting critical challenges for the comprehensive service capability of securities companies. In terms of internal conditions, the Group is in the best development period in history. The gradual penetration of the “Guotai Junan Consensus”, the implementation of strategic plans for a new period, the preliminary establishment of international capital structure and the optimization of operational mechanism have created conditions for the further innovative development of the Group. However, the more sophisticated and tough economic environment, the increasing opening-up of capital market and the intensive competition in securities industry in the PRC have brought many challenges to the future development of the Group.

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2. The Company's industrial advantages and shortcomings

The Group's industrial advantages mainly include: deeply rooted culture of risk management and excellence; across-the-board leader in the PRC capital market; pioneer of technology and innovation in the PRC securities industry. (Please refer to "III. Analysis of Core Competitiveness during the Reporting Period" under "Section III Summary of Businesses of the Company" in this report for details)

In the process of future development, the Group will still need to further consolidate its overall leading advantages, improve the core competitiveness of principal business, optimize the management mechanism at group level and gradually narrow the gap between itself and leading financial institutions.

3. Development strategies

With the mission of "creating value through providing financial services", the Group will strive to realize the development vision of "becoming an integrated financial services provider rooted in China with global coverage and significant influence". According to the Group's Outline of Development Strategy Plan from 2019 to 2021, the Group's phased objective for this planning period is to develop the Group into "an integrated financial services provider with an across-the-board leading position in China and international competitiveness" according to higher standards and with more depth.

4. New businesses to be conducted

In 2020, the Group will proactively take advantage of opportunities arising in the basic system reforms, such as the launch of registration-based IPO system, continue to promote the innovation and transformation, further optimize the corporate institutional customer service system and retail customer service system, enhance the integrated financial service capabilities of institutional financial services, accelerate the transition from personal financial services to wealth management, strengthen the active management capabilities of investment management business, practically promote the international business, and focus on serving the new needs of important fields including science and technology industry, wealth management, asset management, OTC derivatives, cross-border and clearing, so as to continuously consolidate our competitive strengths in the principal business field.

(III) The operation plan

√ Applicable ☐ Not applicable

In order to implement the new three-year strategic plan of the Group, in 2020, the Group will adhere to the problem-oriented, goal-oriented and effect-oriented strategy, take the guideline of "comprehensive benchmarking, confronting challenges, grasping opportunities, and striving to achieve a leading position for the comprehensive strength of the Company" for the year, accelerate implementation of the comprehensive reform tasks, and focus on promoting the following tasks: (1) improving capabilities and accelerating establishment of the Company's high wealth management business model; (2) strengthening collaboration and accelerating improvement of various businesses cooperation through mechanism innovation; and (3) reducing costs and increasing efficiency, and improving the Company's competitiveness with effective cost management and performance assessment.

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(IV) Possible risk exposure

√ Applicable ☐ Not applicable

1. Overview

During the Reporting Period, the Company insisted on its healthy risk culture, identify “compliance risk management” as one of its core strategies, continually established comprehensive risk management system, improved risk management system, optimized risk management organization structure, explored risk management models and methods, built up risk management information system, and enhanced the professional level of risk management, in order to ensure the long-term and healthy development of the Company.

2. Risk management structure

The Company has established a four-level risk management system consisting of the Board (including risk control committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries.

(1) The Board (including risk control committee) and Supervisory Committee

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company. The Board is responsible for promoting the construction of risk culture; reviewing and approving the fundamental risk management policies of the Company; reviewing and approving the Company’s risk appetite, risk tolerance and major risk limits; reviewing periodic risk assessment report; appointment, dismissal and assessment of the chief risk officer, determining his/her remuneration; establishing a mechanism for communicating with the chief risk officer directly. The Board of the Company has established a risk control committee, which is responsible for reviewing the overall objectives and fundamental policies of risk management; reviewing the establishment and the duties of the risk management divisions; assessing the risks associated with significant business decisions and the solutions to address significant risks which are to be reviewed by the Board; reviewing various risk assessment reports; reviewing the effectiveness of the Company and its subsidiaries’ risk management and internal control systems at least once a year in accordance with the instruction of the Board and making a report to Shareholders in Corporate Governance Report declaring that relevant review has been completed.

The Supervisory Committee of the Company is responsible for supervising comprehensive risk management of the Company, supervising and reviewing the performance of the risk management and rectification of defect.

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(2) Operation management (including risk management committee and assets and liabilities management committee)

Our operation management takes the major responsibility of the comprehensive risk management of the Company; is responsible for organizing and implementing the publicity and dissemination of risk culture; establishes risk management system and makes timely adjustment; establishes a healthy operation management structure for the Company's comprehensive risk management and clarifies the duty division of comprehensive risk management among risk management functions, business departments and other departments; establishes the specific execution plans of risk appetite, risk tolerance and major risk limits, and ensures the effective implementation of the plans; monitors its progress, analyzes its reasons in a timely manner and handles it according to the authorizations granted by the Board; periodically assesses the overall risk of the Company and various types of important risk management conditions, resolves problems that are found in risk management and reports to the Board; establishes a performance assessment system for all staff that covers effectiveness of risk management; establishes a complete IT system and data quality control mechanism.

A risk management committee is set at the operation level of the Company, conducting overall management for the Company's operational risks, and reviewing and making decisions on major issues of risk management and performing following duties: reviewing arrangements and important systems for compliance risk control mechanism of the Company and its subsidiaries, making decisions or submitting to relevant decision-making bodies for consideration; reviewing the Company's basic policies for risk management, annual risk appetite, self-funded business scale, and maximum risk limits, reviewing the Company's semi-annual and annual compliance management, risk management reports, and annual internal control evaluation reports and submitting to the board of directors and the risk control committee of the Company for approval; within the scope of the board of directors' authorization, considering and determining various investment and financing business scales, risk limits allocation plans, and important risk control indicators and its major adjustments of the Company; considering and making decisions for new authorization of the Company's operations and management and authorization adjustments; reviewing the Company's major innovative business risks, compliance assessment report, making decisions and grant authorization; reviewing the company business matters that have major disputes in the risk assessment and risk control mechanism arrangement; considering the election of the frontline compliance and risk control person in charge, and the recommendation and appointment of the risk control and compliance person in charge of the subsidiary; judging and identifying prospectively on regulatory situation and the risk situation, making decision for compliance risk control response; considering and deciding the disposal options for the Company's major risk issues; considering other matters of significant risk management in business activities.

The member of risk management committee included President, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, the head of first risk management department, the head of second risk management department, the head of the planning and finance department, the head of the compliance department, the head of strategic Management, the head of the audit department and the head of legal department.

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(3) Risk management departments

Our risk management departments include those which are specifically responsible for risk management, such as the first risk management department, the second risk management department, the compliance department, the legal department and the audit department, as well as departments that perform other risk management duties, such as the planning and finance department, the interbank department, the IT department, the operation center and the Board office. Our first risk management department manages the market risks, credit risks, operational risks and liquidity risks, and performs specific risk management responsibilities; our second risk management department is responsible for the risk review and assessment of the Company's securities issuance business in the primary market; our compliance department effectively identifies, assesses and prevents compliance risks of the Company; our legal department is a department that identifies, evaluates, notifies, monitors and reports the legal risks of the Company and effectively prevents legal risks and protects the Company from legal penalties, significant financial losses and damages to reputation; our audit department is responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, finance and other operations, on the security and profitability of assets, and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries. Our planning and finance department is responsible for the Company's budget planning, financial management, accounting and net capital management; our interbank departments responsible for liquidity management and liquidity risk management; our IT department is the management and operation body of the Company's IT, and is responsible for the planning, construction, operation and management of the Company's IT system, establishing and implementing IT-related system, assessing and controlling the Company's IT risks; our operation center is the daily operation management department of the Company and is responsible for the centralized clearing, settlement, auditing, third-party depository operation of the Company's various businesses, and takes the responsibility of relevant risk management and control; our Board office is responsible for the management of the Company's reputation risk.

(4) Other business departments and branches

The key responsible persons of each of our business, departments, branches and subsidiaries are the persons who are primarily responsible for risk control of each business units. In order to enhance the frontline risk responsibility consciousness, strengthen front end risk control, identify and prevent risk timely and effectively, the Company continuously strengthens the risk control function of each specialized management committees, business departments, branches and subsidiaries. The Company established a compliance and risk management system for subsidiaries, requiring that the subsidiaries shall develop and improve risk management system for their own, effectively improve the overall risk management level.

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3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk, liquidity risk and reputation risk; risk management system on various business and products and the practical business operation protocol. During the Reporting Period, the Company revised the risk control index management system, the institutional customer credit management system, the operational risk management guidelines, the investment banking core management system, the counter market risk management system, and the money laundering risk management system in accordance with the latest regulatory requirements.

4. Risk appetite system

Risk appetite is an overall attitude held by a company in the face of risks after taking into full consideration of net capital, assets and liabilities, solvency, liquidity, external evaluation, compliance of operations and business risks and opportunities in the future, provided that requirements from creditors, customers, supervision organization, rating agencies and other stock related parties have been satisfied, as well as the types and level of risks that the Company is willing to take.

The Company sorts out the expectation and requirement of respective interested parties (including Shareholders, regulatory authorities, rating agencies, board and senior management), sets specific goals based on the core aspects (including development strategies, operation performance, capital strength, liquidity, compliance and external rating) and forms the Company's risk appetite system. On the basis of a complete overall risk appetite setting, the Company describes the risk boundaries of different dimensions such as overall risk and major risks through quantized risk tolerance indicators. Subject to risk appetite and risk tolerance, the Company sets limits on key risk indicators and conducts risk monitor and control based on those limits.

During the Reporting Period, after having been considered and approved by the Board, the Company clearly put forward the Group's risk appetite, tolerance and limit for 2019 and made risk decomposition and transmission in accordance with different risk types and various dimension and implemented in the course of ordinary business. In 2019, the Group's various indicators remained stable under its risk appetite system.

5. Measures against various risks

(1) Market risks

Market risks are those that may cause loss to the Company due to unfavorable changes of market prices, which includes but not limited to interest rates, exchange rate, stock prices and commodity prices. The businesses of the Company that involve market risks mainly include the investment and transactions of equity securities and their derivatives, the NEEQ market making business, the investment and transactions of fixed-income securities and their derivatives as well as low-risk and non-directional transactions such as foreign exchange transactions, precious metal transactions and commodity transactions.

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The Company implements boundary management for market risks and formulates a market risk boundary system comprising business scale, loss boundary, Value at Risk (VaR), exposure, Greek letters, effectiveness of hedge, sensitivity and various types of risk indicators. It determines the alarm standards, warning standards and responding measures for market risks.

The Company conducts daily monitoring for market risk limits using its risk management system to monitor the operation of its businesses. We report market risk monitoring and management conditions, and conduct specialized analysis on risk matters, in order to provide basis for decision making. The Company adopts methods such as Value at Risk (VaR) and Stress Test to analyze and assess market risk. The Company's Value at Risk (VaR) calculation applies a historical simulation method based on the historical data for the previous 12 months, assuming the holding period is one day and the confidence level is 95%. The calculation model of VaR covers equity price risk, interest rate risk, commodity price risk and exchange rate risk. The Company regularly reviews the effectiveness of VaR model through the back testing method. The following table sets forth the VaR of the Company by risk types as at the dates and for the periods indicated: (1) the daily VaR as of the beginning and the end of the respective period; (2) the average value, the minimum value and maximum value of the daily VaR for the respective period.

Value at Risk (VaR) of the Group for the year of 2019

Unit: ten thousand yuan Currency: RMB

Category	31 December	2 January	2019		
	2019	2019	Average	Minimum	Maximum
Equity price-sensitive financial instruments	18,230	14,592	15,167	7,200	19,639
Interest rate-sensitive financial instruments	9,106	8,295	9,574	6,144	13,701
Commodity price-sensitive financial instruments	1,141	582	982	442	1,756
Exchange rate-sensitive financial instruments	4,726	2,494	3,621	2,458	5,496
Risk diversification effect	(8,451)	(3,272)	(7,249)	(3,145)	(11,796)
Total portfolio VaR	24,752	22,692	22,094	13,743	26,710

Note: VaR of the Group covers the financial assets of the self-funded investment of the Group.

In addition to the VaR, the Company actively uses stress tests to measure and assess possible losses in extreme market conditions. The Company regularly conducts comprehensive and special stress tests to strengthen risk assessment and development monitoring in connection with the trading and investment businesses, and applies its results of stress tests to market risk management and quota management.

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(2) Credit risks

Credit risks are those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity. The Company's current credit risks mainly concentrate on the bond investment business, margin financing and securities lending business, stock-pledged financing transaction businesses and OTC derivatives business.

The Company implements access management for credit risks. Before conducting relevant businesses including credit risks, clients' credits will be rated. If the rating result is within the accessible credit rating, the credit may be granted and business may be carried out. Before the application for rating clients' credit and granting credit, each business department shall conduct due diligence. As for clients whose credit rates satisfy access conditions, the credit line shall be determined according to the particulars of clients.

The Company mitigates credit risk through methods such as deposits, qualified collaterals and netting settlements. An entry threshold has been formulated for securities investment business and through white list management and concentration control, the credit risks of bond positions are being continuously tracked and assessed. Our credit business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business. The access standards and discount rates will be reviewed regularly by the Company. When there is a significant change of market or policies or there is a significant credit event related to the relevant entity applying for the credit, the access standards and discount rates shall be reviewed randomly. For collaterals other than cash, the Company conducts marking to market management and assesses collaterals' value.

The Company analyzes credit risk factors of each business, identifies the credit risks for the business and conducts credit risks concentration management and measure assessment. The Company conducts credit risk management for its large clients in respect of concentration risk control targets. The Company uses analysis methods such as centralization, probability of default, default loss rate, credit exposure and collateral coverage rate as credit risk measures. The Company sets reasonable credit risk stress scenarios, conducts stress tests and analyzes the results thereof.

As at the end of 2019, the Company's credit risk was generally controllable, and no significant credit default events occurred in bond investment business. The average performance guarantee ratio of the stock-pledged financing business was 260%, and the average of the guarantee ratio for clients with outstanding liabilities in margin financing and securities lending business maintained at 279%.

(3) Liquidity risks

Liquidity risks are those we might face when we are not able to obtain sufficient funds in time at reasonable costs or prices to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company mainly adopts the risk indicators analysis method to assess its overall liquidity risks, i.e., the Company assesses and measures its overall liquidity risk condition by analyzing key indicators such as the liquidity coverage rate, net stable funding ratio, leverage multiple, cash flow

Section IV Report of the Directors

term gap, net size of the cash management pool, liquidity ratio, liquidity reserve ratio as well as asset and liability concentration. The Company establishes a liquidity risk limit system, conducts limit management on liquidity risks and monitors and reports the implementation of limits. The Company establishes a quantitative model for the liquidity risk of financial assets, and measures the liquidity of the Group's various types of exchange and over the counter financial assets on a daily basis to assess the liquidity risk of various financial assets,

The Company explores and maintains financing channels, continuously keeps an eye on the risk conditions of significant capital providers, and regularly monitors the conditions of significant capital providers' transactions with the Company. The Company concerns the changes of capital markets, assesses the ability and cost of supplementing its liquidity by issuing stocks, bonds and other financing instruments and mitigates its period mismatch by supplementing its middle-to-long term liquidity. Under the premise of controlling the liquidity risk at the overall level, the Company pays attention to liquidity risk management at various business line levels, to focus on identifying, assessing, monitoring and controlling the fund management business, trading and investment proprietary business, brokerage business, credit business, investment banking business, and liquidity risk factors of the subsidiaries.

The Company conducts liquidity risk stress tests on the regular or ad hoc basis, simulates the losses that may occur under extreme liquidity pressures, assesses and judges the Company's ability to withstand risks in extreme situations and fulfills its payment obligations, and takes necessary measures to respond to the test conclusion.

The Company establishes and continuously improves the contingency plan for liquidity risks, which includes taking measures such as transferring, decentralizing and reducing risks exposure to reduce the level of liquidity risks. The Company also establishes emergency response or backup systems, procedures and measures for natural disasters, system failures and other emergencies so as to reduce losses and reputation damages that the Company may suffer. The contingency plan will be rehearsed and assessed regularly and emergency response arrangements will be continually updated and improved.

In 2019, the liquidity of the market was generally reasonable and sufficient, but there was also a situation of credit hierarchy. In response to the new situation, the Company strengthened management and control of liquidity risk and developed its own fund liquidity operation plan at the group level and uniformly regulated and managed the investment targets of liquidity operation in the Group and counterparties. In 2019, the Company's liquidity coverage ratio and net stable funding ratio both met the regulatory requirement. The net size of the cash management pool was higher than the scale lower limit set by the Company and the overall liquidity status was good.

(4) Operational risks

Operational risks are the possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events.

The Company sorts out the key risk points and control processes of each business, manages daily operational risks by using the operational risk management system, and establishes the self-evaluating procedure of operational risk and control. Each department, branch and subsidiary actively identifies operational risks in their internal system procedures, employee behaviors and

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IT systems to ensure that the operational risks in existing and new businesses and management are adequately assessed. The Company systematically gathers and organizes the information of the events of operational risk and lost data, establishes key operational risk indicative system and monitors its process, and prepares periodical reports. In terms of significant operational risk events, it will provide specific valuation reports to ensure that the operational risk situation of the Company could be fully understood in a timely manner, which in turn facilitates their decision-making regarding the response to the risks or the initiation of contingency plans.

The Company continuously strengthens the security of information systems, formulates a comprehensive emergency response plan for information security events, and conducts assessment over the main plan and sub plan of emergency response. It also arranges various rehearsals against incidents, disaster and other emergencies that covers all important information systems in the headquarters and all branches, and improves, modifies and upgrades its systematic and emergency response plan based on the results of rehearsal and findings identified.

In 2019, the Company's information technology and operation affairs ran smoothly in a safe way with no significant operational risk events. The fault backup and recovery time for each information system emergency rehearsal reached our established goal, which has verified that the Company's core transaction system has incident and disaster response capabilities.

(5) Reputational risks

Reputational risk is the risk of negative evaluation to the Company's reputation as a result of its operations, management and other actions or external events. The Company incorporates reputational risk management into our comprehensive risk management system, establishes a reputational risk management mechanism, and sets up a brand center as the Company's reputational risk management department under the Board Office, requiring all departments, branches, sales offices and subsidiaries to actively and effectively prevent reputational risks and respond to reputational risk events, accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage the reputational risks in the process of business management, and minimize losses and negative impacts on the Company's reputation and brand image.

In 2019, the Company improved the reputational risk management mechanism, and its overall public sentiment was stable and no major reputational risk events occurred.

(V) Others

√ Applicable ☐ Not applicable

1. Business innovation during the Reporting Period

Please refer to "Section III Summary of Businesses of the Company – II. Analysis of Core Competitiveness during the Reporting Period" in this annual report.

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2. Risk control for business innovation

- (1) The Company has included business innovation in its comprehensive risk management system. Based on the development and risk profile of innovative business, the Company has established complete decision-making mechanism, management model and organization structure catering for the business and formulated relevant compliance and risk management policies for the business to standardize the risk management for the business during the entire process. The sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks was ensured through risk assessment and determination, inspection before launch and continuous management for innovative business. Before the launch of innovative business, the risk management department of the Company conducted compliance verification, identification and assessment, measurement analysis, and directed business department to improve internal control mechanism in relation to policies and procedures.
- (2) The Company has established multi-level risk control and warning mechanism for innovative business and designed various risk control indicators and risk limits for each level based on the risk profile of the business, which enabled dynamic track to the risks of innovative business. In the course of innovative business, the specific compliance and risk controller of business department was responsible for marking to the market and Risk Management Department I conducted independent monitoring to prompt risk warning in case of abnormal risk control indicators and take corresponding risk control measures based on the level of the risk warning, therefore ensuring that the risk level of innovative business at any time was within the tolerance of the Company.
- (3) The Company has established the policy of regular report and significant risk event report for innovative business to issue regular risk information report for the business, ensuring that all the staff and senior management involved in innovative business were informed of all necessary business, risk and management information on a timely basis. When the operation of innovative business was impacted by reason of external market turmoil, internal management and technical system failure, which may result in significant loss to the interest or reputation of the Company, the responsible department or the internal control department that identified the risk shall immediately report to the business leader, the chief risk officer and the risk management department for the implementation of existing contingency plan or proposing new response plan based on the actual situation by the decision makers.
- (4) The Company conducted special review on the conduction of innovative business on a regular basis to improve the internal control and risk response capacity of the business. Such special review covered important steps of innovative business and management. Each of the related departments studied and analyzed the conduction and internal control mechanism of innovative business based on the findings of special review, improved the management policies, operation process and corresponding control mechanism, and completed the contingency plan for innovative business, ensuring the stable and healthy development of innovative business.

3. The establishment of dynamic risk control indicators monitoring and capital replenishment mechanism, risk control indicators that do not meet the required standards, rectification measures and rectification effect during the Reporting Period

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(1) The establishment of dynamic risk control indicators monitoring mechanism of the Company

- a) In order to establish and improve the dynamic monitoring of the Company's risk control indicators and capital replenishment mechanism, strengthen risk monitoring and carry out various businesses under measurable, controllable and sustainable risks, according to the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC, the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Securities Companies (《證券公司風險控制指標動態監控系統指引》) issued by the SAC and other relevant regulations, the Company has formulated the Administrative Measures for the Net Capital and Liquidity Risk Control Indicators of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司淨資本和流動性風險控制指標管理辦法》) and the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司風險控制指標動態監控系統工作指引》) and other internal systems.
- b) In accordance with regulatory requirements, the Company has established a dynamic monitoring system of risk control indicators to achieve dynamic monitoring and automatic warning of risk control indicators. The dynamic monitoring system of the Company can cover various business data that affect the net capital and liquidity risk control indicators and dynamically calculate various risk control indicators including net capital and liquidity; carry out dynamic monitoring based on the characteristics of each business, and automatically warn the risk control indicators such as net capital and liquidity according to the preset monitoring standards; generate dynamic monitoring reports on risk control indicators such as net capital and liquidity.
- c) The Company shall monitor various risk control indicators such as net capital and liquidity in accordance with the relevant provisions of the CSRC, prepare supervision reports on risk control indicators, and make classified warning and follow-up reports on risk information in a timely manner; all relevant departments of the Company shall carry out their work within the scope of their responsibilities, provide relevant information with good quality on a timely basis, and make regular follow-up control and analysis on relevant indicators of the system.

(2) Non-compliance and rectification measures

- a) When the Company's net capital or other risk control indicators reach the warning level prescribed by the CSRC or fail to meet the stipulated requirement, the Company shall file a written report to the relevant local office of the CSRC within three working days and one working day, respectively, to explain the basic situation, the cause of the problem and the specific measures and deadline to solve the problem.
- b) As at the end of 2019, each risk control indicator of the Company met the required standards.

X. THE SITUATION IN WHICH THE COMPANY FAILED TO DISCLOSE INFORMATION DUE TO NON-APPLICABILITY OF STANDARDS OR SPECIAL REASONS SUCH AS STATE SECRETS AND TRADE SECRETS AND REASONS THEREFOR

☐ Applicable ☒ Not applicable

Section V Significant Events

I. PROPOSAL FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Formulation and implementation of or adjustment to the cash dividend policy

☒ Applicable ☐ Not applicable

According to the Articles of Association of Guotai Junan Securities Co., Ltd., the Company has explicitly formulated the profit distribution policy, including the cash dividend policy which states that “The Company actively adopts a positive, sustainable and stable profit appropriation policy, which emphasizes a reasonable investment return for investors. The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company shall give priority to distribute dividends in cash provided that the conditions for cash distribution are satisfied. When implementing the cash dividend distribution, the Company shall consider the internal and external factors, directors’ opinions and Shareholders’ expectations. Under the preconditions that Company has no major investment plan or there is no significant cash expenditure, as well as the net profits realized by the Company in current year and the accumulated undistributed profits at end of current year are positive, the Board of the Company shall distribute annual or interim profits by cash as long as it does not affect the normal operation of the Company, in which case the Company shall distribute cash dividends (including interim and final dividends) in an amount equal to at least 15% of the annual distributable profits (net of gains from fair value changes and so on according to relevant requirements) in any year. In distributing profits by means of shares, the Company should take into account the operation position and share capital scale and adequately consider factors such as growth, dilution to net assets per share and so on.

The Board of the Company shall take various factors into account, including its industry features, the stage of development, its own business model, profitability as well as whether it has any substantial capital expenditure arrangement, to propose a differentiated policy for distributing cash dividend. Unless otherwise stipulated in the Articles of Association, the profit distributed in cash each time shall not be less than 20% of the actual profit distributed.

If the Company decides not to make cash dividend or decides to make cash dividend at a ratio lower than the prescribed one in special circumstances, the Company shall implement the relevant decision-making procedures and make disclosure according to the applicable laws, administrative regulations, departmental rules and the provisions of the stock exchange at the listing place.”

The Company’s profit distribution proposal for 2019 is: Based on the total share capital of the Company on the record date for dividend distribution, the Company will distribute to the holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB3.9 (tax inclusive) for every 10 Shares. As the A-Share Convertible Bonds issued by the Company in July 2017 have entered into share conversion period from 8 January 2018, currently the Company is unable to determine in the total share capital of the Company as at the record date of dividend distribution for holders of A Shares. Based on the Company’s total share capital of 8,907,948,159 Shares as of 31 December 2019, the total amount of cash dividend distributable will be RMB3,474,099,782, representing 40.22% of the net profit attributable to owners of the parent company under the consolidated financial statements for 2019. The Company’s profit distribution proposal for 2019 has been reviewed and passed by the fifteenth meeting of the fifth session of Board. It still needs to be reviewed at the Company’s general meeting.

Section V Significant Events

The aforesaid profit distribution proposal of the Company is compliant and transparent and complies with the Articles of Associations and approval procedures and sets out definite criteria and proportions of dividends. Independent Directors have expressed their independent opinions that the decision-making procedures and mechanism are complete and the proposal fully protects minority investors' interests.

(II) Dividend distribution plan or proposal and plan or proposal on transfer of capital reserve fund into capital for ordinary shares of the Company for the last three years (including the Reporting Period)

Unit: yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Number of increased shares for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Net profit attributable to shareholders of ordinary shares of the listed company in the consolidated financial statements for the year of distribution	Percentage of net profit attributable to shareholders of ordinary shares of the listed company in the consolidated financial statements (%)
2019	0	3.90	0	3,474,099,782	8,637,037,492	40.22
2018	0	2.75	0	2,449,685,687	6,708,116,621	36.52
2017	0	4.00	0	3,485,576,090	9,881,544,722	35.27

(III) Repurchase of shares in cash included in cash dividend

☐ Applicable ☒ Not applicable

(IV) If the Company records profits and the parent company records positive retained profits for distribution to ordinary shareholders during the Reporting Period but there is no proposal for cash profit distribution for ordinary shares, the Company shall disclose the reasons and the usage of the retained profits and the usage plan in detail

☐ Applicable ☒ Not applicable

II. THE PERFORMANCE OF UNDERTAKINGS

(I) The undertakings of the Company's de facto controllers, Shareholders, related parties, buyers and the Company and other related parties during the Reporting Period or that continued to be valid during the Reporting Period

☒ Applicable ☐ Not applicable

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
Undertakings related to initial public offering	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's controlling shareholder ^(Note 1)	Yes	Yes	–	–
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	–	–
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	–	–
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	–	–
	Shanghai International Group Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's de facto controller ^(Note 1)	Yes	Yes	–	–
		Other	The undertaking of avoiding the competition with Guotai Junan in the same industry (Non-Competition Arrangement)	From the listing date of the H Shares of Guotai Junan to the date on which no longer being the Guotai Junan's controlling shareholder ^(Note 2)	Yes	Yes	–	–
		Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	–	–

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
	Shanghai Sitico Assets Management Co., Ltd	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
	Shanghai International Group Asset Management Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
	Shanghai International Group Asset Operation Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
	The Company	Other	The undertaking of repurchasing shares and indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
		To resolve the competition in the same industry	The undertaking of eliminating the competition with Shanghai Securities and Haiji Securities in the same industry	Within 5 years after the date on which Guotai Junan controlled Shanghai Securities	Yes	Yes	-	-
	Directors, supervisors and senior management of the Company	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-

Note 1: The controlling shareholder and the de facto controller as referred to herein are as defined under the SSE Listing Rules.

Note 2: The controlling shareholder as referred to herein is as defined under the Hong Kong Listing Rules in force from time to time.

(II) The Company's explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects is estimated when the Reporting Period is still within the earnings estimate period

☐ Met ☐ Unmet ☒ Not applicable

(III) Completion of performance commitments and the effect on impairment testing of goodwill

☐ Applicable ☒ Not applicable

III. EMBEZZLEMENT OF FUNDS AND REPAYMENT OF DEBTS DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

IV. EXPLANATIONS OF THE COMPANY ON "NON-STANDARD OPINION AUDIT REPORT" OF ACCOUNTING FIRM

☐ Applicable ☒ Not applicable

Section V Significant Events

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

(I) Analysis and explanation of the Company on causes and effects of changes in accounting policies and accounting estimates

√ Applicable ☐ Not applicable

IFRS 16 replaces IAS 17 Leases, in which the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases as assets and liabilities.

The Group adopted IFRS 16 using the modified retrospective method of adjustment since 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings as of 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

Under IFRS 16, a contract is a lease, or contains a lease if the contract conveys a right to control the use of one or more identified assets for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to manage the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Effect of adoption of IFRS 16

The Group has lease contracts for buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the risks and rewards of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied since the commence date of lease and the Group applied the incremental borrowing rate as discount rate at 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

Section V Significant Events

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- 1) Applied lease exemptions to leases with a lease term that ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value.
- 2) Applied a single discount rate with lease of similar characteristics at the measurement of lease liability, and excluded initial direct costs from the measurement of the right-of-use asset.
- 3) The Group determined the lease term based on the execution of option prior to the date of the initial application and the other updates where the contract contains options to extend/terminate the lease.

Impact on the consolidated statement of financial position as at 1 January 2019 are as follows: total assets increased by RMB2.407 billion, total liabilities increased by RMB2.487 billion and owner's equity decreased by RMB80 million.

(II) Analysis and explanation of the Company on causes and effects of corrections of significant accounting errors

☐ Applicable ☒ Not applicable

(III) Communications with former accounting firm

☐ Applicable ☒ Not applicable

(IV) Other explanation

☐ Applicable ☒ Not applicable

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: ten thousand yuan Currency: RMB

Current accounting firm		
Name of the domestic accounting firm	Ernst & Young Hua Ming LLP	
Remuneration of the domestic accounting firm		295
Term of audit services provided by the domestic accounting firm		8
Name of the foreign accounting firm	Ernst & Young	
Remuneration of the foreign accounting firm		245
Term of audit services provided by the foreign accounting firm		3
	Name	Remuneration
Accounting firm engaged for internal control audit	Ernst & Young Hua Ming LLP	40

Section V Significant Events

Explanations on appointment and dismissal of accounting firms

☒ Applicable ☐ Not applicable

On 24 June 2019, pursuant to the resolution at the 2018 Annual General Meeting of the Company, the Company re-appointed Ernst & Young Hua Ming LLP as the external auditor of the Company for 2019, responsible for its statutory audit in accordance with the Accounting Standards for Business Enterprise and internal control audit for the year. The Company appointed Ernst & Young as the external auditor of the Company for 2019, responsible for the relevant audit and review services in accordance with the International Financial Reporting Standards. The remuneration of the external auditor for the relevant audit, review and other assurance services for the Group (subsidiaries included) in 2019 amounted to RMB14.54 million.

Explanation on change of accounting firm during the audit period

☐ Applicable ☒ Not applicable

VII. RISK OF SUSPENSION OF LISTING

(I) Reasons for suspension of listing

☐ Applicable ☒ Not applicable

(II) Measures to be taken by the Company

☐ Applicable ☒ Not applicable

VIII. RISK OF DELISTING AND REASONS

☐ Applicable ☒ Not applicable

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

☐ Applicable ☒ Not applicable

X. MATERIAL LITIGATION AND ARBITRATION

☐ The Company had material litigations and arbitrations during the year

☒ The Company had no material litigation and arbitration during the year

XI. PENALTIES AND RECTIFICATIONS OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

☒ Applicable ☐ Not applicable

Section V Significant Events

1. **Administrative regulatory measures were imposed on Guotai Junan Futures by Shanghai Bureau of the CSRC ordering it to make rectifications for its failure to establish a suitability management system for customer revisits and failure to check the audio recording of customer revisits.**

On 4 January 2019, as the then existing system made no provisions for the customer revisits checks related to the suitability internal management, Guotai Junan Futures did not check the audio recording of 95521 account revisits, and also did not check the audio recordings of the revisits forwarded by the Company's operations center. Therefore, administrative regulatory measures were imposed on Guotai Junan Futures by Shanghai Bureau of the CSRC ordering it to make rectifications. Guotai Junan Futures has adopted the following rectification measures in respect of the above issues: Improving the suitability-related systems, clarifying the responsibilities of customer revisits and conducting customer revisits independently; strengthening customer revisits checks and strengthening incentives and constraints.

2. **Administrative regulatory measures were imposed on Tangshan Jianhua West Road Securities Branch by Hebei Bureau of the CSRC ordering it to make rectifications within a time limit for its failure to implement the double-people and double-lock management system in respect of seal keeping.**

On 24 June 2019, administrative regulatory measures were imposed on Tangshan Jianhua West Road Securities Branch of the Company by Hebei Bureau of the CSRC ordering it to make rectifications within a time limit for its failure to implement the double-people and double-lock management system in respect of seal keeping and failure to effectively perform the internal control system of the Company. The Company has adopted the following rectification measures in respect of the above issues: Setting up a special working group to supervise the implementation of rectification; forming a regular self-examination mechanism; taking the management and rectification of the use of seals by the securities branch as the focus of compliance risk control inspection of the branch and holding relevant responsible persons accountable.

3. **Administrative regulatory measures were imposed on Siping Central West Road Securities Branch by Jilin Bureau of the CSRC ordering it to make rectifications within a time limit for handling securities trading operations for customers and agreeing with customers to share investment income.**

On 16 September 2019, administrative regulatory measures were imposed on Siping Central West Road Securities Branch of the Company by Jilin Bureau of the CSRC ordering it to make rectifications within a time limit for handling securities trading operations for customers and agreeing with customers to share investment income. The Company has adopted the following rectification measures in respect of the above issues: Setting up a special working group to supervise the implementation of rectification; carrying out the comprehensive screening of the risks of wealth management agency and operation agency, completely disusing the paper badge investment advisory agreements (紙質套章投資顧問協定), focusing on blank certificate management, wealth management agency and operation agency for the compliance risk control inspection of its branches, and holding relevant responsible persons accountable.

Section V Significant Events

4. Administrative regulatory measures were imposed on the Company by Shanghai Bureau of the CSRC issuing a warning letter to it for the deficiencies in branch management, abnormal transactions and operation monitoring.

On 20 December 2019, administrative regulatory measures were imposed on the Company by Shanghai Bureau of the CSRC issuing a warning letter to it for the violations by employees of its branches in handling securities trading operations for customers and facilitating the financing activities of customers, the failure on the part of the Company to effectively monitor those transaction activities dynamically and report and handle major abnormal behaviors in a timely manner, and the deficiencies in branch management, abnormal transactions and operation monitoring.

The Company has adopted the following rectification measures in respect of the above issues:

Setting up a special working group to supervise the implementation of rectification; continuously improving the monitoring system and the follow-up processing mechanism, forming a self-inspection mechanism, focusing on fund allocation risk management, wealth management agency and operation agency for the compliance risk control inspection of its branches, holding relevant responsible persons accountable, strengthening the branch management, improving the incentive assessment mechanism, and effectively preventing key risks.

XII. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

During the Reporting Period, there was no failure to implement the effective judgment of a court or failure to meet the repayment schedules of a debt with a relatively large amount by the Company, Shanghai SA (controlling shareholder of the Company) or International Group (de facto controller of the Company).

Note: The controlling shareholder and the de facto controller as referred to herein are as defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

XIII. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

(I) Relevant equity incentives that have been published in temporary announcements and have no developments or changes in subsequent implementation

☐ Applicable ☒ Not applicable

(II) Incentives not disclosed in ad hoc announcements or with subsequent progress

Equity incentives

☐ Applicable ☒ Not applicable

Section V Significant Events

Other explanations

☐ Applicable ☒ Not applicable

Details of employee share scheme

☐ Applicable ☒ Not applicable

Other incentives

☐ Applicable ☒ Not applicable

The share option scheme of Guotai Junan International

On 19 June 2010, Guotai Junan International, a subsidiary of the Company, adopted a share option scheme, with a term of 10 years from the date of adoption. The total number of shares to be issued upon the exercise of all options granted pursuant to the share option scheme will be not in aggregate more than 10% of the issued shares of Guotai Junan International (namely 164,000,000 shares) as of the date of approval of the share option scheme.

As of 31 December 2019, the total number of shares to be issued by Guotai Junan International under the share option scheme is 75,277,696 (of which the share options to subscribe for 74,894,303 shares have been granted but still outstanding) (Please refer to relevant announcements of Guotai Junan International).

XIV. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions relating to day-to-day operations

1. Matters disclosed in ad hoc announcements without subsequent progress or change

☐ Applicable ☒ Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

☒ Applicable ☐ Not applicable

(1) Continuing connected transactions under the Hong Kong Listing Rules

The Group conducts connected transactions based on the principles of equity, openness and fairness in strict accordance with the Hong Kong Listing Rules, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions, and connected transaction agreements are entered into at market prices based on the principles of equality, voluntariness, equivalence and compensation.

The Group mainly conducts continuing connected transactions with International Group and its associates. International Group directly and indirectly holds a total of 31.95% interest in the share capital of the Company (without taking into consideration the conversion of the Convertible Bonds). Therefore, International Group and its associates are connected persons of the Company under the Hong Kong Listing Rules. In addition, since Shanghai Securities, a 51%-owned subsidiary

Section V Significant Events

of the Company, is controlled directly and indirectly as to 49% in aggregate (excluding interest held through the Company) by International Group, Shanghai Securities is an associate of International Group and a connected subsidiary of the Company as at the date of this announcement¹.

According to the relevant requirements, the Company, in accordance with the nature of its transactions, categorizes them into two categories, namely securities and financial product transactions and financial services based on its analysis of the types and basic contents of its current and future possible continuing connected transactions with International Group and its associates. With approval of the 8th extraordinary meeting of the 5th session of the Board, the Company and International Group signed the Framework Agreement for Securities and Financial Products and Services. Both parties agreed on the scope of continuing connected transactions for 2017 to 2019 and set the annual caps for the respective transactions. On 30 October 2018, the Company and International Group executed a supplemental agreement to adjust the annual caps for the revenue to be generated from financial services for 2018 and 2019 to RMB57.33 million and RMB187.78 million, respectively, with the other caps remain unchanged.

On 30 December 2019, as approved at the 20th extraordinary meeting of the Company's 5th session of the Board, the Company entered into the "Securities and Financial Products, Transactions and Services Framework Agreement for 2020 to 2022" with International Group, agreeing on the contents of the continuing connected transactions for 2020 to 2022 and setting the cap for the annual transaction amount.

During the Reporting Period, the Company's continuing connected transactions were implemented according to relevant framework agreement and supplemental agreement signed by the Company and International Group and the pricing principles for relevant transactions were strictly followed. The transaction amounts and substance did not exceed the scope of such agreements. The annual caps and the actual transaction amounts for 2019 are set out below:

Unit: million yuan Currency: RMB

Subject matter	Annual cap for 2019	Actual transaction amount for 2019
Securities and financial products transactions		
Inflow		
Products with fixed income features	4,306.6	2,848.7
Other products and financing transactions	29.1	24.2
Outflow		
Products with fixed income features	6,523.9	2,525.2
Other products and financing transactions	24.9	-
Financial services		
Income	187.78	8.72
Expenses	58.94	0.74

Note:

1. The capital increase of Shanghai Securities is still in progress and once it is completed, Shanghai Securities will no longer be a subsidiary or a connected person of the Company.

Section V Significant Events

The auditor of the Company has performed audit procedures on the above-mentioned continuing connected transactions and issued a letter to the Board stating that:

- 1) nothing has come to their attention that may cause them to believe that the continuing connected transactions disclosed have not been approved by the Board of the Company;
- 2) in respect of the continuing connected transactions which involve the products and services by the Group, nothing has come to their attention that may cause them to believe that these transactions are not, in all material respects, in accordance with the pricing policy of the Group;
- 3) nothing has come to their attention that may cause them to believe that these transactions are not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- 4) with respect to the total amounts for such continuing connected transactions, nothing has come to their attention that may cause them to believe the continuing connected transactions disclosed have exceeded the annual transaction caps set by the Company.

According to Chapter 14A of the Hong Kong Listing Rules, certain related party/connected transactions in notes to the financial statements also constitute continuing connected transactions. The Company's disclosure of these related party transactions has been in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

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

- 1) the above-mentioned continuing connected transactions are conducted in the ordinary course of business of the Company;
- 2) the above-mentioned continuing connected transactions are entered into on normal commercial terms or better terms; and
- 3) the above-mentioned continuing connected transactions are conducted according to the agreements on terms which were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

(2) Day-to-day related party transactions under the Rules Governing the Listing of Stock on the Shanghai Stock Exchange

The Group conducts related party transactions in strict compliance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions. The Group's related party transactions are conducted based on the principles of equity, openness and fairness, and the related party transactions agreements are entered into at market prices based on the principles of equality, voluntariness, equivalence and compensation.

Section V Significant Events

During the Reporting Period, the Company's day-to-day related party transactions were implemented according to the Resolution Relating to the Estimation of Day-to-day Related Party Transactions of the Company in 2019, which was considered and approved at the 2018 Annual General Meeting of the Company.

The disclosure of related-party transactions set forth in this section is based on the SSE Listing Rules, and may differ from the amount of related party transactions in the notes to the financial statements (prepared according to the Accounting Standards for Business Enterprise).

1) Major related party transactions relating to day-to-day operations

① Fees and commissions received from related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Revenue from securities underwriting business	34,687	264
SPD Bank	Revenue from entrusted asset management business	17,085	25,885

② Interest received from related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Interest from financial assets held under resale agreements	1,718	12,981
SPD Bank	Interest from deposit in financial institutions	263,667	135,843

③ Interests paid to related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Interest expense of bonds	19,216	15,682
Shanghai Sitico Assets Management Co., Ltd.	Interest expense of long-term borrowings	14,751	-

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④ Operating expenses and costs paid to related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Service fee of sales of financial products	11,184	3,360

2) Balances with related parties

① Balances of deposits in related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	11,228,264	6,137,599

② Balances of financial assets held under resale agreements

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Guosen Securities Co., Ltd.	N/A	100,173
SPD Bank	800,480	—

③ Closing balances of collective asset management schemes or funds issued by the Company held by related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Shanghai SA	—	206,022

Section V Significant Events

- ④ Balances of the bonds issued by the Company held by related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Guosen Securities Co., Ltd.	N/A	50,606
SPD Bank	1,019,216	—

- ⑤ Balances of financial assets sold under repurchase agreements

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	1,000,556	—

- ⑥ Borrowings/placements from related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Shanghai Sitico Assets Management Co., Ltd.	1,014,689	—
International Group	476,933	—

3. Matters not disclosed in ad hoc announcements

☐ Applicable ☒ Not applicable

(II) Related party transactions relating to asset or share acquisition or disposal

1. Matters disclosed in ad hoc announcements without subsequent progress or change

☐ Applicable ☒ Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

☐ Applicable ☒ Not applicable

Section V Significant Events

3. Matters not disclosed in ad hoc announcements

☐ Applicable ☒ Not applicable

4. If performance covenant is involved, the fulfilment of the business performance undertaking during the Reporting Period shall be disclosed

☐ Applicable ☒ Not applicable

(III) Significant related party transactions relating to joint external investments

1. Matters disclosed in ad hoc announcements without subsequent progress or change

☒ Applicable ☐ Not applicable

Event Description	Inquiry Index
To implement the strategic development scheme of the Company, on 5 December 2019, the Resolution on Review of the Connected Transaction in relation to Joint Establishment of the First Fund in Guotai Junan Mother Fund by the Company and Related Parties (《關於提請審議公司與關聯方共同發起設立國泰君安母基金首期基金暨關聯交易的議案》) was considered and approved at the 19th meeting of the fifth session of the Board of the Company, pursuant to which Guotai Junan Innovation Investment and its subsidiaries were approved to establish the first fund in Guotai Junan Mother Fund with International Group, Shanghai International Trust Co., Ltd. and other third parties with capital contribution of RMB4.0 billion. On 8 January 2020, Guotai Junan Innovation Investment and its subsidiaries executed the relevant investment agreements.	Connected transaction – Proposed establishment of investment fund, and updates on the connected transaction relating to the establishment of an investment fund

2. Matters disclosed in ad hoc announcements with subsequent progress or change

☐ Applicable ☒ Not applicable

3. Matters not disclosed in ad hoc announcements

☐ Applicable ☒ Not applicable

Section V Significant Events

(IV) Debts due to/from related parties

1. Matters disclosed in ad hoc announcements without subsequent progress or change

☐ Applicable ☒ Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

☐ Applicable ☒ Not applicable

3. Matters not disclosed in ad hoc announcements

☐ Applicable ☒ Not applicable

(V) Miscellaneous

Provision of Net Capital Guarantee Commitment to Shanghai Securities

To comply with the regulating requirements and fulfill the needs of business development, on 25 September 2019, the Resolution on Review of Provision of Net Capital Guarantee Commitment to Shanghai Securities Co., Ltd. (《關於提請審議向上海證券有限責任公司提供淨資本擔保承諾的議案》) was considered and approved at the 17th extraordinary meeting of the fifth session of the Board of the Company, pursuant to which net capital guarantee commitment amounting up to RMB1.5 billion was approved to be provided to Shanghai Securities International Group, the connected person of the Company directly holds 15.67% of equity of Shanghai Securities, and indirectly holds 33.33% of equity of Shanghai Securities through Shanghai Sitico Assets Management Co., Ltd. (上海上國投資產管理有限公司), a non-wholly owned subsidiary, which enable Shanghai Securities become a connected subsidiary of the Company. See the announcement in relation to the Provision of Net Capital Guarantee Commitment to Shanghai Securities for details.

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Custody, contracting and leasing

1. Custody

☐ Applicable ☒ Not applicable

2. Contracting

☐ Applicable ☒ Not applicable

3. Leasing

☐ Applicable ☒ Not applicable

Section V Significant Events

(II) Guarantees

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	-
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	-

Guarantees of the Company and its subsidiaries for subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	3,894,986,865
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	3,894,986,865

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	3,894,986,865
Total amount of guarantees as a percentage of the net assets of the Company (%)	2.83
Including:	
The amount of guarantees offered to the Shareholders, de facto controller and their related parties (C)	-
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	3,894,986,865
The amount of guarantees in excess of 50% of net assets (E)	-
The sum of the three items above (C+D+E)	3,894,986,865
Remark on the joint settlement responsibilities in relation to premature guarantees	-

Remark on the guarantees

On 11 March 2019, the Group's subsidiary, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with par value of USD500 million. The bonds bear a fixed interest rate of 3.875%. The Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as the trustee) to provide unconditional and irrevocable guarantee for the repayment obligation in relation to the aforesaid bonds of Guotai Junan Holdings Limited (BVI).

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(III) Other material contracts

√ Applicable ☐ Not applicable

1. According to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Group did not enter into any material contract during the Reporting Period.
2. The updates of material contracts disclosed in the Prospectus in relation to the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the 4th session of the board of Directors, the Company invests in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount is expected to not exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land 《(復興地塊項目轉讓框架協議)》 with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) (hereinafter referred to as “Bund Riverside”). Pursuant to this agreement, Bund Riverside intends to acquire the land through land auction. The land is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862 m². Bund Riverside will construct six office buildings on the site and transfer one of the buildings (with a gross floor area of approximately 14,000 m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of the Reporting Period, the Company had paid RMB1,091.3357 million.
 - (2) On 18 November 2014, Guoxiang Properties signed the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. 《(國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同)》 with Shanghai Construction No.1, pursuant to which Shanghai Construction No.1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jing'an District, Shanghai City, with a total contract value of RMB335.8825 million. As of the end of the Reporting Period, the Company has paid RMB249.1386 million.

XVI. OTHER SIGNIFICANT EVENTS

√ Applicable ☐ Not applicable

1. Matters related to the proposed solution for the competition with Shanghai Securities in the same industry

In order to solve the same-industry competition issue between the Company and Shanghai Securities in the same industry, in August 2019, on the sixteenth extraordinary meeting of the fifth session of the board of directors of the Company, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. 《關於提請審議採取上海證券有限責任公司定向增資方式解決同業競爭問題的議案》) was considered and approved, pursuant to which it was agreed that the issue of same-industry competition in the same industry shall be solved by targeted capital increase of Shanghai Securities.

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In January 2020, the Company convened the twenty-first extraordinary meeting of the fifth session of the Board at which the “Proposal on Consideration and Approval of the Specific Plan for Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議上海證券有限責任公司定向增資具體方案的議案》)” was considered and approved. Pursuant to which, Bailian Group Co., Ltd. and Shanghai Municipal Investment (Group) Corporation will subscribe for the newly issued capital of Shanghai Securities by way of non-public capital increase, while the existing three shareholders of Shanghai Securities, including the Company, will waive their first refusal right to subscribe for the newly issued capital. Upon completion of the capital increase, the shareholding of Bailian Group Co., Ltd. in Shanghai Securities will be 50.00%, and it will become the controlling shareholder of Shanghai Securities, while the Company’s shareholding in Shanghai Securities will be reduced from 51% before the capital increase to 24.99%. As such, there will be no same-industry competition issue in the same industry between the Company and Shanghai Securities.

As at the date of this announcement, the capital increase mentioned above has not been completed.

2. Increased of H Shares held by International Group

On 9 January 2020, International Group purchased 80,000 H Shares through the Southbound trading system and proposed its subsequent increase plan. International Group intended to increase its holdings of H shares in the Company within 12 months from the date of this capital increase in due course, provided that the cumulatively increased shareholding shall not exceed 2% of the total issued share capital of the Company (including this increase of shares).

3. Bond issuance

- (1) In January 2020, the Company issued the corporate bonds with an amount of RMB4 billion, a term of 3 years and coupon rate of 3.37%.
- (2) In March 2020, the Company issued the perpetual subordinated bonds amounting to RMB5 billion with a term of 5 years and coupon rate of 3.85%. The issuer is entitled to redeem the current bonds on the basis of the nominal value plus interest payable on the 5th and subsequent every interest paying date of the current bonds.
- (3) On March 2020, the Company issued the corporate bonds amounting to RMB4 billion with a term of 3 years and coupon rate of 3.05%.

4. Changes in qualifications for each business during the Reporting Period

Please refer to “Business Qualifications for Each Business of the Company” in Section II “Company Profile and Key Financial Indicators” of this annual report.

5. Other matters related to subsidiaries

(1) Issuance of MTN by Guotai Junan International

In 2019, Guotai Junan International issued MTN with a total amount of HK\$3.5565 billion and US\$354.814 million and RMB294.1 million, with terms from 3 months to 3 years, of which HK\$599.6 million and US\$85 million matured and was paid in 2019.

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(2) Rights Issue by Guotai Junan International

In January 2020, Guotai Junan International issued 1,764,943,555 shares to its eligible shareholders at a price of HK\$1.45 per share by way of a rights issue on the basis of one rights share for every three existing shares, accounting for approximately 22.87% of its existing issued share capital, and raising total proceeds of HK\$2,782.87 million. Upon completion of the rights issue, the Company's shareholding ratio will increase from 68.48% to 73.12%. (Please refer to relevant announcements of Guotai Junan International)

(3) Acquisition of Vietnamese Company by Guotai Junan International

In October 2019, Guotai Junan International subscribed for new shares in Vietnam Investment Securities Co., Ltd. and became its substantial shareholder with a shareholding of approximately 50.97%.

(4) Issuance of bonds by Shanghai Securities

Pursuant to the Letter of the SSE on No Objection to the Offer of the Non-public Issuance of the Short-term Corporate Bonds of Shanghai Securities Co., Ltd. for Transfer (《關於對上海證券有限責任公司非公開發行短期公司債券掛牌轉讓無異議的函》) (Shang Zheng Han [2019] No. 827), Shanghai Securities was approved to issue the short-term corporate bonds with par value not exceeding RMB5 billion. In November 2019, Shanghai Securities issued the first tranche of the short-term corporate bonds with a total amount of RMB2 billion, an interest rate of 3.70% and a term of 180 days.

6. Material contracts

During the Reporting Period, the Company or its subsidiaries did not have any material contract with its controlling shareholder or its subsidiaries nor was there any material contract for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries (which would be required to be disclosed under Appendix 16 to the Hong Kong Listing Rules).

7. Management contracts

During the Reporting Period, no contracts were entered into and subsisted pursuant to which, the management and administration of the whole or substantial parts of the business of the Company were undertaken by individuals or entities (other than the service contracts with Directors, Supervisors or the full-time employees of the Company).

8. Permitted indemnity provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the Senior Management.

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XVII. ACTIVE FULFILLMENT OF ITS SOCIAL RESPONSIBILITIES

(I) Poverty alleviation activities of the Company

√ Applicable □ Not applicable

1. Targeted poverty alleviation plans

Focusing on the “One company for one county” targeted poverty alleviation initiative, the Company has established a special leading team and entered into comprehensive strategic cooperation agreements with the national-level poverty-stricken counties, Ji’an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province. The Company and counties will jointly establish the long-term effective work mechanisms for targeted helping and supporting, and motivate the positive effect of capital markets on poverty alleviation. Taking into consideration the actual needs of the targeted area, the Company focuses on the capital market services for industrial assistance and support, to help expand their financing channels, improve their financing efficiency, promote the transformation of the enterprises and assist them in financial innovation. The Company is also committed to improving the talent quality, improving the education environment, caring for the growth of students and helping disadvantaged people with the intelligence, education and public welfare support. At the same time, the Company continues to carry out the public poverty alleviation works, such as the urban-and-rural comprehensive paired support, learning and teaching support in poverty-stricken areas and financial assistance to poverty-stricken college students, implementing the common culture of the Company, making sure that poverty alleviation is practicable and making contributions to poverty alleviation.

2. Overview of the targeted poverty alleviation activities during the year of 2019

In 2019, the Company donated RMB27.70 million in aggregate to Shanghai Guotai Junan Public Welfare Foundation (上海國泰君安公益基金會), through which the Company carried out activities in areas such as industrial poverty alleviation, poverty alleviation through education and poverty alleviation through medical care, with poverty alleviation funds actually invested amounting to RMB31.8624 million.

In terms of industrial poverty alleviation, in 2019, the Company invested in the establishment of the “Agricultural Industry Poverty Alleviation Fund” (農業產業扶貧基金) in Puge, Sichuan. Two projects are being implemented currently. The Company issued 12 batches of government bonds and corporate bonds for poverty alleviation with a total amount of approximately RMB1.1 billion for poverty-stricken areas in Sichuan, Guizhou and Gansu, which strongly supported the local industrial development and infrastructure construction.

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In terms of educational poverty alleviation, the Company assisted in the construction of Guotai Junan Tianzhushan Town Central School in Qianshan, Anhui in 2019, and has fully commenced its construction. The primary school was scheduled to be put into use in the autumn of 2020. In July 2019, the third summer vacation teacher training course was successfully held for the poverty-stricken areas. Over 50 core teachers from the paired areas visited Shanghai for a ten-day professional training.

In terms of medical poverty alleviation, in order to support its paired three counties to continuously purchase the “Guotai Junan Chengzhang Wuyou” (國泰君安成長無憂) medical supplement insurance, a public welfare project, as of December 2019, Guotai Junan Securities determined to pay an indemnity of over RMB2.2 million to benefit more than 360 patient families. In June 2019, it cooperated with a third party to implement the “Remote Medical Service Project” (遠程醫療服務項目) in the assisted areas, and invited the experts from Peking Union Medical College Hospital(北京協和醫院)to provide remote medical consultations for the poor and difficult patients and, at the same time, offered technical trainings for the local doctors.

In terms of public welfare support, the “Caring Cow Farm” (愛心牛場), established jointly by Shanghai Guotai Junan Public Welfare Foundation (上海國泰君安公益基金會) and the Online Finance Department (網絡金融部) of the Company, and “Together” (在一起), a left-behind children care project, established jointly with the Youth League Committee, have been operating for three consecutive years, helping more than 600 left-behind children in aggregate. In June 2019, Ji'an County, Jiangxi Province, a paired area being assisted by the Company, suffered a severe flood disaster. The Company responded quickly and provided financial assistance to the disaster-stricken area to meet their urgent needs.

According to the requirements of the Shanghai Municipal Government to strengthen the urban-rural paired support work, the Company continued to provide supports to the Fengxian District through assistance in industry, support for employment and agricultural product sales. The Company actively participated in the paired support of the “Hundred Enterprises for Hundred Villages” program, and carried out various infrastructural construction projects in Malipo County in Yunnan and Guangnan County in Yunnan to offer aids in local poverty alleviation work.

The Company has actively supported the learning and education of poverty-stricken people with financial difficulties. The Company has provided loans for education for 100 students with financial difficulties in 15 universities in Shanghai, Shenzhen and Chongqing, and has provided materials and funds for students and teachers in the three Guotai Junan Hope Primary Schools in Gansu, Jiangxi and Yunnan.

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3. Achievement of targeted poverty alleviation activities of the Company

√ Applicable □ Not applicable

Unit: ten thousand yuan Currency: RMB

Indicators	Number and implementation information of the Company	
I. Overview		
Including: 1. Fund		3,186.24
II. Itemized input		
1. Poverty alleviation through industrial development		
Including:	1.1 Type of industrial poverty alleviation projects	☐ Poverty alleviation through agriculture and forestry ☐ Poverty alleviation through tourism ☐ Poverty alleviation through E-commerce ☐ Poverty alleviation through assets income ☐ Poverty alleviation through science and technology ☒ Others
	1.2 Number of industrial poverty alleviation projects	2
	1.3 Amount invested in industrial poverty alleviation projects	1,000
2. Poverty alleviation through employment		
Including:	2.1 Amount invested in vocational training	27.44
	2.2 Number of people receiving vocational training (Person/Time)	52
3. Poverty alleviation through education		
Including:	3.1 Amount invested in subsidizing poverty-stricken students	76.65
	3.2 Number of students receiving allowance (Persons)	500
	3.3 Amount invested in improvement of education resources of poor areas	24.89
4. Poverty alleviation through health enhancement		
Including:	4.1 Amount invested in medical and health resources in poor areas	300
5. Poverty alleviation in the society		
	5.1 Amount invested in targeted poverty alleviation work	585
6. Other projects		
Including:	6.1. Number of projects (Projects)	8
	6.2. Amount invested	1,172.26

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Indicators	Number and implementation information of the Company
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6.3. Details of other projects

Fengxian District Urban and Rural Assistance Project, Shanghai Caojiadu Nursing Home Assistance Project, Shaanxi Poverty Alleviation Project, Yunnan Zhaotong Qingsheng Town Solar Streetlight Construction Project, Inner Mongolia Xinghe County Water Improvement Project, the Charity Sale Activity of Paintings and Calligraphies of the Company, Henan Lankao Poverty Alleviation Project, Xinjiang Poverty Alleviation Project and the Great Walker Fundraising Trekking Event. A total amount of RMB11.72 million was donated for those projects.

III. Awards

1. In November 2019, the Company won the "Poverty Alleviation Enterprise in 2019" (2019年度扶貧企業獎) Award in the Third Capital Market Poverty Alleviation Summit Forum.
2. In December 2019, the Company won the "Praised Financial Poverty Alleviation Force" (點讚金融扶貧力量) award in the "Eleventh Financial Summit of Excellence & Competition in 2019" (2019年度第十一屆卓越競爭力金融峰會).

4. Subsequent targeted poverty alleviation plans

In 2020, in accordance with the established targeted poverty alleviation plans, the Company will continue to boost the targeted poverty alleviation works in Ji'an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province, put more efforts in industrial support and talent exchange, improve education and teaching conditions and sum up the experience of poverty alleviation. While endeavoring to support epidemic prevention and control, the Company will continue to carry out its works relating to the "Urban-and-Rural Paired Support", "Hundred Enterprises for Hundred Villages", "Poverty Alleviation through Education", "Construction of Hope Primary Schools" and other public welfare projects, standardize work process and increase its efforts in project implementation, actively fulfilling its social responsibilities.

(II) Fulfillment of social responsibilities

√ Applicable □ Not applicable

Details on the fulfillment of social responsibilities is available in the Environmental, Social and Governance Report 2019 of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2019年度環境、社會及管治報告》) disclosed in the website of the HKEX (<http://www.hkex.com.hk>)

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(III) Environmental information

1. **Environmental protection information of the company and its major subsidiaries on the list of critical pollutant dischargers published by the environmental protection authorities**

☐ Applicable ☒ Not applicable

2. **Environmental protection information of the company not on the list of critical pollutant dischargers**

☒ Applicable ☐ Not applicable

Details on the environmental information of the Company are available in the Environmental, Social and Governance Report 2019 of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2019年度環境、社會及管治報告》) disclosed in the website of the HKEX (<http://www.hkex.com.hk>).

3. **Reasons for not disclosing environmental protection information of the company not on the list of critical pollutant dischargers**

☐ Applicable ☒ Not applicable

4. **Subsequent progress or changes in the disclosure of environmental protection information during the Reporting Period**

☐ Applicable ☒ Not applicable

(IV) Other explanation

☐ Applicable ☒ Not applicable

XVIII. CONVERTIBLE CORPORATE BONDS

☒ Applicable ☐ Not applicable

(I) Issuance of Convertible Bonds

☐ Applicable ☒ Not applicable

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(II) Convertible Bond holders and guarantors during the Reporting Period

√ Applicable □ Not applicable

No. of Convertible Bond holders at the end of the period 5,928
 Guarantors of Convertible Bonds of the company Not applicable
 Top 10 Convertible Bond holders are as below:

Name of convertible corporate bond holders	Bonds held at the end of the period (RMB)	Percentage of bonds held (%)
Special accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	480,615,000	6.87
China Securities Finance Corporation Limited	345,101,000	4.93
China Merchants Fortune — Postal Savings Bank — Postal Savings Bank of China Co., Ltd.	329,197,000	4.70
Shanghai State-owned Assets Operation Co., Ltd.	302,317,000	4.32
Special accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	247,885,000	3.54
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	176,720,000	2.52
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China)	166,108,000	2.37
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Everbright Securities Company Limited)	150,000,000	2.14
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Guotai Junan Securities Co., Ltd.)	124,258,000	1.78
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank Corporation)	111,481,000	1.59

(III) Change of Convertible Bonds during the Reporting Period

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Name of convertible corporate bonds	Before change	Converted	Increase/decrease Redeemed	Sold back	After change
Guo Jun Convertible Bonds	6,999,862,000	149,000	—	—	6,999,713,000

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Aggregated conversion of convertible bonds during the Reporting Period

√ Applicable □ Not applicable

Conversion amount during the Reporting Period (RMB)	149,000
Number of converted shares during the Reporting Period (shares)	7,530
Aggregated number of converted shares (shares)	14,359
Aggregated number of converted shares as a percentage of the total number of issued shares of the Company before conversion (%)	0.000165
Amount of convertible bonds not yet converted (RMB)	6,999,713,000
Number of convertible bonds not yet converted as a percentage of the total number of issued convertible bonds (%)	99.9959

(IV) Adjustments of the conversion prices

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Reasons of adjustments
29 June 2018	RMB19.80 per Share	22 June 2018	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.4 per share for the year of 2017
19 April 2019	RMB19.67 per Share	18 April 2019	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company made a placement of 194,000,000 new H shares in April 2019.
12 August 2019	RMB19.40 per Share	5 August 2019	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.275 per share for the year of 2018
Conversion price at the end of the Reporting Period				RMB19.40 per Share

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(V) Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

☒ Applicable ☐ Not applicable

As of the end of 2019, the Group's total assets amounted to RMB559.314 billion, with a gearing ratio of 67.50%. On 6 May 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Report on the Updated Rating of the Public Issuance of A Share Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公開發行A股可轉換公司債券跟蹤評級報告》) in respect of the A-Share Convertible Bonds issued by the Company, and maintained the credit rating of the Company as AAA and the credit rating of such A-Share Convertible Bonds as AAA with a stable outlook.

The major source of funds available for the Company to settle the principal and interests of the A-Share Convertible Bonds in the future will be the cash flow generated from the operating activities of the Company. In the past three years, the Company's major businesses remained stable with strong financial condition, thus the Company has adequate cash flow generated from the operating activities and relatively strong repayment capability.

(VI) Other information on Convertible Bonds

☒ Applicable ☐ Not applicable

As of the end of February 2020, the outstanding amount of the A-Share Convertible Bonds was RMB6,999,707,000. Based on the current conversion price of RMB19.40 per Share, in the event that the outstanding Convertible Bonds are fully converted, 360,809,639 A Shares will be issued, the total number of A Shares will increase to 7,876,930,925; the total number of Shares will increase to 9,268,758,105; and the percentage of the number of H Shares against the total number of the Shares will decrease from 15.62% to 15.02%.

The shareholding in the Company of its controlling shareholder, International Group, will be diluted from 32.01% to 30.76%.

The basic earnings per share of the Company in 2019 is RMB0.90 per Share. If the above outstanding A-Share Convertible Bonds are fully converted, the diluted earnings per share of the Company in 2019 will be RMB0.90 per Share.

XIX. TAX REDUCTION AND EXEMPTION

(I) Holders of A Share

In accordance with the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2012] No. 85) and the Notice on Issues Regarding the Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends obtained from a listed company by an individual investor, if the duration of the shareholding starting from the date when the individual investor

Section V Significant Events

obtained the company's share and ending on the record date is more than one year, the personal income tax on the dividends thus obtained shall be exempted for the time being. If the duration of the shareholding starts from the date when the individual investor obtained the company's share and ending on the record date is less than one year (inclusive), the listed company shall, in respect of the individual income tax thereof, refrain from withholding and paying such tax for the time being, subject to adjustments to be made in accordance with the Notice at the time when the individual investor transfers his/her respective shares.

Individual that are shareholders of resident companies shall pay income tax on their cash dividends by themselves.

For QFII, listed companies are required to withhold and pay enterprise income tax at the rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Issues on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonuses and Interests by PRC Resident Enterprises to QFII (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2009] No.47) issued by the State Administration of Taxation. QFII shareholders expecting tax concessions should apply to the competent tax authority for tax rebates according to the relevant rules and regulations after receiving the dividends.

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81), for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investment in A shares listed on the SSE, the implementation of differentiated taxation based on the term of shareholding is suspended before Hong Kong Securities Clearing Company Limited meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC. The income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing tax authority. For Hong Kong investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises or individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty or entrust a withholding to do so. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

(II) Shareholders of H Shares

In accordance with the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No.348), dividends received by overseas residents for their personal holding of shares issued by domestic non-foreign-invested enterprises in Hong Kong shall be subject to the payment of individual income tax under the "interest, dividend and bonus income" item, which shall be withheld by the withholding agents according to relevant laws. Such overseas residents that are individual owners of shares issued by domestic non-foreign invested enterprises in Hong Kong shall be entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties signed between the countries where they reside and China, or the tax arrangements between Mainland and Hong Kong (Macau) SAR. The tax rate for dividends under the relevant tax agreements and tax agreements is 10% in general. For the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, upon payment of dividends, generally withhold individual income tax at the rate of 10%, without the need to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for residents of countries that have signed lower than 10% tax

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rate treaties, the withholding agents may file applications on their behalf for the relevant agreed preferential tax treatments, under which circumstances the over-withheld tax amounts will be refunded upon approval by the tax authorities; (2) for residents of countries that have signed higher than 10% but lower than 20% tax rate treaties, the withholding agents shall withhold individual income tax at the agreed tax rate effective at the time of dividends payment, without the need to file an application; and (3) for residents of countries without tax agreements or under other situations, the withholding agents shall withhold individual income tax at 20% upon payment of dividends.

In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders that are Nonresident Overseas Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No.897), a PRC resident enterprise, when paying dividends to H shareholders that are non-resident overseas enterprises for 2008 and subsequent years, shall withhold enterprise income tax at a uniform rate of 10%.

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》)(Cai Shui [2014] No. 81) issued by the Ministry of Finance, the State Administration of Taxation and the SFC, for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax shall be paid in accordance with the aforementioned regulations. For dividends received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall not withhold and pay the income tax for such dividends and those domestic enterprise investors shall report and pay the relevant tax on their own. Meanwhile, for the dividends obtained by domestic resident enterprises from holding relevant H shares for a consecutive 12 month period, the corporate income tax shall be exempted according to laws.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders are taxed and/or enjoy tax exemption in accordance with the aforementioned regulations.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of Changes in Ordinary Shares

1. Table of changes in ordinary Shares

Unit: share

	Before change		New issues	Change (+/-)			Sub-total	After change	
	Number	Percentage (%)		Bonus Issues	Reserves Capitalized	Others		Number	Percentage (%)
I. Shares subject to selling restrictions	-	-				-	-	-	-
II. Tradable shares not subject to selling restrictions	8,713,940,629	100.00	194,000,000			7,530	194,007,530	8,907,948,159	100.00
1. RMB-denominated ordinary shares	7,516,113,449	86.25				7,530	7,530	7,516,120,979	84.38
2. Overseas listed foreign invested Shares	1,197,827,180	13.75	194,000,000				194,000,000	1,391,827,180	15.62
III. Total ordinary shares	8,713,940,629	100.00	194,000,000			7,530	194,007,530	8,907,948,159	100.00

2. Changes in ordinary Shares

☒ Applicable ☐ Not applicable

During this Reporting Period, the A-Share Convertible Bonds with an amount of RMB149,000 had been converted into a total of 7,530 A Shares. In April 2019, the Company completed the placing of 194,000,000 new H shares under the general mandate by the Shareholders' general meeting. As a result, the total share capital of the Company changed to 8,907,948,159 Shares, including 7,516,120,979 A Shares and 1,391,827,180 H Shares.

3. Impact of changes in ordinary shares on earnings per share, net asset value per share or other financial indicators for the latest year and latest period

☒ Applicable ☐ Not applicable

In 2019, the basic earnings per share of the Group was RMB0.90, representing an increase of 28.57%; and the net asset per share attributable to the parent's shareholders was RMB15.44, representing an increase of 8.96%.

4. Other information considered necessary by the Company or required by securities regulators to be disclosed

☐ Applicable ☒ Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

(II) Changes in Shares Subject to Selling Restrictions

√ Applicable □ Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of Securities During the Reporting Period

√ Applicable □ Not applicable

Unit: share Currency: RMB

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
Ordinary Shares						
H shares	April 2019	HKD16.34	194,000,000	April 2019	194,000,000	
Convertible corporate bonds, bonds with detachable warrants and corporate bonds						
2019 First Tranche Short-term Financing Bills	March 2019	2.77%	4,000,000,000	March 2019	4,000,000,000	June 2019
2019 Second Tranche Short-term Financing Bills	April 2019	2.78%	3,000,000,000	April 2019	3,000,000,000	July 2019
2019 Third Tranche Short-term Financing Bills	June 2019	2.57%	2,000,000,000	June 2019	2,000,000,000	September 2019
2019 Fourth Tranche Short-term Financing Bills	July 2019	2.69%	3,000,000,000	July 2019	3,000,000,000	October 2019
2019 Fifth Tranche Short-term Financing Bills	September 2019	2.74%	3,000,000,000	September 2019	3,000,000,000	December 2019
2019 Sixth Tranche Short-term Financing Bills	November 2019	3.05%	3,000,000,000	November 2019	3,000,000,000	February 2020
2019 Seventh Tranche Short-term Financing Bills	December 2019	3.05%	3,000,000,000	December 2019	3,000,000,000	March 2020
2019 Corporate Bonds (First Tranche) (Type I)	April 2019	3.90%	3,000,000,000	May 2019	3,000,000,000	April 2022
2019 Corporate Bonds (Second Tranche)	May 2019	3.73%	2,900,000,000	May 2019	2,900,000,000	May 2022
2019 Corporate Bonds (Third Tranche)	October 2019	3.48%	2,500,000,000	October 2019	2,500,000,000	October 2022
2019 Financing Bills (First Tranche)	August 2019	3.48%	8,000,000,000	August 2019	8,000,000,000	August 2022
Non-Public Offering of 2019 Perpetual Subordinated Bonds (First Tranche)	September 2019	4.20%	5,000,000,000	October 2019	5,000,000,000	N/A
Shanghai Stock Exchange Non-public Offering of Short-term Corporate Bonds	November 2019	3.70%	2,000,000,000	November 2019	2,000,000,000	May 2020
Bonds Guaranteed Guotai Junan Financial Holdings	March 2019	3.875%	USD500,000,000	March 2019	USD500,000,000	March 2022
Bonds rate-Floating denominated- EUR	March 2019	3M EURIBOR+1.15%	EUR 255,000,000	March 2019	EUR255,000,000	March 2022

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Issue of securities during the Reporting Period (particulars of bonds with different interest rates during duration shall be provided separately):

☒ Applicable ☐ Not applicable

On 17 April 2019, the Company completed the placing of 194,000,000 H Shares at a price of HKD16.34 per share under a general mandate.

In September 2019, the Company non-publicly issued 2019 Perpetual Subordinated Bonds (First Tranche) with an amount of RMB5 billion and a coupon rate of 4.20%. The interest rate remained unchanged during the first five interest-bearing years of the bond's whole-term. If the Company does not exercise the redemption right, the coupon rate will be reset every five years from the sixth interest-bearing year.

(II) Changes in the Company's total number of ordinary Shares and structure of Shareholder and changes in structure of asset and liability of the Company

☒ Applicable ☐ Not applicable

For changes in structure of asset and liability of the Company, please refer to Section IV Report of the Directors in this annual report headed "II. ANALYSIS OF FINANCIAL STATEMENTS (III) Analysis of consolidated statements of financial position".

(III) Existing internal employee Shares

☐ Applicable ☒ Not applicable

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of Shareholders

Total number of holders of ordinary shares at the end of the Reporting Period	170,496
Total number of holders of ordinary shares at the end of the month immediately before the date of disclosure of the annual report	166,298
Total number of holders of preferred shares with voting rights restored at the end of the Reporting Period	–
Total number of holders of preferred shares with voting rights restored at the end of the previous month before the date of disclosure of the annual report	Not applicable

Note: The total number of Shareholders includes holders of ordinary A Shares and registered holders of H Shares. As at the end of the Reporting Period, there were 170,305 holders of A Shares and 191 registered holders of H Shares. The total number of Shareholders as at the end of the month immediately before the date of this annual report included 166,108 holders of A Shares and 190 registered holders of H Shares.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

(II) Shareholdings of the top ten Shareholders and the top ten holders of tradable Shares (or Shares without selling restrictions) as at the end of the Reporting Period

Unit: share

Names of Shareholders (full name)	Shareholdings of the top ten Shareholders					Pledged or frozen Status Number		Nature of Shareholders
	Increase or decrease during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	non-tradable shares				
Shanghai State-owned Assets Operation Co., Ltd (Note 1)	-	1,900,963,748	21.34	-	Not	-		State-owned legal person
HKSCC Nominees Limited (Note 2)	+194,076,800	1,391,748,520	15.62	-	Unknown			Overseas legal person
Shanghai International Group Co., Ltd.	-	682,215,791	7.66	-	Not	-		State-owned legal person
Shenzhen Investment Holdings Co., Ltd. (Note 3)	-	609,428,357	6.84	-	Not	-		State-owned legal person
China Securities Finance Corporation Limited	-	260,547,316	2.92	-	Not	-		Domestic non-state-owned legal person
Shanghai Municipal Investment (Group) Corporation	-	246,566,512	2.77	-	Not	-		State-owned legal person
Shenzhen Energy Group Co., Ltd.	-	154,455,909	1.73	-	Not	-		Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited (Note 4)	+49,103,053	146,379,896	1.64	-	Not	-		Overseas legal person
Hangzhou Financial Investment Group Co., Ltd (杭州市金融投資集團有限公司)	-16,323,365	75,999,310	0.85	-	Not	-		State-owned legal person
China National Nuclear Corporation	-	75,672,793	0.85	-	Not	-		State-owned legal person

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Details of the top ten shareholders without selling restrictions

Names of Shareholders	Number of tradable shares without selling restrictions held in the end of the period	Class and number of shares	
		Class	Number
Shanghai State-owned Assets Operation Co., Ltd	1,900,963,748	RMB- denominated ordinary shares	1,900,963,748
HKSCC Nominees Limited	1,391,748,520	Overseas Listed foreign-invested shares	1,391,748,520
Shanghai International Group Co., Ltd.	682,215,791	RMB- denominated ordinary shares	682,215,791
Shenzhen Investment Holdings Co., Ltd.	609,428,357	RMB- denominated ordinary shares	609,428,357
China Securities Finance Corporation Limited	260,547,316	RMB- denominated ordinary shares	260,547,316
Shanghai Municipal Investment (Group) Corporation	246,566,512	RMB- denominated ordinary shares	246,566,512
Shenzhen Energy Group Co., Ltd.	154,455,909	RMB- denominated ordinary shares	154,455,909
Hong Kong Securities Clearing Company Limited	146,379,896	RMB- denominated ordinary shares	146,379,896
Hangzhou Financial Investment Group Co., Ltd (杭州市金融投資集團有限公司)	75,999,310	RMB- denominated ordinary shares	75,999,310
China National Nuclear Corporation	75,672,793	RMB- denominated ordinary shares	75,672,793
Description on the relations or acting-in-concert arrangements among the Shareholders above	Shanghai State-owned Assets Operation Co., Ltd is a wholly owned subsidiary of Shanghai International Group Co., Ltd. HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are both wholly owned subsidiaries of The Stock Exchange of Hong Kong Limited, holding H Shares and A Shares of the Company for H shares investors and Shanghai Connect investors. Save as disclosed herein, the Company is not aware of any other relations or acting-in-concert arrangements.		
Description on the holders of preferred shares with voting rights restored and their shareholdings	Not applicable		

Note 1: In the above table of top ten shareholders, the number of Shares held by Shanghai SA as at the end of the period merely represents the number of A Shares held by it. Another 152,000,000 H Shares were held by Shanghai SA through HKSCC Nominees Limited as the nominee.

Note 2: HKSCC Nominees Limited is a nominee holder of the Shares owned by the non-registered holders of the H Shares.

Note 3: In the above table of top ten shareholders, the number of Shares held by Shenzhen Investment Holdings as at the end of the period merely represents the number of A Shares held by it. Another 103,373,800 H Shares were held by Shenzhen Investment Holdings through HKSCC Nominees Limited as the nominee.

Note 4: Hong Kong Securities Clearing Company Limited is the nominee of Shanghai Connect investors holding A Shares of the Company.

Note 5: The Shares subject to selling restrictions and the Shareholders subject to selling restrictions as referred to herein are those as defined under the SSE Listing Rules.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

☐ Applicable ☒ Not applicable

(III) Strategic investors or general legal persons becoming the top 10 Shareholders by placing of new Shares

☐ Applicable ☒ Not applicable

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Information on Controlling Shareholders

1 Legal persons

☒ Applicable ☐ Not applicable

Name	Shanghai International Group Co., Ltd.
Person in charge or legal representative	Yu Beihua
Date of establishment	20 April 2000
Principal operations	Principally engaged in the activities of investment, capital operation and asset management in the financial sector and supplemented with non-financial sectors
Equity interests in other domestic and overseas listed controlling and invested companies during the Reporting Period	Holding 29.67% in aggregate as at the end of the Reporting Period of Shanghai Pudong Development Bank Co., Ltd. (600000.SH)
Other matters	As of the end of the reporting period, International Group directly held 7.66% interest in the Company, totally held 31.95% interest in the Company directly and indirectly through its subsidiaries.

2 Natural persons

☐ Applicable ☒ Not applicable

3 Special explanation on the Company not having controlling shareholders

☐ Applicable ☒ Not applicable

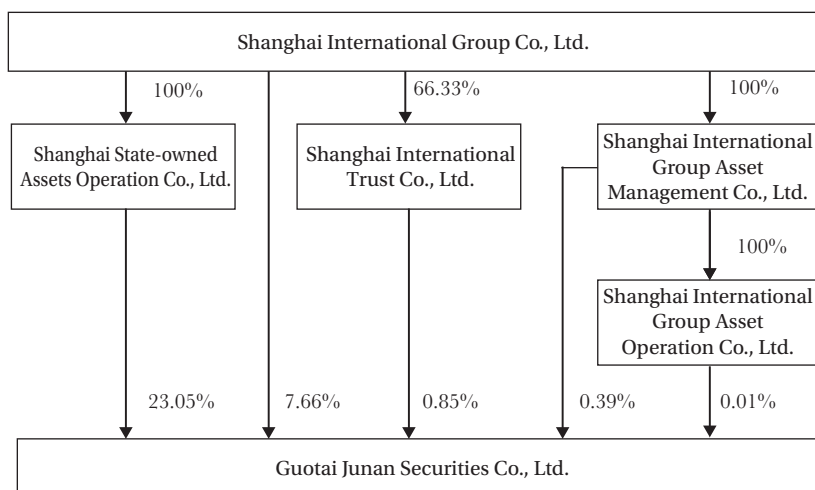
4 Index and date of changes in controlling shareholders during the Reporting Period

☐ Applicable ☒ Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

5 The chart of the relationship between the Company and the controlling shareholders on the ownership and controlling relationship

☒ Applicable ☐ Not applicable



Note: As at the end of the Reporting Period, Shanghai International Group Co., Ltd. controlled 31.95% in aggregate of the Company. In addition, the A-Share Convertible Bonds held by International Group directly and indirectly through Shanghai SA amounted to RMB413,360,000, which were convertible into 21,307,216 A Shares based on the current conversion price of RMB19.4 per Share if fully converted.

V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF SHARES

☐ Applicable ☒ Not applicable

VI. MATTERS REGARDING THE RESTRICTION OF REDUCING SHARE

☐ Applicable ☒ Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

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

As of 31 December 2019, to the best knowledge of the Company, the following persons have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are required to be recorded, in the register that is required to be kept by the Company under Section 336 of the SFO or own directly or indirectly 5% or more of the nominal value of any class of the Shares:

Substantial Shareholders	Nature of Interest	Class	Number (Note 1)/ Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
Shanghai International Group Co., Ltd.	Beneficial owner	A Shares	687,939,656/ Long positions (Note 2)	9.15	7.72
	Interest held by controlled corporations	A Shares	2,027,693,016/ Long positions (Note 3)	26.98	22.76
	Interest held by controlled corporations	H Shares	152,000,000/ Long positions (Note 4)	10.92	1.71
Shanghai State-owned Assets Operation Co., Ltd	Beneficial owner	A Shares	1,916,547,098/ Long positions (Note 5)	25.50	21.52
	Beneficial owner	H Shares	152,000,000/ Long positions	10.92	1.71
Shenzhen Investment Holdings Co., Ltd	Beneficial owner	A Shares	609,428,357/ Long positions	8.11	6.84
	Beneficial owner	H Shares	103,373,800/ Long positions	7.43	1.16
New China Asset Management (Hong Kong) Limited	Beneficial owner	H Shares	258,388,000/ Long positions	18.56	2.90
New China Asset Management Company Limited	Interest held by controlled corporations	H Shares	258,388,000/ Long positions (Note 6)	18.56	2.90
New China Life Insurance Company Ltd.	Interest held by controlled corporations	H Shares	258,388,000/ Long positions (Note 6)	18.56	2.90

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Substantial Shareholders	Nature of Interest	Class	Number (Note 1)/ Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
Diamond Acquisition Co SARL	Beneficial owner	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
A9 USD (Feeder) L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Apax Guernsey (Holdco) PCC Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Apax IX GP Co.Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Apax IX USD GPL.P.Inc.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Apax IX USD L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Diamond Holding SARL	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Jacqueline Mary Le Maitre – Ward	Trustee of a trust	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
David Payne Staples	Trustee of a trust	H Shares	190,333,000/ Long positions (Note 7)	13.68	2.14
Newton Industrial Limited	Beneficial owner	H Shares	100,000,000/ Long positions	7.18	1.12
Shenzhen Energy Group Co., Ltd.	Interest held by controlled corporations	H Shares	100,000,000/ Long positions (Note 8)	7.18	1.12
Matthews International Capital Management, LLC	Beneficial owner	H Shares	97,504,600/ Long positions	7.00	1.09
National Council for Social Security Fund	Beneficial owner	H Shares	91,093,980/ Long positions	6.54	1.02

Section VI Changes in Ordinary Shares and Particulars about Shareholders

- Note 1: Pursuant to Section 336 of the SFO, Shareholders shall submit forms to disclose their interests when certain conditions are met. As Shareholders are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial Shareholders may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.
- Note 2: The A-Share Convertible Bonds directly held by International Group amounted to RMB111,043,000, which are convertible into 5,723,865 A Shares of the Company based on the conversion price of RMB19.40 per Share on 31 December 2019 if fully converted. Meanwhile, International Group directly held 682,215,791 A Shares.
- Note 3: Based on the conversion price of RMB19.40 per Share on 31 December 2019, Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co, Ltd. and Shanghai Sitico Assets Management Co., Ltd. were interested in 1,916,547,098, 34,732,152, 931,505 and 75,482,261 A Shares respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly owned subsidiaries of International Group, and Shanghai Sitico Assets Management Co., Ltd. is a subsidiary in which International Group holds a 66.33% interest. Therefore, International Group is deemed to be interested in the 2,027,693,016 A Shares held by Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. for the purpose of the SFO.
- Note 4: Shanghai SA is a wholly owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the SFO.
- Note 5: The A-Share Convertible Bonds held by Shanghai SA amounted to RMB302,317,000, which were convertible into 15,583,350 A Shares based on the conversion price of RMB19.40 per Share on 31 December 2019 if fully converted. In addition, Shanghai SA directly held 1,900,963,748 A shares.
- Note 6: New China Asset Management Company Limited holds a 60% interest in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns a 99.4% interests in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 258,388,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the SFO.
- Note 7: Diamond Acquisition Co SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of 73.8% of the equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital to Apax IX USD L.P. Apax IX USD GP L.P. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre – Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Accordingly, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey (Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre – Ward and David Payne Staples are deemed to be interested in the 190,333,000 H Shares held by Diamond Acquisition Co SARL for the purpose of the SFO.
- Note 8: Newton Industrial Limited is wholly owned by Shenzhen Energy Group Co., Ltd. Therefore, Shenzhen Energy Group Co., Ltd. is deemed to be interested in 100,000,000 H Shares held by Newton Industrial Limited under the SFO.

Save as disclosed above, as at 31 December 2019, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

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

As of 31 December 2019, the Company was not aware of any Director, Supervisors or the chief executive of the Company who had interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

On 12 April 2016, the Company successfully issued 5-year 2016 Corporate Bonds (First Tranche) (Type I) (thereafter as “16 GUOJUN G1”) with an aggregated amount of RMB5 billion and the coupon rate of 2.97%. The Company has an option to redeem the 16 GUOJUN G1 at the end of the third year. On 28 February 2019, the Company decided to exercise its issuer’s option to redeem and redeemed all registered 16 GUOJUN G1 as at the record date. Such redemption was completed on 12 April 2019. The total principal amount and total interests of the 16 GUOJUN G1 repaid by the Company amounted to RMB5 billion and RMB148.5 million, respectively. The 16 GUOJUN G1 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 12 April 2019.

On 12 August 2016, the Company successfully issued 5-year 2016 Corporate Bonds (Second Tranche) (Type I) (thereafter as “16 GUOJUN G3”) with an aggregated amount of RMB5 billion and the coupon rate of 2.90%. The Company has an option to redeem the 16 GUOJUN G3 at the end of the third year. On 1 July 2019, the Company decided to exercise its issuer’s option to redeem 16 GUOJUN G3. Such redemption was completed on 12 August 2019. The total principal amount of the 16 GUOJUN G3 repaid by the Company reached RMB5 billion. The 16 GUOJUN G3 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 12 August 2019.

On 21 September 2016, the Company successfully issued 5-year 2016 Corporate Bonds (Third Tranche) (thereafter as “16 GUOJUN G5”) with an aggregated amount of RMB3 billion and the coupon rate of 2.94%. The Company has an option to redeem the 16 GUOJUN G5 at the end of the third year. On 9 August 2019, the Company decided to exercise its issuer’s option to redeem 16 GUOJUN G5. Such redemption was completed on 23 September 2019. The total principal amount of the 16 GUOJUN G5 repaid by the Company reached RMB3 billion. The 16 GUOJUN G5 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 23 September 2019.

On 22 January 2015, the Company successfully issued Perpetual Subordinated Bonds (thereafter as “15 GUOJUN Y1”) with an aggregated amount of RMB5 billion and the coupon rate of 6.00%. The Company has an option to redeem the 15 GUOJUN Y1 at the end of the fifth year. On 10 December 2019, the Company decided to exercise its issuer’s option to redeem 15 GUOJUN Y1. Such redemption was completed on 22 January 2020. The total principal amount of the 15 GUOJUN Y1 repaid by the Company reached RMB5 billion. The 15 GUOJUN Y1 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 22 January 2020.

Save as disclosed in this annual report, the Company did not repurchase, sale or redeem any listed securities of the Company and its subsidiaries.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

X. PUBLIC FLOAT

Upon the listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, accepting the minimum public float for the H Shares:

1. Before the conversion of the Convertible Corporate Bonds: to be the higher of 11.45% of the total issued share capital of the Company or such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public upon the exercise of the over-allotment option;
2. After the conversion of the Convertible Corporate Bonds: to be the higher of 10.78% of the total issued share capital of the Company or such percentage of H Shares to be held by the public immediately upon the full conversion of the Convertible Corporate Bonds.

As at the date of this report, based on the information available to the public and the knowledge of the Directors, the public float of the Company is in compliance with Rule 8.08 of the Hong Kong Listing Rules and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange upon the H Share listing.

XI. EQUITY-LINKED AGREEMENTS

Except for the convertible corporate bonds becoming convertible into A Shares in January 2018 as disclosed in this report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

XII. PRE-EMPTIVE RIGHT ARRANGEMENT

Pursuant to PRC laws, the Shareholders do not have any pre-emptive rights.

Section VII Preferred Shares

☐ Applicable ☒ Not applicable

Section VIII Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in the shareholdings and remuneration of the current directors, supervisors and senior management of the Company and those who resigned during the Reporting Period

√ Applicable □ Not applicable

Unit: share

Name	Title (Note)	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000)	Whether having received remunerations from the related parties of the Company
HE Qing/(Note1)	Chairman of the Board, Executive Director	Male	48	12 February 2020	Now	-	-	-	-	-	No
WANG Song	Vice chairman of the Board, Executive Director, President	Male	56	28 November 2016 19 May 2016 21 August 2015	Now	-	-	-	-	142.78	No
YU Jian	Executive Director, Secretary of the Board	Male	55	19 May 2016 16 June 2009	Now	-	-	-	-	496.34	No
GUAN Wei/(Note2)	Non-executive Director	Female	48	25 July 2019	Now	-	-	-	-	-	Yes
ZHOU Lei	Non-executive Director	Male	41	19 May 2016	Now	-	-	-	-	-	Yes
ZHONG Maojun	Non-executive Director	Male	50	19 May 2016	Now	-	-	-	-	-	Yes
WANG Wenjie/(Note2)	Non-executive Director	Male	50	28 June 2019	Now	-	-	-	-	-	Yes
LIN Facheng	Non-executive Director	Male	43	28 May 2018	Now	-	-	-	-	15.00	Yes
ZHOU Hao	Non-executive Director	Male	49	6 June 2018	Now	-	-	-	-	-	Yes
AN Hongjun/(Note1)	Non-executive Director	Male	44	14 November 2019	Now	-	-	-	-	-	Yes
XIA Dawei	Independent non-executive Director	Male	67	19 May 2016	Now	-	-	-	-	25.00	No
SHI Derong	Independent non-executive Director	Male	71	19 May 2016	Now	-	-	-	-	-	Yes
CHEN Guogang	Independent non-executive Director	Male	60	19 May 2016	Now	-	-	-	-	25.00	Yes
LING Tao	Independent non-executive Director	Male	65	19 May 2016	Now	-	-	-	-	25.00	Yes
JIN Qingjun	Independent non-executive Director	Male	62	19 May 2016	Now	-	-	-	-	25.00	Yes
LEE Conway Kong Wai	Independent non-executive Director	Male	65	11 April 2017	Now	-	-	-	-	25.00	No
WANG Lei/(Note3)	Vice chairman of the Supervisory Committee, Employee representative Supervisor	Male	54	17 June 2019 4 June 2019	Now	-	-	-	-	42.03	No
SHAO Chong	Supervisor	Male	60	19 May 2016	Now	-	-	-	-	15.00	Yes
FENG Xiaodong	Supervisor	Male	53	28 May 2018	Now	-	-	-	-	15.00	Yes

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Name	Title (Note)	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000)	Whether having received remunerations from the related parties of the Company
ZUO Zhipeng	Supervisor	Male	50	27 June 2016	Now	-	-	-	-	15.00	Yes
WANG Weijie	Employee representative Supervisor	Male	57	19 May 2016	Now	-	-	-	-	320.79	No
LIU Xuefeng	Employee representative Supervisor	Male	56	19 May 2016	Now	-	-	-	-	332.94	No
ZHU Jian	Vice president	Male	48	15 December 2016	Now	-	-	-	-	118.23	No
JIANG Yiming	Vice president	Male	56	22 November 2013	Now	-	-	-	-	128.20	No
CHEN Yutao	Vice president	Male	57	28 November 2016	Now	-	-	-	-	231.54	No
GONG Dexiong	Vice president	Male	50	28 November 2016	Now	-	-	-	-	201.38	No
ZHANG Zhihong	Chief Compliance Officer	Female	50	19 November 2018	Now	-	-	-	-	402.03	No
XIE Lebin	Chief Financial Officer, Chief Risk Officer	Male	52	12 January 2017 30 October 2018	Now	-	-	-	-	433.06	No
YANG Dehong (note4)	Former chairman of the Board, Executive Director	Male	53	19 May 2016	23 September 2019	-	-	-	-	76.52	No
FU Fan (note4)	Former non-executive Director	Male	55	19 May 2016	5 December 2019	-	-	-	-	-	Yes
LIU Ying (note4)	Former non-executive Director	Female	56	14 November 2016	9 May 2019	-	-	-	-	-	No
WANG Yongjian (note4)	Former non-executive Director	Male	55	19 May 2016	9 May 2019	-	-	-	-	6.25	Yes
SHANG Hongbo (Note 4, 7)	Former chairman of the Supervisory Committee	Male	61	19 May 2016	17 June 2019	-	-	-	-	-	Yes
ZHU Ning (Note 4)	Former vice chairman of the Supervisory Committee, Employee representative Supervisor	Male	61	19 May 2016	6 May 2019	-	-	-	-	30.31	No
Total	/	/	/	/	/				/	3,147.40	/

- Note: 1. On 11 November 2019, the Resolution on Election of Directors of the Company was considered and approved at the second extraordinary general meeting of 2019 of the Company and Mr. HE Qing and Mr. AN Hongjun were elected as directors of the fifth session of Board of the Company and such appointments shall become effective after they obtained the approval on their qualification as directors of a securities company. On 14 November 2019, Mr. AN Hongjun was qualified as a director of a securities company and his appointment became effective on the same date. On 12 February 2020, Mr. HE Qing was qualified as a chairman of the Board of a securities company and his appointment as chairman of the Board and a director of the fifth session of the Board became effective according to the resolution of eighteenth extraordinary meeting of the fifth session of the Board.
2. On 24 June 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2018 Annual General Meeting of the Company and Ms. GUAN Wei and Mr. WANG Wenjie were elected as directors of the fifth session of Board of the Company and such appointments shall become effective after they have obtained the approval on their qualification as directors of a securities company. On 28 June 2019, Mr. WANG Wenjie was qualified as a director of a securities company and his appointment became effective on the same date. On 25 July 2019, Ms. GUAN Wei was qualified as a director of a securities company and her appointment became effective on the same date.

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3. On 3 June 2019, Mr. WANG Lei was elected as an employee representative supervisor of the fifth session of the supervisory committee of the Company at the third meeting of the fourth session of employee representative meeting of the Company. On 4 June 2019, Mr. WANG Lei obtained the relevant qualification and his appointment became effective on the same date. On 17 June 2019, the Resolution on Election of Vice Chairman of the Fifth Session of the Supervisory Committee of the Company was considered and approved at the 3rd extraordinary meeting of the fifth session of the supervisory committee of the Company and WANG Lei was elected as the vice chairman of the fifth session of the supervisory committee of the Company.
4. Mr. YANG Dehong resigned as the chairman of the Board and a director of the fifth session of the Board and all other positions of the Company on 23 September 2019; Mr. FU Fan resigned as a director of the fifth session of the Board on 5 December 2019, which became effective from the close of business of the Company on the same date; Ms. LIU Ying and Mr. WANG Yongjian resigned as directors of the fifth session of the Board on 9 May 2019, which became effective from the close of business of the Company on the same date; Mr. ZHU Ning no longer served as the vice chairman and an employee representative supervisor of the fifth session of the supervisory committee of the Company on 6 May 2019 due to his age-limited retirement, which became effective from the close of business of the Company on the same date; Mr. SHANG Hongbo resigned as the chairman and a supervisor of the fifth session of the supervisory committee of the Company on 17 June 2019 due to retirement, which became effective from the close of business of the Company on the same date.
5. The term of fifth session of the Board and the supervisory committee of the Company expired at 19 May 2019. The nomination of candidates for directors and supervisors has not been completed, and the election of the new session of the Board and the supervisory committee is still in process. In order to ensure the continuity of the work of the Board and the supervisory committee, the election of the fifth session of the Board and the supervisory committee will be postponed, and the term of the special committees of the Board and the term of the senior management will be extended accordingly. Before the completion of the election process, all members of the fifth session of the Board, the supervisory committee and the senior management of the Company will continue to perform their respective corresponding obligations and duties in accordance with relevant laws, regulations and the articles of association of the Company. (Please refer to the announcement of the Company with the indicative announcement on the postponed election of the Board and the Supervisory Committee)
6. The start date of the term of both directors and supervisors in the table was the start date of the term of directors and supervisors of the fifth session of the Board and the supervisory committee of the Company, among which the start date of the first term of the re-elected directors and supervisors was as follows: 8 September 2015 for Mr. WANG Song; 1 June 2015 for Mr. ZHOU Lei; 1 June 2015 for Mr. ZHONG Maojun; 6 January 2013 for Mr. SHI Derong; 4 January 2013 for Mr. CHEN Guogang; 9 March 2015 for Mr. LING Tao; 6 January 2013 for Mr. JIN Qingjun; 15 February 2008 for Mr. SHAO Chong; 4 January 2013 for Mr. WANG Weijie; 27 December 2012 for Mr. LIU Xuefeng, respectively.
7. The remuneration of Mr. SHANG Hongbo, the former chairman of the Supervisory Committee, is determined in accordance with the documents of the relevant governmental authorities in Shanghai.
8. In accordance with the provisions of the Regulations on Supervision and Administration of Securities Companies, payment for 40% of the annual performance-based bonus of the full-time directors, vice chairman of supervisory committee and senior management of the Company shall be deferred for a period of three years. The deferred payment of remuneration shall be divided equally. The remuneration structure and level for the Chairman and the vice chairman of the supervisory committee shall be determined in accordance with Opinions on Deepening the Remuneration System Reform of Senior Management of the State-owned Enterprises in Shanghai and the relevant requirements of the competent authorities at the higher level since 1 January 2015. The remuneration structure and level for the president and vice president of the Company shall be determined in accordance with the Implementation Plan on the Remuneration System Reform of the Professional Managers as approved by the competent authorities at the higher level since 1 January 2017.
9. The statistical caliber for the remuneration of the directors, supervisors and senior management during the Reporting Period is based on the remuneration received from their offices of directors, supervisors and senior management, excluding the remuneration received from other positions.
10. The statistical caliber for the number of shares of the Company hold by directors, supervisors and senior management at the beginning and end of the year is the number of shares which they hold during their term of position.
11. According to the Resolution on Proposing to Review the Remuneration for Director of the Fifth Session of the Board and Supervisors of the Fifth Session of the Supervisory Committee reviewed and passed on the annual general meeting for the year 2015, each of the independent Directors receives a remuneration of RMB250,000 each year before tax; each of the Directors nominated by the Shareholders and Supervisors nominated by the Shareholders is entitled to a remuneration of RMB150,000 each year before tax. The directors and the supervisors elected by the employees who hold other positions in the Company will not receive any other payment as the Directors and Supervisors in addition to the remunerations they receive from the Company. During the year, Ms. GUAN Wei, Mr. ZHOU Lei, Mr. ZHONG Maojun, Mr. WANG Wenjie, Mr. ZHOU Hao and Mr. AN Hongjun, being non-executive directors, Mr. SHI Derong, being an independent non-executive director and Mr. FU Fan and Ms. LIU Ying, the resignation of non-executive Director of the Company, have waived their remuneration.

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Name	Major working experience
HE Qing	Master of Business Administration and an economist. Mr. HE successively served as a manager of corporate financing department of the Shanghai Branch of Chase Manhattan Bank and various positions in Bank of Shanghai (a listed company on the Shanghai Stock Exchange with stock code of 601229), including a manager of international business department and assistant to the president of the Pudong Branch, the general manager of international business department, the general manager of corporate financing department, an assistant to the president, a vice president, the chairman of Shanghai Minhang BOS Rural Bank (上海閔行上銀村鎮銀行股份有限公司) and a director of BOS Asset Management Co., Ltd. (上銀基金管理有限公司). He also held the positions of a vice president, executive director and president of China Pacific Insurance (Group) Co., Ltd. (a listed company on the Shanghai Stock Exchange with stock code of 601601 and a listed company the Stock Exchange of Hong Kong Limited with stock code of 2601), a director of the China Pacific Property Insurance Co., Ltd., a director of the China Pacific Life Insurance Co., Ltd. and a director of Pacific Property Asset Management Co., Ltd. Before that, Mr. HE Qing also worked in the Shanghai Branch of Industrial and Commercial Bank of China Limited. Mr. HE joined in our Company in September 2019 and was appointed as the Chairman of the Board and Executive Director of the Company on February 2020.
WANG Song	A postgraduate in industrial management engineering. Mr. WANG worked as a trainee in the headquarters, a clerk in the Yunxi branch under the Yue Yang central branch, and an officer in the investment and management department of the headquarters of the China Construction Bank successively from July 1987 to October 1992; the deputy head of the Beijing office of Guotai Securities from October 1992 to March 1994; deputy general manager of the issuance department and the general manager of bond department of Guotai Securities from March 1994 to August 1999; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Company from August 1999 to October 2003; president assistant and the president of the fixed income securities head office of the Company from October 2003 to August 2006; the vice president of the Company from August 2006 to August 2015; the president of the Company from August 2015 to September 2015; the vice chairman of the Board, an executive director and the president from September 2015 to May 2016; an executive director and the president of the Company from May 2016 to November 2016. Mr. WANG has held the positions of the vice chairman of the Board, an executive director and the president of the Company since November 2016.

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Name	Major working experience
YU Jian	Master of Business Administration. Mr. YU served as the project head of the science department of the research institution under the Ministry of Aerospace from July 1986 to March 1993; the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities from December 1993 to August 1999; the deputy general manager of the investment banking department of the Company from August 1999 to September 2000; the deputy division head, division head and the general manager of the corporate finance department of the Company from September 2000 to May 2008; and the head of the listing office of the Company from May 2008 to June 2009. Mr. YU has been appointed as the secretary to the Board since June 2009, the head of the office of the Board since January 2016 and the executive director of the Company since May 2016.
GUAN Wei	Formerly Ms. GUAN Zhaohui, master's degree in management, and is a senior accountant. From July 1993 to July 2003, Ms. GUAN served in the financial management department of Shanghai Jiushi Company(上海久事公司). From July 2003 to March 2004, she served as assistant manager of the financial management department of Shanghai Shentong Group Co., Ltd. (上海申通集團有限公司). From March 2004 to August 2014, she served successively as deputy manager, manager of the financial management department, member of the disciplinary committee, manager of the audit and supervision department, and supervisor of Shanghai Jiushi Company. From August 2014 to August 2015, she served as general manager and party branch secretary of Shanghai Metropolitan Tourism Card Development Co., Ltd. (上海都市旅遊卡發展有限公司). From August 2015 to December 2018, she served as the chief financial officer of Shanghai Real Estate (Group) Co., Ltd. (上海地產(集團)有限公司). Since December 2018, she has served as the chief financial officer of International Group. Since September 2019, she has served as the vice president of International Group. Since July 2019, she has served as a director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), a listed company on The Shanghai Stock Exchange (stock code: 600000).
ZHOU Lei	Master of Business Administration. Mr. ZHOU worked as the project manager and the manager of the financing arrangement department of International Group Asset Operation from December 2003 to December 2008; the general manager and the vice president of project development of the financing arrangement headquarters of International Group Asset Management from December 2008 to August 2010; the deputy general manager and the head of risk compliance of Shanghai Aijian Trust Investment Co., Ltd. (上海愛建信託投資有限責任公司) from August 2010 to December 2011; the general manager of Shanghai Aijian Trust Co., Ltd. (上海愛建信託有限責任公司) from December 2011 to March 2015; a director of Shanghai Aijian Trust Co., Ltd from November 2013 to March 2015; the deputy general manager of Shanghai SA from March 2015 to January 2016; as the general manager and the vice chairman of Shanghai SA from January 2016 to May 2017, as the chairman of Shanghai SA since May 2017 and as the chief investment officer of International Group since December 2018 and as the vice president of International Group since September 2019.

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Name	Major working experience
ZHONG Maojun	Master of Laws. Mr. ZHONG served as the general manager's assistant of the investment banking department and the deputy head of the reorganization office of Orient Securities Co., Ltd. (東方證券有限責任公司) from December 2000 to January 2003. Mr. ZHONG then held several positions in Shanghai Municipal Financial Service Office from January 2003 to January 2015, including the deputy head of the financial institution division, the deputy head of the financial stabilization division (in charge of execution), the head of the financial stabilization division, the head of the financial institution service division and the director of municipal financial state-owned assets supervisory service division. Mr. ZHONG subsequently served as chief operating officer and the general manager of the strategic research department of International Group from January 2015 to May 2016, and a director and the chief operating officer of International Group since May 2016 and the general manager of the capital operation department of International Group from May 2016 to August 2017.
WANG Wenjie	Bachelor's degree in economics, and a senior economist. From July 1991 to July 1994, Mr. WANG served as a clerk of the investment department of Guangzhou Planning Commission. From July 1994 to February 2001, he served as an economist and business manager of the investment development department of Shenzhen Investment Management Company (深圳市投資管理公司). From February 2001 to September 2002, he served as the chief executive officer and deputy general manager of Shenzhen Shentou Technology Venture Capital Co., Ltd. (深圳市深投科技創業投資有限公司). From September 2002 to January 2005, he served as the deputy general manager of Shenzhen Lypeng Agricultural Industry Co., Ltd. (深圳市綠鵬農科產業股份有限公司). From January 2005 to June 2007, he served as the deputy director of the general manager's office of Shenzhen Gas Group Co., Ltd. (深圳市燃氣集團有限公司). During such employment, he also served as the deputy general manager of Shenzhen Gas Investment Co., Ltd. (深圳市燃氣投資有限公司) and the general manager of Jiujiang Tongda Natural Gas Co., Ltd. (九江市通達天然氣有限公司). From June 2007 to March 2009, he served as the deputy general manager of Shenzhen Gas Investment Co., Ltd. During such employment, he also served as the general manager of Jiujiang Shenran Company (九江深燃公司). From March 2009 to May 2018, he worked in Shenzhen Gas Group Co., Ltd. (深圳市燃氣集團股份有限公司), and served successively as the head of the human resources department, general manager of the human resources department, deputy general manager, director and general manager. During such employment, he also served as the chairman of Tai'an Shenran Company (泰安深燃公司), the chairman of Wuzhou Shenran Company (梧州深燃公司) and the executive director of Zhaoqing Shenran Company (肇慶深燃公司). Since May 2018, he has served as director and general manager of Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司).

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Name	Major working experience
LIN Facheng	Master of Economics and a senior auditor. From July 1997 to May 2013, Mr. Lin served at the Audit Bureau of Shenzhen (深圳市審計局), where he was previously a clerk of the commercial audit division, a deputy director clerk of the audit division II under the Special Auditing Bureau for Economic Responsibility, a director clerk of the financial audit division and a deputy director of the fiscal audit division. From May 2013 to September 2017, he was a director and chief financial officer of Shenzhen Urban Construction and Development (Group) Co., Ltd. (深圳市城市建設開發(集團)有限公司). He has served as the head of the auditing department of Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司) since September 2017.
ZHOU Hao	Master of Business Administration. Mr. Zhou was the secretary to the youth league general branch directly under Shanghai Zhuzong (Group) Corporation (上海住總(集團)總公司) from September 1989 to August 1995, a deputy director of office of Shanghai New Jiangwan Development Co., Ltd. (上海市新江灣城開發有限公司) from August 1995 to October 2002, a senior manager of the administrative and human resources department of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司) from October 2002 to October 2003, a director for construction of the New Jiangwan City in Shanghai from October 2003 to February 2006, the general manager of the administrative and human resources department of Shanghai Chengtou Corporation from February 2006 to August 2008, the secretary to the Discipline Inspection Commission and a vice president of Shanghai Chengtou Holding Co., Ltd (上海城投控股股份有限公司) from August 2008 to October 2012 and the secretary to the Discipline Inspection Commission of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) from October 2012 to October 2017. He has served as a vice president of Shanghai Municipal Investment (Group) Corporation since October 2017.
AN Hongjun	Doctor of economics. Mr. AN joined New China Asset Management Co., Ltd. (新華資產管理股份有限公司) in May 2010 and successively served as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. He has also been an executive director and president of New China Capital Management Limited (新華資本管理有限公司) since September 2015. He has been a non-executive director and a member of Strategy and Investment Committee of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a listed company on The Stock Exchange of Hong Kong Limited with stock code of 0817, since November 2015. Prior to joining New China Asset Management Co., Ltd., Mr. AN had held various positions, including project manager, macro researcher and senior analyst, in Northeast Securities Co., Ltd (東北證券股份有限公司), the People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) and China Life Franklin Asset Management Company Limited (中國人壽富蘭克林資產管理有限公司). Mr. An has intensive experiences in securities, insurance and investment sectors.

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Name	Major working experience
XIA Dawei	Economics Master, professor, doctor-supervisor. Mr. XIA has previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) from July 1985 to August 2000 and then served as the dean of Shanghai National Accounting Institute from September 2000 to August 2012. Mr. XIA had successively held positions including a professor, a doctoral tutor and the academic committee director of Shanghai National Accounting Institute since August 2012. Mr. XIA successively held the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), vice chairman of Accounting Society of China, the vice chairman of China Association of Chief Financial Officers, the chairman of Shanghai Accounting Association, the honorary professor of the Chinese University of Hong Kong, the part-time professor of the School of Management of Fudan University and a member of the listed company expert committee of the Shanghai Stock Exchange and enjoys the government allowance of the State Council. Mr. XIA has been serving as an independent director of various listed companies, including Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 0980) since September 2004, and Juneyao Airlines Co., Ltd (上海吉祥航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603885) since July 2017. Mr. XIA has been the external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601166) since May 2016. Mr. XIA has been serving as an independent director of Baoshan Iron & Steel Co., Ltd (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019) from April 2013 to September 2019.
SHI Derong	Engineering Doctor. Mr. SHI has previously held the positions of the secretary of the Communist Youth League branch of Central Hospital of Luwan District of Shanghai (上海盧灣區中心醫院) from October 1974 to August 1982; the deputy youth league secretary of the youth league committee of Luwan District, Shanghai from August 1982 to July 1983; the office director of Luwan District of Shanghai General Trade Union (上海總工會) from July 1983 to June 1984; head of the organization department of the party committee of Luwan District, Shanghai from June 1984 to June 1986; the deputy secretary of the party committee of Luwan District, Shanghai from June 1986 to March 1992; the deputy chief and the deputy secretary of the party committee of Shanghai Civil Affairs Bureau from March 1992 to November 1995; the chief and secretary of the party committee of Shanghai Civil Affairs Bureau from November 1995 to April 2003; the president and the secretary of the party committee of Shanghai Shengrong Investment Co., Ltd. (上海盛融投資有限公司) from April 2003 to October 2009; and concurrently as the chairman of Shanghai Building Materials (Group) Corporation (上海建材(集團)有限公司) from December 2003 to October 2009; the chairman and the secretary of the party committee of Shanghai Guosheng Group Ltd. (上海國盛(集團)有限公司) from July 2007 to May 2012. Mr. SHI has been the director and the chief investment officer of CDB Root-Well Industrial Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司) since June 2013.

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Name	Major working experience
CHEN Guogang	Economics Doctor and senior accountant. Mr. CHEN was an assistant professor at Xiamen University (廈門大學) from July 1984 to March 1985, and served as the deputy chief financial officer of Hong Kong Hino Co., Ltd. (香港鑫隆有限公司) from July 1988 to July 1991; as the finance manager of the U.S. agrichemical subsidiary of China National Chemicals Import & Export Corporation (中國化工進出口總公司) from July 1991 to March 1994; the general manager of the petroleum accounting department of China National Chemicals Import & Export Corporation from March 1994 to January 1995; the vice chief of the finance department of China National Chemicals Import & Export Corporation from January 1995 to May 1997; the vice president of China International United Petroleum and Chemicals Co., Ltd. (中國國際石油化工聯合公司) from May 1997 to February 1999; the deputy chief accountant of China National Chemicals Import & Export Corporation from February 1999 to June 1999; the general manager of the finance department of China National Chemicals Import & Export Corporation from June 1999 to December 2000; and the chief accountant of Sinochem Group (中國中化集團公司) from December 2000 to April 2010 and successively as the chief financial officer and the vice-president and chief financial officer of New China Life Insurance Co., Ltd. (新華人壽保險股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601336) and the Hong Kong Stock Exchange (stock code: 1336), from April 2010 to May 2015. He has served as the vice-president of China Minsheng Investment Co. Ltd. from May 2015 to August 2018. He has served as the Chief Executive Officer of Shenzhen Qianhai Financial Assets Exchange Co., Ltd. since September 2018. Mr. Chen has served as an independent non-executive director of China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3818), since June 2016. Mr. Chen has served as an independent non-executive director of the YTO Express Group Co., Ltd. (圓通速遞股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600233), from October 2016 to October 2019.
LING Tao	(formerly Ling Yaoguang) Economics Doctor. Mr. LING held various positions such as the deputy institute head at the Research Bureau of The People's Bank of China from April 1989 to May 2000 and worked as the chief of Ningbo Central Branch of The People's Bank of China from June 2000 to July 2001; the deputy chief of Shanghai Branch of The People's Bank of China from August 2001 to December 2003; and the director of the Anti-Money Laundering Bureau of The People's Bank of China from December 2003 to July 2005. Mr. LING held various positions such as the deputy chief at the Shanghai Headquarters of The People's Bank of China from July 2005 to June 2014, and was the deputy head of the preparation group of Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司) from June 2014 to January 2015. Mr. Ling has also been the chairman of Shanghai HuaRui Bank Co., Ltd. from January 2015 to January 2018, and the vice chairman of Shanghai June Yao Group Co., Ltd. (上海均瑤(集團)有限公司) since June 2018.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
JIN Qingjun	Master of Laws. Mr. JIN previously worked as a lawyer in Zhongxin Law Firm (中信律師事務所) from April 1989 to October 1993; and partner of Xinda Law Firm (信達律師事務所) from October 1993 to August 2002. Mr. JIN has also been serving as senior partner of King & Wood Mallesons since September 2002. Mr. JIN has been serving as an independent non-executive director of Invesco Great Wall Fund Management Company Limited (景順長城基金管理有限公司) since April 2003; an independent non-executive director of Times Property Holdings Limited (香港時代地產控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1233), since October 2015; an independent non-executive director of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3377), since March 2016; an independent non-executive director of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1578), since March 2017; an independent non-executive director of Hengqin Life Insurance Co., Ltd. (橫琴人壽保險有限公司), since April 2017; an independent non-executive director of Zhong Fa Zhan Holdings Limited (中發展控股有限公司), a company listed on Hong Kong Stock Exchange (stock code: 0475), since October 2017; an independent non-executive director of Shenzhen Asiantime International Construction Co., Ltd. (深圳市亞泰國際建設股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002811), since September 2018; a director of Shenzhen Kondarl (Group) Co., Ltd. (深圳市康達爾(集團)股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000048), since September 2018; and an independent non-executive director of Goldstream Investment Limited (金涌投資有限公司), a company listed on Hong Kong Stock Exchange (stock code: 1328), since December 2019. Mr. JIN served as an external supervisor of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036) from October 2014 to June 2019; an independent director of China South Glass Holdings Ltd. (中國南玻集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000012 (A Shares); 200012 (B Shares)), from December 2016 to April 2019.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
LEE Conway Kong Wai	A postgraduate for Master degree. Mr. LEE served as a partner of Ernst & Young from September 1980 to September 2009. Currently, Mr. LEE has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Chaowei Power Holdings Limited (stock code: 0951) since June 2010, West China Cement Limited (stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (stock code: 1117) since October 2010, Tibet 5100 Water Resources Holdings Ltd. (stock code: 1115) since March 2011, Gome Electrical Appliances Holdings Limited (stock code: 0493) since March 2011, NVC Lighting Holding Limited (stock code: 2222) since November 2012, Yashili International Holdings Limited (stock code: 1230) since November 2013, GCL New Energy Holdings Limited (stock code: 0451) since May 2014, WH Group Limited (stock code: 0288) since August 2014 and China Rundong Auto Group Limited (stock code: 1365) since August 2014. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to 2017. Mr. LEE has been a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.
WANG Lei	Doctor of law and a senior political scientist. Mr. Wang worked at Party School of CPC Jiangsu Committee and Jiangsu Administration Institute from July 1992 to July 1999; worked at General Office of the People's Government of Shanghai Municipality from July 1999 to August 2004; worked at General Office of Shanghai Municipal Committee of the Chinese people's Political Consultative Conference from August 2004 to November 2007. He successively served as deputy general manager, deputy secretary of the party committee, chairman of the trade union, secretary of the disciplinary inspection committee of Shanghai Hengshan (Group) Corporation (上海市衡山(集團)公司) from November 2007 to August 2015. He served successively as a member of the party committee, secretary of the disciplinary inspection committee and vice chairman of the supervisory committee of Bailian (Group) Co., Ltd. from August 2015 to November 2018. Mr. Wang has been serving as a member of the party committee of the Company since November 2018; and served as secretary of the discipline inspection commission of the Company from November 2018 to July 2019, has been serving employee representative supervisor and vice chairman of the supervisory committee of the Company since June 2019; director of discipline and supervision group of the Company assigned by Discipline Inspection and Supervision Committee of Shanghai since July 2019.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
SHAO Chong	Doctor of economics and a senior economist. Mr. SHAO worked as a cadre and then the deputy director of the Social and Economic Research Department of National Bureau of Statistics Research Institute from August 1989 to December 1992 and the deputy director of the preparatory office of Shenzhen Energy Corporation Shenzhen Energy Investment Co., Ltd. (深圳市能源總公司深圳能源投資股份有限公司) from January 1993 to June 1993, and held various positions consecutively in Shenzhen Energy Investment Co., Ltd. (深圳能源投資股份有限公司) including the secretary to board of directors, general manager assistant, deputy general manager, director and deputy general manager, director and executive deputy general manager, director and chief economist from June 1993 to January 2008. He served as the deputy director of the preparatory office of Binhai Power Plant Construction Office (濱海電廠籌建辦公室) of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司) between January 2008 and August 2008 and the director and the deputy general manager of CNOOC Shenzhen Natural Gas Co., Ltd. (中海石油深圳天然氣有限公司) from August 2008 and January 2015. Mr. SHAO has been serving as the vice chairman of Great Wall Securities Co., Ltd. (長城證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002939) since April 2008 and the secretary of the board of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000027) since January 2015.
FENG Xiaodong	Doctor of Management and a senior economist. From July 1988 to December 2000, Mr. Feng subsequently served as the workers' supervisor and a deputy division head of workers' division in labour department, and the business head and division head of personnel management division in human resources department of China FAW Group Corporation (一汽集團公司). From December 2000 to July 2002, he served as the department head of personnel department in FAW Foundry Co., Ltd. (一汽鑄造有限公司). From July 2002 to September 2017, he subsequently served as the deputy department head of human resources department, deputy department head of organizational and personnel department, head of the audit department and the head of the supervisory committee's office in China FAW Group Corporation. From August 2016 to present, he serves as an external director of FAW Jiefang Automotive Co., Ltd. (一汽解放汽車有限公司). From October 2017 to present, he served as the supervisor of Guosen Securities Co., Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002736). From September 2017 to April 2019, he served as the head of the audit and compliance department and head of the supervisory committee's office of China FAW Group Co., Ltd. (一汽集團有限公司). From May 2019 to December 2019, he served as the general legal advisor and the head of the audit and compliance department of China FAW Group Co., Ltd. From December 2019 to present, he served as the general legal advisor and the general manager of the audit and compliance department of China FAW Group Co., Ltd.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
ZUO Zhipeng	(formerly ZUO Fanxiu) Master in business administration and a senior accountant. Mr. ZUO served as the accountant of the finance division of Anqing Textile Factory (安慶紡織廠) from July 1989 to July 1994; and an assistant of the finance division head of AnHui HuaMao Textile Co., Ltd. (安徽華貿紡織有限公司) from July 1994 to July 1999. Mr. ZUO then has held various positions in AnHui HuaMao Textile Company Limited (安徽華貿紡織股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000850), including the chief financial officer, the general manager assistant, the deputy general manager and the board secretary since July 1999. Mr. ZUO has been serving as the director and general manager of AnHui HuaMao Textile Company Limited since March 2016 and a director of Anhui HuaMao Group Co., Ltd. (安徽華貿集團有限公司) since March 2007.
WANG Weijie	Master of economics and a senior political scientist. Mr. WANG has previously worked as the chief accountant of the financial department of Shenzhen Cigarette Factory (深圳捲煙廠) from February 1993 to December 1993, an accountant in the listing company department of Shenzhen Jinpeng Accounting Firm (深圳市金鵬會計師事務所) from December 1993 to March 1994, worked in the finance department of Junan Securities from March 1994 to November 1994; worked as the general manager of the financial department of Shandong Province Securities Company (山東省證券公司) from November 1994 to January 1996; and successively served as the deputy director of the auditing office, the deputy general manager of capital planning department, the general manager of Changsha sales department, and the general manager of the finance department of Junan Securities from January 1996 to August 1999. Mr. WANG held various positions in the Company from August 1999, including the assistant general manager and manager of the planning and finance headquarters of our Shenzhen Branch, the general manager of planning and finance headquarters, the executive chairman of the assets and liabilities management committee and team leader of the subsidiary management team, the head of the Supervisory Committee office. He has been serving as the head of discipline inspection and the supervision office since November 2011; the deputy secretary of the discipline inspection commission since February 2016.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
LIU Xuefeng	Master of business administration. Mr. LIU worked as an officer of the competent financial office and an accountant of the financial division successively at Northern China Nonferrous Metals Group of Anyang Geophysical Division (華北有色公司安陽物探大隊) from July 1987 to March 1991, the officer and then deputy section head (managerial work) at the finance office of Shijiazhuang Iron and Steel Co., Ltd. (石家莊鋼鐵有限公司) from March 1991 to March 1997, a finance manager at Shijiazhuang sales department of Junan Securities from March 1997 to August 1999, and held various positions in the Company, including the assistant general manager of securities sales department and finance manager and deputy general manager of finance department of Shijiazhuang Jianhua South Street Branch, deputy general manager (in charge of work) of Hebei operation and the sales headquarter and the deputy general manager and general manager of the planning and the finance headquarter since August 1999. Mr. LIU served as the general manager of investigation and audit department of the Company from February 2012 to May 2019. Mr. LIU is serving as the standing deputy director of the inspection commission of the Company since May 2019.
ZHU Jian	Master of laws and master in business administration. Mr. ZHU worked at Shanghai Dazhong Taxi Co., Ltd. (上海大眾出租汽車股份有限公司) from July 1996 to December 1997 and successively held various positions including the deputy head of general manager office and the secretary of the board. He subsequently served successively as a cadre and a deputy director level clerk at the corporate department of the Shanghai Securities and Futures Supervisory and Management Office and a deputy director level clerk and a director level clerk at the listed company division of CSRC Shanghai Securities Office from December 1997 to November 2000; a director level clerk and a deputy division head of the information research division of CSRC Shanghai Securities Office successively from November 2000 to March 2004; a deputy division head and division head of the information research division of CSRC Shanghai Branch from March 2004 and October 2004; the head of general office and the division head of the second institution division of CSRC Shanghai Branch from October 2004 to September 2008; an assistant of director general of CSRC Shanghai Branch from September 2008 to August 2010; and a deputy director general of CSRC Shanghai Branch from August 2010 to September 2016. Mr. ZHU has joined in the Company since September 2016 and has been serving as our vice president since December 2016.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
JIANG Yiming	Doctor of management. Mr. JIANG worked as the accountant of the accounting office of Nanjing College of Pharmacy (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) from July 1981 to September 1987 and the financial manager for Shenzhen Yu Kang Solar Co., Ltd. (深圳宇康太陽能有限公司) from July 1990 to May 1993, and then held various positions in Junan Securities from May 1993 to August 1999, including the deputy manager and then the manager of the financial department, the deputy general manager of securities brokerage business department, the deputy general manager and then the general manager of fund planning department and the chief financial officer. Mr. JIANG held various positions in the Company since August 1999, including the deputy general manager, the chief accountant, the general manager of the clearance headquarters and the chief financial officer of our Shenzhen Branch. Mr. JIANG has been serving as the vice president of the Company since November 2013.
CHEN Yutao	Master of economics. Mr. CHEN served as deputy dean of the management department of Shandong Textile Institute of Technology (山東紡織工學院) from August 1990 to July 1991, a lecturer in industrial economics department of Shanghai University of Finance and Economics (上海財經大學) from July 1991 to August 1992, the manager of the department of Shanghai business of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司) from August 1992 to July 1993, and a clerk of the research department and the deputy general manager of the computer department of Guotai Securities from July 1993 to August 1999. Mr. CHEN held various positions in the Company since August 1999, including the general manager of information technology headquarters, the general manager of our Shenzhen Branch, the general manager of retail customer headquarter, the general manager of human resources headquarter and the chief engineer. He served as the chief information officer of the Company from November 2013 to May 2018 and has been serving as our vice president since November 2016.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
GONG Dexiong	Master of business administration. Mr. GONG worked at the Pudong operating office of the securities department of Shanghai Trust from October 1992 to January 1995. Mr. GONG served successively as the deputy head of the Pudong operating office at the securities department, the section chief of the investment research section at the securities department, and the deputy manager of the securities department of Shanghai Trust from January 1995 to February 2001; the deputy general manager of Shanghai Securities from February 2001 to November 2011; the chairman of Hicend Futures concurrently from July 2008 to November 2011; the general manager of the financial management headquarters of International Group from November 2011 to March 2013; the general manager of Shanghai Securities from March 2013 to September 2015, the vice chairman of Shanghai Securities from May 2014 to November 2015, and the chief executive officer of Guotai Junan Asset Management from August 2015 to April 2016. Mr. GONG has been serving as the chairman of Guotai Junan Asset Management since August 2015, the chairman of Shanghai Securities from May 2016 to June 2018, and a vice president of the Company since November 2016; and he also been serving as the chairman of Guotai Junan Innovation Investment Co., Ltd. since August 2017 and the general manager and the Chairman of the executive board of Guotai Junan Innovation Investment Co., Ltd. since January 2019.
ZHANG Zhihong	Doctor of economics and a senior economist. Ms. ZHANG began to work in August 1991. She joined the Shanghai Securities Management Office in March 1994. From May 2000 to August 2004, she served successively as the deputy director of the party committee (discipline inspection) office of the Shanghai Securities Management Office and deputy director of the agency department. From August 2004 to March 2008, she served successively as the director of the agency supervision department, director of the agency supervision department I, and director of the listed companies' supervision department I of the Shanghai Bureau of the CSRC. From March 2008 to October 2011, she served successively as a member of the party committee, secretary of the discipline inspection commission, chief compliance officer, deputy general manager of Great Wall Securities Co., Ltd. From October 2011 to December 2016, she served as the president assistant and vice president of the Investment Banking Business Committee of the Company. From December 2016 to October 2018, she served as the business director and vice president of the Investment Banking Business Committee of the Company, and has been serving as the Chief Compliance Officer of the Company since November 2018.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Major working experience
XIE Lebin	Doctor of economics. Mr. XIE worked at the investment banking department of Wanguo Securities Co., Ltd. from July 1993 to March 1995. Mr. XIE served as an executive director of the investment banking department of Junan Securities from March 1995 to August 1999 and held various positions in the Company since August 1999, including a deputy general manager of the Shanghai investigation and auditing department; a deputy general manager of the investigation and auditing headquarters; the executive deputy general manager of the investigation and auditing headquarters; the general manager of the investigation and auditing headquarters; the general manager of the planning and finance department; and our deputy chief financial officer and the general manager of our planning and finance department. Mr. XIE has been serving as our chief financial officer and concurrently as general manager of the planning and finance department since January 2017; and he also served as the chief operation officer of Guotai Junan from May 2018 to January 2019 and has been serving as the chief risk officer since October 2018.

Other Information

☐ Applicable ☒ Not applicable

(II) Share awards granted to the Directors and senior management members during the Reporting Period

☐ Applicable ☒ Not applicable

II. POSITIONS OF THE CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions in Shareholder entities

☒ Applicable ☐ Not applicable

Staff name	Name of shareholder entities	Position held in the shareholder entities	Starting date of term of office	Expiry date of term of office
GUAN Wei	Shanghai International Group Co., Ltd.	Vice president, chief financial officer	September 2019	Until expiry of term
ZHOU Lei	Shanghai International Group Co., Ltd.	Vice president, chief investment officer	September 2019	Until expiry of term
	Shanghai State-owned Assets Operation Co., Ltd.	Chairman	May 2017	Until expiry of term
ZHONG Maojun	Shanghai International Group Co., Ltd.	Director, chief operation officer	May 2016	Until expiry of term
WANG Wenjie	Shenzhen Investment Holdings Co., Ltd.	Director, general manager	May 2018	Until expiry of term

Section VIII Directors, Supervisors, Senior Management and Staff

Staff name	Name of shareholder entities	Position held in the shareholder entities	Starting date of term of office	Expiry date of term of office
LIN Facheng	Shenzhen Investment Holdings Co., Ltd	Head of the auditing department	September 2017	Until expiry of term
ZHOU Hao	Shanghai Municipal Investment (Group) Corporation	Vice president	October 2017	Until expiry of term
AN Hongjun	New China Asset Management (Hong Kong) Limited	Executive director, president	April 2013	Until expiry of term
SHAO Chong	Shenzhen Energy Group Co., Ltd.	Secretary of the board	January 2015	Until expiry of term
ZUO Zhipeng	AnHui HuaMao Textile Company Limited	Director, general manager	March 2016	Until expiry of term
Explanations on the positions in Shareholder Entities	None			

(II) Positions in other entities

☒ Applicable ☐ Not applicable

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
WANG Song	Guotai Junan Securities US Holdings Company Limited	Chairman of the board	February 2016	February 2019
	Guotai Junan Financial Holdings Co., Ltd.	Chairman of the board	March 2016	Until expiry of term
GUAN Wei	Sailing Capital Management Co., Ltd.	Director	February 2019	Until expiry of term
	Sailing Capital International Investment Fund (Shanghai) Co., Ltd.	Director	February 2019	Until expiry of term
	Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司)	Director	March 2019	Until expiry of term
	Beijing Kunlun Hotel Company Limited	Vice chairman	March 2019	Until expiry of term
ZHOU Lei	Shanghai Pudong Development Bank Co., Ltd.	Director	July 2019	Until expiry of term
	Shanghai Rural Commercial Bank Co., Ltd.	Director	April 2017	Until expiry of term
	Shanghai Guoxin Capital Management Co., Ltd.	Chairman and a member of the investment decision committee	January 2018	Until expiry of term
	Yangtze River Economic United Development (Group) Co., Ltd.	Vice chairman	April 2018	Until expiry of term

Section VIII Directors, Supervisors, Senior Management and Staff

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
ZHONG Maojun	Guohua Satellite Application Industry Fund Management (Nanjing) Co., Ltd. (國華衛星應用產業基金管理(南京)有限公司)	Director and a member of the investment decision committee	November 2018	Until expiry of term
	Shanghai Xieyi Asset Management Co., Ltd.	Chairman	January 2016	Until expiry of term
WANG Wenjie	Shenzhen Investment Control Win-Win Equity Investment Fund Partnership (Limited Partnership) (深圳投控共贏股權投資基金合夥企業(有限合夥))	Proxy of the executive partner	November 2018	Until expiry of term
LIN Facheng	Guotai Junan Investment Management Co., Ltd.	Director	March 2018	Until expiry of term
ZHOU Hao	Bright Food (Group) Co., Ltd.	Director	November 2017	Until expiry of term
	Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司)	Director	April 2018	October 2019
AN Hongjun	Galaxy Fund Management Company Limited	Director	June 2018	October 2019
	Profound Brilliant Star Limited	Director	August 2015	Until expiry of term
	New China Capital International Management Limited	Director	September 2015	Until expiry of term
	New China Asset Management Co., Ltd.	Director, President	September 2015	Until expiry of term
	China Jinmao Holdings Group Limited	Non-executive director	November 2015	Until expiry of term
	Xingang Investment Management (Shen Zhen) Co., Ltd. (新港投資管理(深圳)有限公司)	Director	December 2015	Until expiry of term
	New China Hui Xin Equity Investment Fund Management Co., Ltd. (新華匯鑫股權投資基金管理(深圳)有限公司)	Director	June 2016	Until expiry of term
	New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司)	Director	December 2016	Until expiry of term
	Lianhua Supermarket Holdings Co., Ltd.	Independent non-executive director	September 2004	Until expiry of term
	China National Offshore Oil Corporation	External director	February 2012	2019
XIA Dawei	Baoshan Iron & Steel Co., Ltd.	Independent non-executive director	April 2013	September 2019
	Industrial Bank Co., Ltd.	External supervisor	May 2016	Until expiry of term
	Hua An Fund Management Co., Ltd.	Independent non-executive director	May 2016	Until expiry of term

Section VIII Directors, Supervisors, Senior Management and Staff

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
SHI Derong	Juneyao Airlines Co., Ltd.	Independent non-executive director	July 2017	Until expiry of term
	China Three Gorges Corporation	External director	September 2019	Until expiry of term
	CDB Root-Well Industrial Investment Fund Management Co., Ltd.	Director, chief investment officer	June 2013	Until expiry of term
CHEN Guogang	China Dongxiang (Group) Co., Ltd.	Independent non-executive director	June 2016	Until expiry of term
JIN Qingjun	YTO Express Group Co., Ltd.	Independent non-executive director	October 2016	October 2019
	COFCO Trust Co., Ltd.	Independent non-executive director	March 2018	Until expiry of term
	Shenzhen Qianhai Financial Assets Exchange Co., Ltd.	Chief executive officer	September 2018	Until expiry of term
	Hong Kong Zhongjiahe Limited(香港眾嘉合有限公司)	Director	October 2018	Until expiry of term
	SDL Capital Limited	Director	November 2018	Until expiry of term
	King & Wood Mallesons, Beijing office	Partner	September 2002	Until expiry of term
	Invesco Great Wall Fund Management Company Limited	Independent non-executive director	April 2003	Until expiry of term
	China Merchants Bank Co., Ltd.	External supervisor	October 2014	June 2019
	Times Property Holdings Limited	Independent non-executive director	October 2015	Until expiry of term
	Sino-Ocean Group Holding Limited	Independent non-executive director	March 2016	Until expiry of term
	China South Glass Holdings Ltd.	Independent non-executive director	December 2016	April 2019
	Bank of Tianjin Co., Ltd.	Independent non-executive director	March 2017	Until expiry of term
	Hengqin Life Insurance Co., Ltd.	Independent non-executive director	April 2017	Until expiry of term
	Zhong Fa Zhan Holdings Limited	Independent non-executive director	October 2017	Until expiry of term
	Shenzhen Asiantime International Construction Co., Ltd.	Independent non-executive director	September 2018	Until expiry of term
LEE Conway Kong Wai	Shenzhen Kondarl (Group) Co., Ltd.	Director	September 2018	Until expiry of term
	Goldstream Investment Limited	Independent non-executive director	December 2019	Until expiry of term
	Chaowei Power Holdings Limited	Independent non-executive director	June 2010	Until expiry of term
	West China Cement Limited	Independent non-executive director	July 2010	Until expiry of term
	China Modern Dairy Holdings Limited	Independent non-executive director	October 2010	Until expiry of term

Section VIII Directors, Supervisors, Senior Management and Staff

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
	Tibet 5100 Water Resources Holdings Ltd.	Independent non-executive director	March 2011	Until expiry of term
	Gome Electrical Appliances Holdings Limited	Independent non-executive director	March 2011	Until expiry of term
	NVC Lighting Holding Limited	Independent non-executive director	November 2012	Until expiry of term
	Yashili International Holdings Limited	Independent non-executive director	November 2013	Until expiry of term
	GCL New Energy Holdings Limited	Independent non-executive director	May 2014	Until expiry of term
	WH Group Limited	Independent non-executive director	August 2014	Until expiry of term
	China Rundong Auto Group Limited	Independent non-executive director	August 2014	Until expiry of term
SHAO Chong	Dongguan Shenzhen Energy Zhangyang Power Co.,Ltd.	Director	December 2006	Until expiry of term
	Great Wall Securities Co., Ltd.	Vice chairman	April 2008	Until expiry of term
FENG Xiaodong	FAW Jiefang Automobile Co., Ltd.	External director	August 2016	Until expiry of term
	Guosen Securities Co., Ltd.	Supervisor	October 2017	Until expiry of term
	China FAW Group Co.,Ltd.	General legal advisor and general manager of the audit and legal affairs department	December 2019	Until expiry of term
ZUO Zhipeng	Anhui HuaMao Group Co., Ltd.	Director	March 2007	Until expiry of term
	Xinjiang Lihua Cotton Industry Co., Ltd.	Director	August 2011	Until expiry of term
	Guotai Junan Investment Management Co., Ltd.	Supervisor	April 2014	Until expiry of term
WANG Weijie	Shanghai Guoxiang Properties Co., Ltd.	Supervisor	November 2011	Until expiry of term
LIU Xuefeng	Shanghai Guoxiang Properties Co., Ltd.	Supervisor	July 2017	Until expiry of term
ZHU Jian	Guotai Junan Financial Holdings Co., Ltd.	Vice chairman of the board, general manager	May 2017	Until expiry of term
JIANG Yiming	Guotai Junan Securities Asset Management Co., Ltd.	Director	August 2010	Until expiry of term
CHEN Yutao	E-Capital Transfer Co., Ltd.	Director	December 2014	Until expiry of term
	Guotai Junan Futures Co., Limited	Chairman	December 2016	Until expiry of term
GONG Dexiong	Guotai Junan Securities Asset Management Co., Ltd.	Chairman	August 2015	Until expiry of term
	Shanghai Securities Co., Ltd.	Director	May 2016	Until expiry of term
	Guotai Junan Innovation Investment Co., Ltd.	Chairman, General Manager, Chairman of the executive board	August 2017 January 2019	Until expiry of term
	Guotai Junan Capital Management Co., Ltd.	Chairman	December 2016	Until expiry of term

Section VIII Directors, Supervisors, Senior Management and Staff

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
ZHANG Zhihong	Hua An Fund Management Co., Ltd.	Chairman of the supervisory board	August 2014	Until expiry of term
XIE Lebin	Guotai Junan International Holdings Limited	Non-executive director	June 2017	Until expiry of term
	Guotai Junan Innovation Investment Co., Ltd.	Director	December 2018	Until expiry of term
Explanations on the positions in Other Entities	None			

III. COMPENSATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

☒ Applicable ☐ Not applicable

Procedure for the determination of compensation for Directors, Supervisors and senior management members of the Company

The Company has established the Remuneration Appraisal and Nomination Committee under the Board, mainly responsible for reviewing and making recommendations on the assessment and remuneration management system for Directors and senior management members of the Company, assessing the Directors and senior management members of the Company and making recommendations. Compensation for the Supervisors shall be proposed by the Supervisory Committee and subject to the approval at the Shareholders' general meeting.

Basis for the determination of compensation for Directors, Supervisors and senior management members of the Company

The Company determines remuneration of senior management according to *the Administrative Measures on the Appointment, Appraisal and Remuneration of Senior Management* (《高級管理人員聘任、考核及薪酬管理辦法》) and their implementation rules. According to those administrative measures, the remuneration of senior management is composed of basic salary, performance-related bonus and term incentive. According to *the Pilot Implementation Scheme for the Remuneration Policy Reform of Professional Managers* (《職業經理人薪酬制度改革試點實施方案》), the remuneration of professional managers is composed of annual salary and medium and long term incentive, where annual salary includes basic annual salary and performance-related annual salary.

Section VIII Directors, Supervisors, Senior Management and Staff

Actual payment of compensation for Directors, Supervisors and senior management members of the Company

See “I. (I) Changes in shareholdings and remunerations of existing directors, supervisors and senior management of the Company and those who resigned during the Reporting Period” in Section VIII.

Actual total amount of remuneration received by the Directors, Supervisors and senior management members of the Company at the end of the Reporting Period

RMB31,474,000

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

☒ Applicable ☐ Not applicable

Name	Position	Manner of change	Reason of change
HE Qing	Chairman of Board, executive director	Election	On 11 November 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2019 Second Extraordinary General Meeting of the Company and Mr. HE Qing was elected as a director of the fifth session of the Board of the Company and such appointments shall become effective after he has obtained the approval on his qualification as a director of a securities company. On 12 February 2020, Mr. HE Qing was qualified as a chairman of a securities company and his appointment as the chairman and director of the fifth session of the Board became effective according to the resolutions of the eighteenth extraordinary meeting of the fifth session of the Board on the same date.
GUAN Wei	Non-executive director	Election	On 24 June 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2018 Annual General Meeting of the Company and Ms. GUAN Wei was elected as a director of the fifth session of the Board of the Company and such appointments shall become effective after she has obtained the approval on her qualification as a director of a securities company. On 25 July 2019, Ms. GUAN Wei was qualified as a director of a securities company and her appointment became effective on the same date.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Position	Manner of change	Reason of change
WANG Wenjie	Non-executive director	Election	On 24 June 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2018 Annual General Meeting of the Company and Mr.WANG Wenjie was elected as a Director of the fifth session of the Board of the Company and such appointments shall become effective after he has obtained the approval on his qualification as a director of a securities company. On 28 June 2019, Mr.WANG Wenjie was qualified as a director of a securities company and his appointment became effective on the same date.
AN Hongjun	Non-executive director	Election	On 11 November 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2019 Second Extraordinary General Meeting of the Company and Mr.AN Hongjun was elected as a Director of the fifth session of the Board of the Company and such appointments shall become effective after he has obtained the approval on his qualification as a director of a securities company. On 14 November 2019, Mr.AN Hongjun was qualified as a director of a securities company and his appointment became effective on the same date.
WANG Lei	Vice chairman of the Supervisory Committee, employee supervisor	Election	On 3 June 2019, Mr. WANG Lei was elected as an employee supervisor of the fifth session of the Supervisory Committee of the Company at the third meeting of the fourth session of the employees representatives meeting of the Company. On 4 June 2019, Mr. WANG Lei obtained the relevant qualification of a securities company and his appointment became effective on the same date. On 17 June 2019, the Resolution on Proposing to elect Vice Chairman of the Fifth Session of the Supervisory Committee of the Company was considered and approved at the third extraordinary meeting of the fifth session of the Supervisory Committee of the Company, Mr. WANG Lei was elected as a vice chairman of the fifth session of the Supervisory Committee of the Company.
YANG Dehong	Former chairman of the Board, executive director	Resignation	Due to his personal development arrangement, Mr. YANG Dehong resigned as a chairman of the fifth session of the Board, director and all other positions of the Company on 23 September 2019.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Position	Manner of change	Reason of change
FU Fan	Former non-executive Director	Resignation	Due to business engagement, Mr. FU Fan resigned as a director of the fifth session of the Board of the Company on 5 December 2019, which became effective from close of business of the Company on the same date.
LIU Ying	Former non-executive Director	Resignation	Due to her age-limited retirement, Ms. LIU Ying resigned as a director of the fifth session of the Board of the Company on 9 May 2019, which became effective from close of business of the Company on the same date.
WANG Yongjian	Former non-executive Director	Resignation	Due to business engagement, Mr. WANG Yongjian resigned as a director of the fifth session of the Board of the Company on 9 May 2019, which became effective from close of business of the Company on the same date.
SHANG Hongbo	Former chairman of the Supervisory Committee	Resignation	Due to his age-limited retirement, Mr. SHANG Hongbo resigned as a chairman and supervisor of the fifth session of the Supervisory Committee of the Company on 17 June 2019, which became effective from close of business of the Company on the same date.
ZHU Ning	Former vice chairman of the Supervisory Committee, employee supervisor	Resignation	Due to his age-limited retirement, Mr. ZHU Ning resigned as a vice-chairman of the Supervisory Committee, employee supervisor of the fifth session of the Supervisory Committee of the Company on 6 May 2019, which became effective from close of business of the Company on the same date.

V. PUNISHMENT BY SECURITIES REGULATORY BODIES FOR THE PAST THREE YEARS

☐ Applicable ☒ Not applicable

VI. SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company entered into the agreements in compliance with relevant laws, regulations and arbitration rules with all the Directors of the fifth session of the Board and all the Supervisors of the fifth session of the Supervisory Committee, which came into effect since the date on which the H Shares was listed on the Hong Kong Stock Exchange or the respective Directors and Supervisors were appointed and will end on the expiry date of the term of this session of the Board and the Supervisory Committee.

Saved as disclosed above, none of the Directors or Supervisors entered into any service agreement with the Company or its subsidiaries, which is not determinable within one year or is determinable with payment of compensation other than statutory compensation.

Section VIII Directors, Supervisors, Senior Management and Staff

VII. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

Mr. AN Hongjun, a non-executive Director of the Company, has been an executive director and president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. Since New China Asset Management (Hong Kong) Limited(新華資產管理(香港)有限公司) currently holds the licenses under the SFO for engaging in the regulated activities of Type 4 (Advising on Securities) and Type 9 (Asset Management), it competes or is likely to compete, either directly or indirectly, with certain businesses of Guotai Junan Financial Holdings and its subsidiaries.

Save as disclosed in this annual report, none of the Directors has any interest in the businesses which compete or is likely to compete, either directly or indirectly, with the Company's business.

VIII. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the related party transactions disclosed in "Section V Significant Events XIV. Material Related Party Transactions" (respective Directors have abstained from voting in respect of such transactions), the Company has not entered into any significant transaction, arrangement or contract in which Directors, Supervisors or entities associated with such Directors or Supervisors held or had held any direct or indirect material interests during the Reporting Period.

IX. INFORMATION OF EMPLOYEES OF PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Information of employees

Number of existing employees of parent company	11,290
Number of existing employees of major subsidiaries	3,943
Total number of existing employees	15,233
Number of disengaged and retired employees for whom the parent company and major subsidiaries shall be liable to expenses	—

Professions

Type of professions	Number of individuals
Business personnel	10,132
Business support personnel	4,447
Management personnel	654
Total	15,233

Educational background

Level of education	Number of individuals
Doctors	157
Masters and postgraduates	3,923
Bachelors	8,306
Associate degree and below	2,847
Total	15,233

Section VIII Directors, Supervisors, Senior Management and Staff

(II) Remuneration policy

☒ Applicable ☐ Not applicable

The Company has formulated a series of remuneration management systems in line with the practical conditions of the Company pursuant to relevant PRC laws and regulations and the Articles of Association, including the Administrative Measures on Remuneration, and the Administrative Measures on Performance, and the Administrative Measures on Professional Ranking. The Company establishes a post value and competence oriented and performance-related remuneration system to achieve “inside fairness and outside competition”, improve the utility efficiency of remuneration resources and motivate excellent employees for the purpose of attracting and retaining excellent talents. The Company maintains and makes contribution to various social insurances (including the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing fund and enterprise annuity for its employees in accordance with the PRC laws and regulations.

(III) Training programs

☒ Applicable ☐ Not applicable

In 2019, the Company continued to optimize the training organization form and strengthened digital training operations. The Company has organized 216 on-site training sessions; the total number of online courses has reached more than 2,152, and the online learning time of employees has exceeded 960,000 hours. The training content covers product marketing, leadership training, induction training for new employees, compliance and risk control, laws and regulations, investment banking business, credit business and Southbound business. In 2019, the per capita training duration organized by the Finance Institute at the Company’s headquarters was 49 hours with training coverage rate of 99.2%. Each subsidiary and each branch organized other trainings of its own in accordance with its own operation and management with the per capita training duration of 58.5 hours, and the training covered 99.8% of employees of the parent company and its subsidiaries.

(IV) Labour outsourcing

☒ Applicable ☐ Not applicable

Number of working hours of labour outsourcing

Standard working hour policies

Total compensation paid for labour outsourcing

RMB18.35 million

Section VIII Directors, Supervisors, Senior Management and Staff

X. OTHERS

☒ Applicable ☐ Not applicable

Information of the brokers

As at the end of 2019, the Group had a total of 3,022 brokers, with 2,167 for the Company and 746 for Shanghai Securities. Brokers signed agency appointment contracts with the Group to accept the appointment of the Group and solicit clients to provide services to them within the authorization of the Group. The Group conducted unified management over brokers and has established a complete system of rules, internal control system and system platform to standardize management over brokers. The Group has taken preventative measures beforehand, processes monitoring and posts reviews in respect of the conduction of business, by brokers. The Group has effectively controlled risks associated with brokers related business, by providing pre-job training and training for the conduction of business to reinforce the management over the practices of brokers, monitoring and tracking transactions of brokers clients via off-site monitoring platforms to identify risks on a timely basis, and conducting audits to standardize management over brokers. In addition, the Group paid regular visits to the clients of the brokers to get feedbacks on practices and assure compliance in conducting business.

Section IX Corporate Governance

I. CORPORATE GOVERNANCE

☒ Applicable ☐ Not applicable

As a company listed on the SSE and the Hong Kong Stock Exchange, the Company has strictly complied with laws, regulations and regulatory documents required to it. The Company keeps improving its corporate governance structure and system in order to enhance its corporate governance.

According to the requirements of laws, regulations and regulatory documents such as the Company Law of the PRC, the Securities Law of the PRC, the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》) and Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Company has established a sound and complete corporate governance structure, comprising the general meeting, the Board, the Supervisory Committee. The management of the Company has formed a complete corporate governance system for discussion, decision-making, delegation and implementation with clear responsibilities, regulated operation, coordination and balance among the competent authorities, the decision-making body, the supervision body and management.

During the Reporting Period, the Company has strictly complied with relevant requirements under the Corporate Governance Code and satisfied most requirements of provisions for recommended best practices. During the Reporting Period, the Chairman of the Company has communicated with non-executive Directors via various channels such as meetings to obtain suggestions and advice; the management of the Company has reported monthly operation and management to directors and supervisors on a monthly basis; the Chairman, Directors, the president, secretary to the Board and other management personnel of the Company have communicated with the Shareholders via result announcement conferences, roadshows, investor receptions, online interactions, telephone and other methods, and continued to improve its corporate governance.

During the Reporting Period, the Company has convened three general meetings; eleven Board meetings, including four regular meetings and seven extraordinary meetings; and five supervisory committee meetings. The convening, proposals, voting resolutions and minutes of each of these general meeting, Board meetings and supervisory committee meetings were in compliance with requirements under relevant laws, regulations, regulatory documents, the Articles of Association, Rules of Procedure of General Meetings (股東大會議事規則), Rules of Procedure of Board Meetings (《董事會議事規則》), and Rules of Procedure of Supervisory Committee Meetings (監事會議事規則). Each of the Directors and Supervisors has performed their duties and obligations with diligence and each of the independent Directors has considered the proposals and provided independent opinion with due care in accordance with the Working System for Independent Directors (獨立董事工作制度), assuring Shareholders to exercise their rights under relevant laws, taking into sufficient account the interests of minority Shareholders and making no detriment to the interests of minority Shareholders.

Whether there is any significant difference between corporate governance of the Company and requirements of relevant provisions of the CSRC; if any, reasons should be explained

☐ Applicable ☒ Not applicable

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II. INFORMATION OF GENERAL MEETINGS

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions
2019 First Extraordinary General Meeting	31 January 2019	http://www.sse.com.cn http://www.hkexnews.hk	31 January 2019
2018 Annual General Meeting	24 June 2019	http://www.sse.com.cn http://www.hkexnews.hk	24 June 2019
2019 Second Extraordinary General Meeting	11 November 2019	http://www.sse.com.cn http://www.hkexnews.hk	11 November 2019

General meetings

☒ Applicable ☐ Not applicable

During the Reporting Period, the Company convened three general meetings as follows:

1. The 2019 first extraordinary general meeting of the Company was held in Shanghai on 31 January 2019, on which the Resolution on Proposing to Amend the Articles of Association and the Resolution on Proposing to Consider the Guarantees to be provided by the Company to Guotai Junan Financial Holdings or Its Wholly-owned Subsidiaries were reviewed and approved.
2. The 2018 annual general meeting of the Company was held in Shanghai on 24 June 2019, on which the Work Report of the Directors for 2018, the Work Report of the Supervisors for 2018, the Resolution on Proposing to Review the Profit Distribution Plan of the Company for 2018, the Resolution on Proposing to Consider the Reappointment of Accounting Firm, the Resolution on Proposing to Review the Annual Report of the Company for 2018, the Resolution on Anticipated Related Party Transactions of the Company for 2019, the Resolution on Proposing to Review General Mandate For the Provision of External Guarantee for 2019, the Resolution on the General Mandate to the Board to Issue additional A Shares and/or H Shares and the Resolution on Election of Directors of the Company were reviewed and approved, and the Work Report of Independent Directors for 2018 was presented.
3. The 2019 second extraordinary general meeting of the Company was held in Shanghai on 11 November 2019, on which the Resolution on Election of Directors of the Company was reviewed and approved.

III. PERFORMANCE OF DUTIES BY THE BOARD AND DIRECTORS

(I) Composition of the Board

As of the date of this report, the Board consisted of 16 directors, including: 3 executive Directors, 7 non-executive Directors and 6 independent non-executive Directors. Mr. HE Qing is the chairman of the Board, and Mr. WANG Song is the vice chairman of the Board. The full list is as follows:

Executive Directors: Mr. HE Qing, Mr. WANG Song and Mr. YU Jian;

Section IX Corporate Governance

Non-executive Directors: Ms. GUAN Wei, Mr. ZHOU Lei, Mr. ZHONG Maojun, Mr. WANG Wenjie, Mr. LIN Facheng, Mr. ZHOU Hao and Mr. AN Hongjun;

Independent Non-executive Directors: Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. LEE Conway Kong Wai.

The Board has six independent non-executive Directors, representing more than one third of the members of the Board. The number and qualifications of independent non-executive Directors are in compliance with domestic regulatory requirements and the requirement of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.

Please refer to “Section VIII Directors, Supervisors, Senior Management and Staff” for particulars of Directors.

(II) Duties of the Board

The Board is the permanent authority of the Company, and is responsible to the general meeting of Shareholders. According to the Articles of Association, the Board has the following duties: to convene general meetings and to report to shareholders’ general meetings; to implement the resolutions of shareholders’ general meetings; to research and formulate the medium and long-term development plan of the Company; to determine business operation plans and investment plans of the Company; to formulate annual preliminary and final financial budgets of the Company; to formulate the profit distribution plans and plans for recovery of losses of the Company; to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing; to formulate plans for any substantial acquisition by the Company, repurchase of the shares (in circumstances specified to Subclauses (1) and (2) of Article 25 of the Articles of Association) or merger, division and change of the form and dissolutions of the Company; to decide on matters relating to the Company’s external investment, acquisitions or disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and connected transactions as authorized by shareholders’ general meetings; to decide on the establishment of the Company’s internal management structure; to appoint or dismiss the Company’s president, secretary to the board of directors, chief risk officer and chief compliance officer and, based on the nominations of president, to appoint or dismiss vice presidents, chief financial officer and other senior management and to determine their remuneration and rewards and penalties; to decide on the proposals for the establishment of subsidiaries; to formulate the basic management system of the Company; to formulate proposals for any amendments to the Articles of Association; to manage the disclosure of information of the Company; to propose to shareholders’ general meetings the appointment or change of the accounting firm acting as the auditor of the Company; to hear the work report of the Company’s president and special committees under the board of directors and to review the work of the Company’s president and special committees under the board of directors; to assume ultimate responsibility for the effectiveness of the compliance management and overall risk management of the Company, and perform the respective duties; to determine the compliance management objectives of the Company, and perform the following compliance management duties: consider and approve the basic compliance management rules; consider and approve the annual compliance report; establish the mechanism for direct communication with the person responsible for compliance; evaluate the effectiveness of compliance management; and supervise the resolution of problems existing in compliance management; decide on the Company repurchases its shares in circumstances specified to Subclauses (3), (5) and (6) of Article 25 of the Articles of Association and any other powers as conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

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(III) Convening of Board meetings

During the Reporting Period, the Directors raised no objection against and voted in favour of matters considered and approved at the meetings of the Board. Details of those Board meetings are as follows:

- (1) The eleventh meeting of the fifth session of the Board was held on 20 March 2019, at which the Work Report of the Directors for 2018, the Report on the Operation and Management of the Company for 2018, the Profit Distribution Plan of the Company for 2018, the Resolution on Proposing to Consider the Reappointment of Accounting Firm, the Resolution on Proposing to Consider the Changes in Accounting Policies of the Company, the Report on the Performance of Duties by the Audit Committee under the Board for 2018, the Resolution on Proposing to Consider the Group's Risk Appetite for 2019, the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Company for 2019, the Risk Management Report of the Company for 2018, the Compliance Report of the Company for 2018, Risk Management Measures for Money Laundering and Terrorist Financing, Report of Anti-money Laundering for 2018, Special Audit Report of Anti-money Laundering for 2018, Internal Control Assessment Report of the Company for 2018, the Resolution on Proposing to Consider the Outline of Development Strategy Planning for 2019-2021, the Resolution on Proposing to Consider the Capital Increase to Guotai Junan Zhengyu Investment Co., Ltd., the Annual Report of the Company for 2018, the Work Report of Independent Directors for 2018, the Resolution on Anticipated Daily Related Party Transactions of the Company for 2019, Social Responsibility Report of the Company for 2018, the Resolution on Proposing the General Meeting to Grant a General Mandate to the Board to issue additional A Shares and/or H Shares, the Resolution on Proposing to Review General Mandate For the Provision of External Guarantee, the Resolution on Proposed Amendments to Working Rules of the Remuneration Appraisal and Nomination Committee of the Board of Directors, the Resolution on Proposing to Consider the Organizational Structure Optimization and Adjustment Plan, the Resolution on Proposing to Review the Donations by the Company to Shanghai Guotai Junan Social Welfare Foundation in 2019 and the Resolution on Proposing to Consider the Convening of the Annual General Meeting of the Company for 2018 were reviewed and approved.
- (2) The twelfth meeting of the fifth session of the Board was held on 26 April 2019 by means of considering in writing and voting through communications, at which the First Quarterly Report of the Company in 2019 was reviewed and approved.
- (3) The fourteenth extraordinary meeting of the fifth session of the Board was held on 9 May 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Nomination of Candidates of Directors was reviewed and approved.
- (4) The fifteenth extraordinary meeting of the fifth session of the Board was held on 29 May 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Review of the Capital Increase to Guotai Junan Futures Co., Ltd., the Resolution on Proposing to Review of the Capital Increase to Shanghai Guoxiang Properties Co., Ltd. and the Resolution on Proposing to Review the Information Technology Management Guidelines were reviewed and approved.
- (5) The sixteenth extraordinary meeting of the fifth session of the Board was held on 16 August 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Review the Solution for the Same Industry Competition with Shanghai Securities Co., Ltd. by means of Targeted Capital Increase was reviewed and approved.

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- (6) The thirteenth meeting of the fifth session of the Board was held on 22 August 2019, at which the Interim Report of the Company in 2019, the Resolution on Proposing to Review the 2019 Interim Compliance Report of the Company and the Resolution on Proposing to Review the Risk Management Work Report of the Company for the First-half of 2019 were reviewed and approved.
- (7) The seventeenth extraordinary meeting of the fifth session of the Board was held on 25 September 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Review the Commitment to Providing Net Capital Guarantee to Shanghai Securities Co., Ltd., the Resolution on Proposing to Consider the Nomination of Candidates of Directors, the Resolution on Proposing to Review the upgrading the interbank department to the first-tier department and the Resolution on Proposing to Consider the Convening of the Second Extraordinary General Meeting of the Company in 2019 were reviewed and approved.
- (8) The eighteenth extraordinary meeting of the fifth session of the Board was held on 23 September 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the nomination of Mr. HE Qing as a Director Candidate of the Company was reviewed and approved.
- (9) The fourteenth meeting of the fifth session of the Board was held on 30 October 2019, at which the Third Quarterly Report of the Company in 2019 was reviewed and approved.
- (10) The nineteenth extraordinary meeting of the fifth session of the Board was held on 5 December 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Nomination of Candidates of Directors, the Resolution on Proposing to Consider the Adjustment of the Members of the Special Committees under the fifth session of the Board of the Company, the Resolution on Proposing to Consider the General Mandate to Conduct Refinancing Business and the Resolution on Proposing to Consider the Establishment of the First Tranche Fund of Guotai Junan Mother Fund by the Company and its Related Parties and Related Party Transactions were reviewed and approved.
- (11) The twentieth extraordinary meeting of the fifth session of the Board was held on 30 December 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the 2020-2022 Securities and Financial Product Transaction and Service Framework Agreement Entered into Between the Company and Shanghai International Group Co., Ltd. was reviewed and approved.

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(IV) Attendance at Board meetings and general meetings by Directors

Name	Independent Director or not	Number of Board meetings to be attended this year	No. of meetings attended in person	Attendance at Board meetings			Attendance at general meetings	
				No. of meetings attended by way of telecommunication	Number of meetings attended by proxy	Number of absence	Two consecutive Board meetings not attended or not	No. of general meetings attended
HE Qing	No	-	-	-	-	-	No	-
WANG Song	No	11	11	9	0	0	No	3
YU Jian	No	11	11	9	0	0	No	3
GUAN Wei	No	7	7	6	0	0	No	1
ZHOU Lei	No	11	6	9	5	0	Yes	0
ZHONG Maojun	No	11	11	9	0	0	No	2
WANG Wenjie	No	7	7	6	0	0	No	0
LIN Facheng	No	11	11	9	0	0	No	0
ZHOU Hao	No	11	11	9	0	0	No	0
AN Hongjun	No	2	2	2	0	0	No	0
XIA Dawei	Yes	11	11	9	0	0	No	0
SHI Derong	Yes	11	11	9	0	0	No	0
CHEN Guogang	Yes	11	11	9	0	0	No	0
LING Tao	Yes	11	11	9	0	0	No	0
JIN Qingjun	Yes	11	11	9	0	0	No	2
LEE Conway Kong Wai	Yes	11	11	9	0	0	No	3
YANG Dehong (resigned)	No	6	6	4	0	0	No	1
FU Fan (resigned)	No	10	10	8	0	0	No	1
LIU Ying (resigned)	No	3	0	3	3	0	Yes	0
WANG Yongjian (resigned)	No	3	2	2	1	0	No	0

Note: Mr. HE Qing, Ms. GUAN Wei, Mr. WANG Wenjie and Mr. AN Hongjun have been working for the Company since February 2020, July 2019, June 2019 and November 2019, respectively.

Not attending in person at two consecutive Board meetings

√ Applicable ☐ Not applicable

- As Mr. ZHOU Lei studied for business from August 2019 to January 2020, he entrusted Mr. FU Fan to vote at the seventeenth extraordinary, eighteenth extraordinary, fourteenth and nineteenth extraordinary meetings of the fifth session of the Board of the Company, and entrusted Mr. ZHONG Maojun to vote at the twentieth extraordinary meeting of the fifth session of the Board of the Company.
- Due to work commitments of Ms. LIU Ying, she entrusted Mr. FU Fan to vote at the eleventh, twelfth and fourteenth extraordinary meetings of the fifth session of the Board of the Company.

Number of Board meetings held during the year	11
Including: Number of on-site meetings	2
Number of meetings held by way of telecommunication	9
Number of meetings held in a mixed model	0

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(I) *Independent Directors' objection to relevant matters of the Company*

☐ Applicable ☒ Not applicable

During the Reporting Period, the independent Directors had not raised any objection to the matters considered by the Board or the committees under the Board. For details of the performance of duties by independent Directors, please refer to the Work Report of Independent Directors of Guotai Junan Securities Co., Ltd. for 2019 as disclosed by the Company on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

(II) *Others*

☒ Applicable ☐ Not applicable

1. *Main measures implemented by the Board in respect of corporate governance during the Reporting Period*

- (1) Corporate governance and related recommendations. In 2019, in the face of a complex external environment, the Board firmly implemented the new phase of strategic planning, adhered to the business philosophy based on risk control, optimized annual risk preference policies, proactively seized market opportunities, and accelerated the construction of corporate and retail customer service systems, so as to continuously improve the digitalization of business management and corporate governance and enhance comprehensive financial service capabilities.
- (2) Performance of duties and development of the Directors. The Company has established a system of monthly reports on operation and management, to provide the Directors with the operation and management of the Company and the development of the securities industry in a timely manner, and to facilitate the performance of duties by the Directors. In the meantime, the Company provides the Directors with the latest regulatory developments, with the assistance of professional firms by providing professional training for the Directors to perform their duties, or organizes the Directors to participate in professional trainings organized by the relevant regulatory authorities and industry associations regularly, so as to continuously improve the ability of the Directors to perform their duties.
- (3) Amendments to the corporate governance rules. The Board has amended the Articles of Association of the Company in accordance with the relevant provisions of the Guidelines on the Articles of Association of Listed Companies (Revised in 2019) and the Regulations on the Administration of Equities of Securities Companies in the PRC. Meanwhile, the Board strengthened the management of the Company's equities in accordance with the Regulations on the Administration of Equities of Securities Companies.

2. *Training for Directors*

The Company keeps providing training to its Directors. During the Reporting Period, the Company engaged professional firms to provide pre-service trainings to newly appointed directors and provided two on-demand trainings to all directors. In addition, the Company submitted Monthly Report (《月度報告》) to its directors regularly and delivered reading materials such as Briefs on the Regulations in Hong Kong Capital Market《香港資本市場法規簡報》, Listed Issuer Regulatory Newsletter《上市發行人監管通訊》 on a regular basis to enable them to keep up with the latest industry updates, laws, regulations and policies, and keep them informed of significant events in relation to the operation, management, risk compliance and financial positions of the Company. Specific training arrangements for Directors are as follows:

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Name	Position	Training method and content
HE Qing	Chairman, Executive Director	In February 2020, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
WANG Song	Vice chairman, Executive Director and President	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; from 9 October to 10 December 2019, participating in the follow-up vocational training for securities practitioners provided by the China Securities Industry Association in 2019; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
YU Jian	Executive Director, Secretary to the Board	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; from 9 October to 10 December 2019, participating in the follow-up vocational training for securities practitioners provided by the China Securities Industry Association in 2019; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
GUAN Wei	Non-executive Director	In June 2019, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.

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Name	Position	Training method and content
ZHOU Lei	Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
ZHONG Maojun	Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
WANG Wenjie	Non-executive Director	In June 2019, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
LIN Facheng	Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.

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Name	Position	Training method and content
ZHOU Hao	Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
AN Hongjun	Non-executive Director	In November 2019, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
XIA Dawei	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 16 December 2019, participating in the training on the Latest Trend of Inside Information, Connected Transactions, Duties of, and Regulation on Directors and Supervisors of Listed Companies in Hong Kong under the Hong Kong Listing Rules provided by Baker & McKenzie; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
SHI Derong	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.

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Name	Position	Training method and content
CHEN Guogang	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
LING Tao	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.
JIN Qingjun	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; from 22 to 23 August 2019, participating in the training for Directors and Supervisors of Listed Companies in Shenzhen provided by Shenzhen Supervision Bureau of China Securities Regulatory Commission; on 22 November 2019, participating in the training for Directors and Supervisors of Listed Companies in Hong Kong provided by Sidley Austin; on 13 December 2019, participating in the Compliance Training on Anti-money Laundering provided by PwC; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis.

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Name	Position	Training method and content
LEE Conway Kong Wai	Independent Non-executive Director	On 20 March 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; on 26 March 2019, participating in the training on Connected Transactions provided by Sidley Austin; on 30 May 2019, participating in the training on Media Response and Information Disclosure provided by Credito Public Relations Consulting Company (克雷迪托公關顧問公司); on 22 August 2019, participating in the training on the Latest Trend of Regulation on Directors of Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer; from 30 November to 2 December 2019, participating in the trainings on the Overview of Regulatory System of Listed Companies in Hong Kong, the Connected Transactions Rules, the Case Study of Connected Transactions, the Disclosable Transactions and the Market Misconduct and Interest Disclosure provided by Sullivan & Cromwell; from 7 to 11 December 2019, participating in the trainings on the Duties of Directors, the Hong Kong Takeover Code and the Continuing Obligation of Listed Companies in Hong Kong provided by Sullivan & Cromwell; on 22 December 2019, participating in the lecture on the Briefs on Regulations and Compliance Issues in Hong Kong provided by King & Wood Mallesons; reading and learning the Briefs on the Regulations in Hong Kong Capital Market provided by Freshfields Bruckhaus Deringer on a regular basis; reading and learning new cases in respect of directors' duties in mergers and acquisitions by the HK SFC, the ethical standards for directors by the Hong Kong Independent Commission Against Corruption and critical amendments to the Listing Rules by Sidley Austin.

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IV. MAJOR OPINIONS AND RECOMMENDATIONS MADE BY SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD AND DETAILS OF ANY DISAGREEMENTS

√ Applicable ☐ Not applicable

(I) Composition of Board committees

The fifth session of Board has established the strategy committee, the remuneration, appraisal and nomination committee, the audit committee and the risk control committee. As at the date of this report, members of each committee are as follows:

1. Strategy Committee

Chairman: HE Qing

Members: WANG Wenjie, AN Hongjun and LING Tao

2. Remuneration, Appraisal and Nomination Committee

Chairman: XIA Dawei

Members: GUAN Wei, WANG Wenjie, CHEN Guogang and JIN Qingjun

3. Audit Committee

Chairman: CHEN Guogang

Members: ZHOU Lei, LIN Facheng, XIA Dawei and Lee Conway Kong Wai

4. Risk Control Committee

Chairman: Vacant

Members: WANG Song, ZHONG Maojun, ZHOU Hao and LING Tao

(II) Responsibilities and meetings of the Board Committees

1. Strategy Committee

- (1) The main functions and duties of the Strategy Committee: analysing and providing recommendations on the mid- and long-term strategies of the Company; analysing and providing advices on major investments and financing proposals subject to the Board's approval; analysing and providing advices on other material matters affecting the development of the Company; checking and evaluating the implementation of the above matters, and providing timely advices for necessary adjustments; and other duties delegated by the Board.

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- (2) Major accomplishments of the Strategy Committee in 2019 included:

Organized the formulation of the Outline of Development Strategy Planning for 2019-2021 《2019-2021年發展戰略規劃綱要》of the Company and provided advice thereon;

Proactively supervised the implementation of the Outline of Development Strategy Planning for 2016-2018 《2016-2018年發展戰略規劃綱要》 of the Company;

Formulated a plan to increase the Company's capital in its subsidiaries and submitted it to the Board for consideration.

- (3) During the Reporting Period, the Strategy Committee held two meetings as follows:

On 19 March 2019, the third meeting of the fifth session of the Strategy Committee reviewed and passed the implementation of the Outline of Development Strategy Planning for 2016-2018 《2016-2018年發展戰略規劃綱要完成情況》, the Outline of Development Strategy Planning for 2019-2021 《2019-2021年發展戰略規劃綱要》 and the Resolution on the Capital Increase to Guotai Junan Zhengyu Investment Co., Ltd., and approved to submit the aforesaid resolutions to the Board for consideration and approval.

On 28 May 2019, the fourth meeting of the fifth session of the Strategy Committee reviewed and passed the Resolution on Proposing to Review of the Capital Increase to Guotai Junan Futures Co., Ltd. and the Resolution on Proposing to Review of the Capital Increase to Shanghai Guoxiang Properties Co., Ltd., and approved to submit the aforesaid resolutions to the Board for consideration and approval.

- (4) During the Reporting Period, the attendance of meeting by the members of the Strategy Committee is as follows:

Name	Number of meeting to be attended	Number of meeting actually attended
HE Qing	—	—
WANG Wenjie	0	0
AN Hongjun	0	0
LING Tao	2	2
YANG Dehong(resigned)	2	2
FU Fan(resigned)	2	2
WANG Yongjian(resigned)	1	1

Note: Mr. HE Qing served as a chairman of the Strategy Committee since February 2020, and Mr. WANG Wenjie and Mr. AN Hongjun served as members of the Strategy Committee since December 2019.

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2. Remuneration, Appraisal and Nomination Committee

- (1) The main functions and duties of the Remuneration, Appraisal and Nomination Committee:

Reviewing and advising on the selection criteria and procedures of directors and senior management; looking for qualified directors and senior management candidates; reviewing and advising on the qualifications of directors and senior management candidates; reviewing and advising on the appraisal and remuneration management system of directors and senior management; conducting and advising on the appraisal of directors and senior management; and other functions and duties delegated by the Board.

To carry out the requirements regarding Board Diversity in the Hong Kong Listing Rules and to ensure a more scientific and reasonable composition of the Board, the Company has formulated Board Diversity Policy. The Company selects candidates for Directors taking into account various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The Remuneration, Appraisal and Nomination Committee under the Board discuss and agree expected objectives with aims to promote the implementation of Board diversity policy and advice the Board on acting for such objectives. The composition of the Board satisfies the requirements regarding the Board Diversity Policy. The Company regards enhancing diversification at the level of the Board as a key element for meeting the Group's strategic goal and achieving sustainable and balanced development. As a part of the succession plan for the Board, the Nomination Committee shall review the structure, size and composition of the Board (including skills, knowledge and experience) at least once a year, and make recommendations on changes in the composition of the Board in light of the Company's strategy. In nominating candidates for Directors, the following factors shall be considered: candidates' characters, qualifications (including professional qualifications, skills, knowledge and experience related to the Company's business and strategy), any measurable objectives adopted for implementing the Board Diversity Policy, and conditions required by the stock exchange on which shares were listed and the regulatory authorities in the countries where shares were listed.

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- (2) Major accomplishments of the Remuneration Appraisal and Nomination Committee in 2019 included:

reviewing and advising on the selection criteria and procedures of directors and senior management;

carrying out the relevant requirements in the Guidance for Boards and Directors, Corporate Governance Code and the Hong Kong Listing Rules of the Hong Kong Stock Exchange, and amending the Terms of Reference for the committee;

reviewing the performance of the duties by the Directors and senior management of the Company, and conducting annual evaluation of the performance of such persons;

reviewing and advising on the selection criteria and procedures of directors and senior management;

improving the provision of incentive funds in the remuneration system reform plan for professional manager;

Approving the terms of reference and service contracts with new Directors who were appointed during the Reporting Period.

- (3) During the Reporting Period, the Remuneration, Appraisal and Nomination Committee has held five meetings in total as follows:

On 19 March 2019, the eleventh meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company reviewed and approved that the settlement of the total remuneration of the parent company for 2018 according to the budgeting method determined at the eighth meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board; approved the budget and agreed on withholding of remuneration of the parent company for 2019 according to the current method; was presented with the work reports of the Chairman and the President of the Company for 2018; made a secondary appraisal and rating on the performance of the professional managers and other senior management members of the Company for 2018; made a final score on the tenure performance appraisal for senior management based on their performance scores from 2016-2018; made a special appraisal on Ms. ZHANG Zhihong, the compliance officer, based on her work report, and issued the annual appraisal report for 2018; approved the 2019-2021 tenures of senior management and the plan of performance objectives of senior management for 2019; approved the amendments to the Working Rules of the Remuneration Appraisal and Nomination Committee of the Board of Directors.

On 6 May 2019, the twelfth meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company considered the nomination of Ms. Guan Wei and Mr. WANG Wenjie as Director candidates of the Company.

On 12 September 2019, the thirteenth meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company considered the proposal on nomination of Mr. AN Hongjun as a candidate of director of the Company.

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On 23 September 2019, the fourteenth meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company considered the proposal on nomination of Mr. HE Qing as a candidate of director of the Company.

On 26 November 2019, the fifteenth meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company considered the improvement of the provision of incentive funds in the remuneration system reform plan for professional manager; considered the 2018 salary incentives of the senior management of the Company; considered the nomination of Mr. LIU Xinyi as a Director candidate of the Company.

Nominations of the above Directors are proposed by Shareholders, and the committee will review their gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, and whether they meet the regulatory requirements for qualifications of directors of securities companies. After the review is passed, nominations are proposed to the Board. The above candidates for Directors are nominated by the Board and elected at shareholders' meetings. The above Directors can maintain or further promote the diversity of the Board once they take office. The Board continues to have a female member with the appointment of Ms. GUAN Wei as Director; Mr. HE Qing worked in the insurance industry, Mr. LIU Xinyi worked in the banking industry, and Mr. AN Hongjun worked in the assets management industry and has overseas experience, and their presence will further diversify the knowledge structure and experience of members of the Board.

- (4) During the Reporting Period, the attendance of meetings by the members of the Remuneration, Appraisal and Nomination Committee is as follows:

Name	Number of meetings to be attended	Number of meetings actually attended
XIA Dawei	5	5
GUAN Wei	0	0
WANG Wenjie	0	0
CHEN Guogang	5	5
JIN Qingjun	5	5
WANG Yongjian(resigned)	2	2

Note: Ms. GUAN Wei and Mr. WANG Wenjie served as members of the Remuneration, Appraisal and Nomination Committee since December 2019.

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3. Audit Committee

- (1) The main functions and duties of the Audit Committee: proposing to the Board about the engagement or replacement of external auditors, advising on the terms of engagement and remuneration of external auditors, supervising the practice of external auditors; auditing the Company's financial information and the disclosure thereof; supervising and inspecting the Company's internal control system; coordinating between the internal and external auditors; reviewing the financial and accounting policies of the Company and their implementation; and other functions and duties delegated by the Board.

In accordance with the requirements of the Working Rules of the Audit Committee under the Board, the Audit Committee plays full role in the working of the annual report and financial statements, actively performs responsibilities of preparing and reviewing the disclosures in annual reports and financial statements, improves the quality and transparency of the disclosure in the annual reports and financial statements

During the Reporting Period, through reviewing the Company's periodic financial statements, special report of deposit and utilization of proceeds, annual audit work report and the proposal of related party/connected transactions, the Audit Committee obtained a full picture of the Company's financial status, supervised the progress of audit work and the implementation of related party/connected transactions, and reviewed the effectiveness of the Company's internal control.

- (2) Major accomplishments of the Audit Committee in 2019 included:

reviewing the Company's periodic reports including the annual report, semi-annual reports and quarterly reports;

reviewing and proposing to the Board about the engagement and remuneration of the external auditors of 2019;

reviewing the changes in the accounting policies;

reviewing the Company's internal audit reports and the Company's annual internal control assessment report, annual special audit report of anti money laundering;

reviewing and approving the list of related parties of the Company, regular related party transactions and occasional related party transactions, and estimate of the related party transactions in 2019.

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- (3) During the Reporting Period, the Audit Committee has held seven meetings in total as follows:

On 20 March 2019, the twelfth meeting of the Audit Committee under the fifth session of the Board was presented the report on auditing work in 2018 of the Company by Ernst & Young Hua Ming LLP, considered and approved the Report on Auditing in 2018 (《2018年度審計報告》), and the Report on Internal Control and Auditing of the Company (《公司內部控制審計報告》), approved the submission of the Resolution on The Changes in the Accounting Policies of the Company (《關於公司會計政策變更的議案》), the Resolution on the Profit Distribution Plan of the Company for 2018 (《關於公司2018年年度利潤分配預案的議案》), the Resolution on the Reappointment of Accounting Firm (《關於公司續聘會計師事務所的議案》), the Resolution on the Report on the Performance of Duties by the Audit Committee for 2018 (《公司董事會審計委員會2018年度履職情況報告的議案》), the Resolution on the Annual Report of the Company for 2018 (《公司2018年年度報告的議案》), the Resolution on Anticipated Related Party Transactions of the Company for 2019 (《關於預計2019年度日常關聯交易的議案》), the Resolution on the Internal Control Assessment Report of the Company for 2018 (《公司2018年度內部控制評價報告的議案》) and Special Audit Report of Anti Money Laundering of the Company for 2018 (《公司2018年度反洗錢專項審計報告》) to the Board for consideration, approved and finalized the Resolution on the List of Connected Persons of the Company (《關於公司關聯方名單的議案》) and was presented the reports of auditing work for 2018 and auditing work plan for 2019 of the Company. The committee specifically reviewed the “Key audit matters” set out in the 2018 annual audit report in respect of ① consolidation of structured entities; ② assessment of credit impairment and ③ valuation of financial instruments.

On 26 April 2019, the thirteenth meeting of the Audit Committee under the fifth session of the Board approved the submission of the Resolution on Proposing to Consider the First Quarterly Report of the Company in 2019 (《關於提請審議公司2019年第一季度報告的議案》) to the Board for consideration.

On 22 August 2019, the fourteenth meeting of the Audit Committee under the fifth session of the Board was presented the Report on the Reviewing on the Semi-annual Financial Statements of 2019 and the Auditing Plan for 2019 of the Company (《關於公司2019年半年度財務報表審閱工作及2019年度審計計劃》) by Ernst & Young Hua Ming LLP and approved the submission of the Interim Report of 2019 of the Company (《公司2019年半年度報告》) to the Board for consideration; and approved and finalized the Resolution on the List of Related Parties of the Company (《公司關聯方名單》).

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On 25 September 2019, the fifteenth meeting of the Audit Committee under the fifth session of the Board approved the submission of the Resolution on Proposing to Review the Commitment to Providing Net Capital Guarantee to Shanghai Securities Co., Ltd. (關於提請審議向上海證券有限責任公司提供淨資本擔保承諾的議案) to the Board for consideration.

On 30 October 2019, the sixteenth meeting of the Audit Committee under the fifth session of the Board approved the submission of the Resolution on Proposing to Consider the Third Quarterly Report of the Company in 2019 (關於提請審議公司2019年第三季度報告) to the Board for consideration.

On 5 December 2019, the seventeenth meeting of the Audit Committee under the fifth session of the Board approved the submission of the Resolution on Proposing to Consider the Establishment of the First Tranche Fund of Guotai Junan Mother Fund by the Company and its Related Parties and Related Party Transactions (關於提請審議公司與關聯方共同發起設立國泰君安母基金首期基金暨關聯交易的議案) to the Board for consideration.

On 30 December 2019, the eighteenth meeting of the Audit Committee under the fifth session of the Board approved the submission of the Resolution on Proposing to Consider the 2020-2022 Securities and Financial Product Transaction and Service Framework Agreement Entered into Between the Company and Shanghai International Group Co., Ltd. (關於提請審議公司與上海國際集團有限公司簽署2020-2022年年度證券及金融產品交易及服務框架協議的議案) to the Board for consideration.

- (4) During the Reporting Period, the attendance of meetings of members of the Audit Committee is as follows:

Name	Number of meetings to be attended	Number of meetings actually attended
CHEN Guogang	7	7
ZHOU Lei	7	7
LIN Facheng ^(Note)	1	1
XIA Dawei	7	7
LEE Conway Kong Wai ^(Note)	1	1
JIN Qingjun (resigned)	6	6

Note: Mr. LIN Facheng and Mr. LEE Conway Kong Wai served as members of the Audit Committee from December 2019.

Section IX Corporate Governance

4. Risk Control Committee

- (1) The main functions and duties of the Risk Control Committee: reviewing and advising on the overall objectives and basic policies for compliance management and risk management; reviewing and advising on the organization design and duties of compliance management and risks management; evaluating and advising on the risks of important decisions and solutions to resolve significant risks which require the review by the Board; reviewing and advising on the compliance reports and risk assessment reports which require the review by the Board; discussing the effectiveness of risk management and internal control systems of the Company and its subsidiaries at least annually as delegated by the Board, and reporting to Shareholders and the scopes of such discussion shall cover each and every key aspect of the control systems including the financial control system, operation control system and compliance control system; and performing other functions and duties as delegated by the Board.

- (2) In 2019, the major achievements of the Risk Control Committee included:

reviewing and proposing the Board to determine the risk preference of 2019;

reviewing and proposing to determine the scale for the Company's proprietary trading business;

reviewing the Administrative Measures on Risk Management of Money Laundering and Terrorist Financing (《洗錢和恐怖融資風險管理辦法》) of the Company;

reviewing the Anti-money Laundering Report of the Company for 2018; and

reviewing regularly the compliance reports and risk management reports of the Company.

- (3) During the Reporting Period, the Risk Control Committee has held two meetings in total as follows:

On 20 March 2019, the seventh meeting of the Risk Control Committee under the fifth session of Board was presented the report on considering and approving on the Resolution on Proposing to Consider the Group Companies' Risk Preference for 2019 (《關於提請審議2019年度集團公司風險偏好的議案》), the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Group Companies for 2019 (《關於提請審議2019年度集團公司自有資金業務規模的議案》), the Resolution on Proposing to Consider the Compliance Report of the Company for 2018 (《關於提請審議公司2018年度合規報告的議案》), the Resolution on Proposing to Consider the Risk Management Report of the Company for 2018 (《關於提請審議公司2018年年度風險管理報告的議案》), the Resolution on Proposing to Consider "the Administrative Measures on Risk Management of Money Laundering and Terrorist Financing" (《關於提請審議公司<洗錢和恐怖融資風險管理辦法>的議案》) and the Resolution on Proposing to Consider the Anti-money Laundering Report of the Company for 2018 (《關於提請審議公司反洗錢2018年度報告的議案》), and approved to submit the aforesaid matters to the Board for consideration.

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On 22 August 2019, the eighth meeting of the Risk Control Committee under the fifth session of Board considered and approved the Resolution on Proposing to Consider the 2019 Interim Compliance Report of the Company (《關於提請審議公司2019年中期合規報告的議案》) and the Resolution on Proposing to Consider the Risk Management Report of the Company for the First Half of 2019 (《關於提請審議公司2019年上半年風險管理報告的議案》), and approved to submit the aforesaid matters to the Board for consideration.

- (4) During the Reporting Period, the attendance of meetings of members of the Risk Control Committee is as follows:

Name	Number of meetings to be attended	Number of meetings actually attended
WANG Song	2	2
ZHONG Maojun	2	2
ZHOU Hao	0	0
LING Tao	2	2
FU Fan (Resigned)	2	2

Note: Mr. ZHOU Hao served as a member of the Risk Control Committee since December 2019.

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V. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

√ Applicable ☐ Not applicable

(I) Supervisory Committee's comments on identification of risks in the Company

The Supervisory Committee has no objection toward matters in the Reporting Period.

(II) Meetings of the Supervisory Committee during the Reporting Period

During the Reporting Period, the Supervisory Committee has convened five meetings in total, including two on-site meetings and three meetings voted via teleconference, all Supervisors voted for all resolutions considered at those meetings, without abstention or objections. Information on those meetings of the Supervisory Committee is as follows:

1. The eleventh meeting of the fifth session of Supervisory Committee was held by the Company on-site on 20 March 2019, at which ten resolutions including the Resolution on Proposing to Consider the Work Report of the Supervisors for 2018 (《關於提請審議公司2018年度監事會工作報告的議案》), the Resolution on Proposing to Consider the Profit Distribution Plan of the Company for 2018 (《關於提請審議公司2018年度利潤分配預案的議案》), the Resolution on Proposing to Consider the Changes in the Accounting Policies of the Company (《關於提請審議公司會計政策變更的議案》), the Resolution on Proposing to Consider the Risk Management Report of the Company for 2018 (《關於提請審議公司2018年度風險管理報告的議案》), the Resolution on Proposing to Consider the Compliance Report of the Company for 2018 (《關於提請審議公司2018年度合規報告的議案》), the Resolution on Proposing to Consider the Anti-money Laundering Report of the Company for 2018 (《關於提請審議公司反洗錢2018年度報告的議案》), the Resolution on Proposing to Consider the Report on the Special Audit of Anti-money Laundering of the Company for 2018 (《關於提請審議公司2018年度反洗錢專項審計報告的議案》), the Resolution on Proposing to Consider the Internal Control Assessment Report of the Company for 2018 (《關於提請審議公司2018年度內部控制評價報告的議案》), the Resolution on Proposing to Consider the Annual Report of the Company for 2018 (《關於提請審議公司2018年年度報告的議案》) and the Resolution on Proposing to Consider the Social Responsibility Report of the Company for 2018 (《關於提請審議公司2018年度社會責任報告的議案》), were reviewed and approved, and written review opinions on the Annual Report, the Profit Distribution Plan and the Changes in the Accounting Policies were given.
2. The twelfth meeting of the fifth session of Supervisory Committee was held on 26 April 2019 by written resolutions and voting through the communications, at which the Resolution on Proposing to Consider the First Quarterly Report of the Company in 2019 (《關於提請審議公司2019年第一季度報告的議案》) was reviewed and approved, and written review opinions on the report were given.
3. The third extraordinary meeting of the fifth session of Supervisory Committee was held on 17 June 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Election of the Vice Chairman of the fifth session of Supervisory Committee (《關於提請選舉公司第五屆監事會副主席的議案》) was reviewed and approved.

Section IX Corporate Governance

4. The thirteenth meeting of the fifth session of Supervisory Committee was held in Shanghai on-site on 22 August 2019, at which three resolutions including the Resolution on Proposing to Consider the 2019 Semi-annual Report of the Company (《關於提請審議公司2019年半年度報告的議案》), the Resolution on Proposing to Consider the 2019 Interim Compliance Report of the Company (《關於提請審議公司2019年中期合規報告的議案》) and the Resolution on Proposing to Consider the Risk Management Report of the Company for the First Half of 2019 (《關於提請審議公司2019年上半年風險管理報告的議案》) were reviewed and approved, and written review opinions on the Semi-annual Report were given.
5. The fourteenth meeting of the fifth session of Supervisory Committee was held on 30 October 2019 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Third Quarterly Report of the Company in 2019 (《關於提請審議公司2019年第三季度報告的議案》) was reviewed and approved, and written review opinions on the report were given.

(III) Attendance at meetings of the Supervisory Committee and general meetings by Supervisors during the Reporting Period

Name	Position	Number of meetings of the Supervisory Committee to be attended this year	Attendance at meetings of the Supervisory Committee			Attendance at general meetings	
			No. of meetings attended in person	No. of meetings attended by way of telecommunication	No. of meetings attended by proxy	Number of absence	No. of general meetings attended
Wang Lei	The vice chairman of the Supervisory Committee, employee supervisor	2	2	1	-	-	2
SHAO Chong	Supervisor	5	4	3	1	-	3
FENG Xiaodong	Supervisor	5	3	3	2	-	2
ZUO Zhipeng	Supervisor	5	5	3	-	-	1
WANG Weijie	Employee supervisor	5	5	3	-	-	2
LIU Xuefeng	Employee supervisor	5	5	3	-	-	3
SHANG Hongbo (Resigned)	The former chairman of the Supervisory Committee	3	3	2	-	-	1
ZHU Ning (Resigned)	The former vice chairman of the Supervisory Committee, employee supervisor	2	2	1	-	-	1
Number of the meetings of the Supervisory Committee held during the year				5	The Company convened three general meetings during the year		
Including: Number of on-site meetings				2			
Number of meetings held by way of telecommunication				3			

Section IX Corporate Governance

VI. THE COMPANY'S DEPENDENCE ON ITS CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE AND INABILITY TO MAINTAIN INDEPENDENT OPERATION

☐ Applicable ☒ Not applicable

The Company's measures, progress and follow-up plan for horizontal competition

☐ Applicable ☒ Not applicable

VII. THE ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVES SYSTEM TO THE SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

The Company formulated the Interim Measures for Engagement, Evaluation and Remuneration, Assessment and Compensation Management of Senior Management (《高級管理人員聘任、考核及薪酬管理暫行辦法》) and the Implementing Rules of Interim Measures for Appointment, Assessment and Compensation Management of Senior Management (《高級管理人員聘任、考核及薪酬管理暫行辦法實施細則》). After the end of each accounting year, the Board shall conduct annual evaluation of the performance of the senior management and determine the remuneration and incentive.

In reporting period, the Company continued to promote the Remuneration System Reform for Professional Managers and implemented the Plan of Remuneration System Reform for Professional Managers of the Company, thereby it closely links professional managers' performance-related annual salary and medium and long term incentive with the Company's performance and individual performance appraisal results so as to guarantee the marketization of executive compensation incentive system and effectively improve the overall competitiveness of the Company.

Section IX Corporate Governance

VIII. WHETHER TO DISCLOSURE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL

☒ Applicable ☐ Not applicable

(I) Statement of the Board on responsibilities in relation to internal control

According to the requirements of Corporate Internal Control Standard System, the Board is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report truly. The Supervisory Committee shall supervise the internal control established and implemented by the Board. The management of the Company is responsible for organizing and leading the routine operation of the internal control of the Company.

The objectives of the Company's internal control are to reasonably guarantee the authenticity and completeness of information of the compliance, asset security, financial report and relevant information of operation and management of the Company, improve the operating efficiency and results, and promote the realization of development strategies. Owing to the inherent limitations of the internal control, reasonable guarantees shall only be provided for realizing the above objectives. In addition, as the changes of situations might lead to inappropriate internal control or less compliance with control policies or procedures, there is risk to speculate the effectiveness of future internal control based on internal control assessment result.

According to the identification criteria of material deficiency of internal control in the financial reporting of the Company, as at the basis date (31 December 2019) of internal control evaluation report, material deficiency of internal control in the financial reporting did not exist. The Board is of the view that the Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

According to the identification of material deficiency of internal control in the non-financial reporting of the Company, as at the basis date of internal control evaluation report, material deficiency of internal control in non-financial reporting did not exist.

Meanwhile, during the period from the basis date of the internal control evaluation report to the date of the internal control evaluation report, no factors have occurred which affected the effectiveness of findings of the internal control evaluation.

(II) Basis for establishing internal control in financial reporting

According to the Basic Rules for Corporate Internal Control and its guidelines jointly issued by the Ministry of Finance, CSRC, the National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission, the Guidelines for the Internal Control of the Securities Companies issued by CSRC and Guidelines for Internal Control of Companies Listed on Shanghai Stock Exchange issued by Shanghai Stock Exchange, the Company established a comprehensive internal control system for financial report, with reference to the actual condition of the Company.

Section IX Corporate Governance

(III) Establishment and overall operation of internal control system

Since its incorporation, the Company attached importance to the internal control mechanisms, the establishment of internal control system and established and improved the standardized governance structure for legal entity, forming a scientific decision-making, execution and supervision mechanism. According to the requirements of laws, regulations and documents of administrative norms such as the Company Law of the PRC, the Securities Law of the PRC, the Governance Standards for Securities Companies, the Basic Rules for Internal Control of Corporates and its guidelines, and also the actual condition of the Company, the Company formulated a comprehensive internal control system considering factors such as internal environment, risk assessment, control activities, information and communication and internal monitoring, to provide a reasonable protection for the compliance of operation management, asset security and the truth and completeness of financial report and related information.

In 2019, the Company implemented various new regulations in a timely manner, continued to improve the internal control system, optimized the authorization mechanism and key business risk control standards and strengthened risk management and control of key areas, so as to promote the effectiveness of the first-line compliance risk control. It also improved the vertical management mechanism of subsidiaries, promoted the construction of risk management information system, carried out group risk investigation and treatment, and further strengthened the unified group management and control. Accordingly, the overall internal control system of the Company ran smoothly. The Company conducted a self-evaluation on the effectiveness of internal control as at 31 December 2019. For details, please refer to the evaluation report of the internal control of the Company for 2019.

Matters relating to material defects on internal control during the Reporting Period

☐ Applicable ☒ Not applicable

IX. MATTERS RELATING TO THE AUDIT REPORT ON INTERNAL CONTROL

☒ Applicable ☐ Not applicable

The Company has appointed Ernst & Young Hua Ming LLP as the internal control auditor. Ernst & Young Hua Ming LLP has issued the Internal Control Audit Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司內部控制審計報告》) (AYHM (2020) Zhuang Zi No. 60464416_B01), and considered that the Company has maintained an effective financial reporting internal control in all material aspects according to the Basic Norms for Enterprise Internal Control (《企業內部控制基本規範》) and relevant regulations on 31 December 2019, which is consistent with the self-assessment conclusion of internal control of the Company.

Please refer to the Internal Control Audit Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司內部控制審計報告》) disclosed at the website of SSE (<http://www.sse.com.cn/>) by the Company for details of internal control audit report.

Whether to disclose internal control audit report: Yes

Section IX Corporate Governance

X. DEVELOPMENT OF COMPLIANCE MANAGEMENT SYSTEM, AND THE INSPECTION AND AUDIT COMPLETED BY THE COMPLIANCE DEPARTMENT AND THE AUDIT DEPARTMENT DURING THE REPORTING PERIOD

(I) Development of compliance management system

The Company has established and perfected a four-level compliance management organization system consisting of the Board (including the Risk Control Committee) and the Supervisory Committee, the Chief Compliance Officer, the compliance department and first-line compliance risk control personnel by appointing chief compliance officer, establishing the compliance department, and building first-line compliance risk control team. The Company's Chief Compliance Officer, as the person in charge of all the Company's compliance, is a senior manager of the Company, responsible for the compliance department, the risk management department II, the legal department and the audit department. The Chief Compliance Officer organizes and coordinates each internal control department and relevant management departments, jointly perform various internal control and risk management responsibilities including compliance management. The Company's headquarters is equipped with full-time compliance management staff, and has set first-line compliance risk control personnel at each department and branch of the Company's headquarters, who are responsible for the compliance check, training, advisory, audit, supervision, and communication of each unit.

(II) Compliance inspections

In 2019, insisting to be problem-oriented and risk-oriented and focusing on key links or developments of various business, the Company has conducted a total of 37 compliance inspections and 196 audit works, organized several key special self-inspections and self-rectifications, proposed rectification suggestions and strictly procured rectification of the problems and potential defects identified during such inspections.

(III) Audit work conducted

In 2019, the Company focused on the identification and prevention of major risks affecting the Company's development as the core of the audit work, studied the potential risks of cluster operation, adjusted the organizational structure of the department according to the changes in the Company's strategies, focused on the core areas, and conducted targeted audits. In 2019, the audit department organized and implemented a total of 196 audit projects, including 16 key audit projects and 180 regular audit projects. There were also 19 outsourcing audit projects. Key projects include the special audits of equity OTC business, debt financing business, the first-line compliance and risk control at branch-level, construction of information technology system and outsourcing management, qualified counterparty management, establishment of the Company's systems in respect of investment and merger and its implementation; and routine audits of Guotai Junan Hong Kong Company and Guotai Junan Financial Holdings. Regular projects include 2 related projects at headquarter level and subsidiary level, 19 branch-level projects and 159 sales department-level projects.

Section IX Corporate Governance

XI. OTHERS

√ Applicable ☐ Not applicable

(I) Rights of Shareholders

The general meeting is the supreme authority of the Company. The Shareholders exercise their rights through the general meeting. The Company convenes and holds the general meetings in strict compliance with the relevant requirements to ensure that all Shareholders, especially minority Shareholders, can enjoy equal positions and fully exercise their rights. The Company maintains a healthy and steady development in an orderly way under the restraints of the Articles of Association, the interests of the Company and its Shareholders are effectively protected.

Pursuant to Article 70 of the Articles of Association and Article 12 of the Rules of Procedure for General Meetings of the Company, the Shareholders individually or jointly holding more than 10% of the Shares are entitled to request the Board in writing to convene an extraordinary general meeting. The Board shall give a written response on whether or not it agrees to call such an extraordinary general meeting within 10 days after receipt of such request according to laws, administrative rules, listing rules of the listing place of the Company's shares and the Articles of Association. If the Board agrees to hold an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after it has so resolved. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Board disagrees with the holding of an extraordinary general meeting or fails to give a response within 10 days after receipt of such request, Shareholders individually or jointly holding 10% or more of the shares of the Company are entitled to propose in writing for the Supervisory Committee to hold an extraordinary general meeting. If the Supervisory Committee agrees to the holding of an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of such request. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice calling such meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and chair such meeting. Shareholders individually or jointly holding 10% or more of the shares of the Company for ninety (90) consecutive days (the "Convening Shareholders") shall then be entitled to convene and chair such meeting on their own.

In addition, pursuant to Article 73 of the Articles of Association, when a general meeting is convened by the Company, the Board, the Supervisory Committee or Shareholders individually or jointly holding 3% or more of the shares of the Company shall be entitled to raise proposals to the Company. Shareholders individually or jointly holding 3% or more of the shares of the Company may submit ad hoc proposed resolutions in writing to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents thereof. Otherwise, the convener, after issuing the notice and announcement of the general meeting, shall neither revise the proposals stated in the notice of general meetings nor add new proposals.

Section IX Corporate Governance

(II) Amendments to the Articles of Association

1. The first extraordinary general meeting in 2019 of the Company was held on 31 January 2019, and approved the resolution on the “Proposed Amendments to the Articles of Association of the Company”. On 26 April 2019, the Company obtained the Reply of Approval on the Change of Important Articles of the Articles of Association of Guotai Junan Securities Co., Ltd. (Hu Zheng Jian Xu Ke [2019] No.17) (《關於核准國泰君安證券股份有限公司變更公司章程重要條款的批覆》(滬證監許可[2019]17號)) from the Shanghai Bureau of the CSRC, which approved the change of important articles of the Articles of Association. The amendments to the Articles of Association shall take effect from 26 April 2019.
2. On 16 July 2019, the Company has completed the industrial and commercial registration, increasing its registered capital from RMB8,713,933,800 to RMB8,907,947,954. The relevant articles of the Articles of Association concerning changes in registered capital have been amended accordingly, and the relevant filing procedures have been completed at the Market Supervision Administration of Shanghai.

(III) Investor relations

The Company attaches great importance to the management of investor relations, and has formulated a series of thorough rules and regulations such as the Administrative System Regarding Investor Relations (《投資者關係管理制度》). The Company has set up an investor relations management platform with various communication channels such as on-site, telephone and Internet and various communication methods such as performance explanation sessions, road shows, reception of investors for survey and research, company website, investor hotline and e-mails, and through actively participating in e-interactive platform of the Shanghai Stock Exchange, participating in collective reception activities for investors, and attending investment strategies meetings or investment forums of seller institutions, and actively enhancing the interactive communication with investors, and thus increases the Company’s transparency and ensures that investors could have timely, accurate and comprehensive understanding of the Company. Shareholders may make enquiries through emails, hotlines or directly send their letters to the Company’s office address. The Company will properly and timely handle all enquiries.

In 2019, the Company held two result announcement conference calls, visited 54 domestic and foreign institutional investors through road shows, and received 34 analysts and institutional investment surveys, involving 106 institutions. Participated in 19 investment strategy meetings and 2 investor collective reception days held by shanghai listed companies association.

Section IX Corporate Governance

(IV) Compliance of securities transactions code by Directors, Supervisors and relevant employees

The Company has established and amended the Measures for the Administration of the Holding and Changes in the Holding of the Shares by the Directors, Supervisors and Senior Management (the “Administration Measures”), to regulate the holding and dealing of the Shares by the Directors, Supervisors and senior management of the Company, which was effective from the date when the listing of the H Shares on the Hong Kong Stock Exchange, i.e. 11 April 2017. Compared with the compulsory management requirements in the Model Code, the Administration Measures have adopted the standards in the Model Code as the standards of conduct for securities transactions by Directors, supervisors and relevant employees of the Company, and the requirements are stricter.

After making enquiries, all Directors, Supervisors and senior management of the Company have confirmed that they had been in strict compliance with the Administration Measures and the Model Code throughout the Reporting Period. During the Reporting Period, none of the Directors, Supervisors and senior management of the Company held any Shares or share options of the Company, nor were granted any restricted shares. Please refer to “Section VIII Directors, Supervisors, Senior Management and Staff” in this annual report for details of shareholding in the Company by Directors, Supervisors and senior management.

(V) Directors’ and auditors’ responsibility for the accounts

The Board acknowledges its responsibility for preparing the report of the Group for the year ended 31 December 2019.

The Board is responsible for presenting a clear and specific assessment of the annual and interim reports, price sensitive information and other disclosures required under the Hong Kong Listing Rules and other regulatory requirements. The management has provided relevant explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and status of the Group.

There are no material contingent events or conditions that may have a material impact on the Company’s ability to keep its operation continuously. In addition, the Company has arranged appropriate insurance cover in respect of potential legal actions and liabilities against the Directors, Supervisors and senior management.

Section IX Corporate Governance

(VI) Duty of the management

The management of the Company is engaged by the Board and is accountable to the Board. The management is mainly responsible for decision-making of the Board, daily operation management of the Company, the selection, hiring and management of internal staff and determining of staff remuneration. According to the Articles of Association, the duties of the Chief Executive Officer include directing the production and operation management of the Company, organizing to implement the resolution of the Board, and reporting to the Board; implementing the annual plan and investment plan; drafting the establishment plan of the internal management division; drafting the basic management system of the Company, formulating the specific rules of the Company, proposing the engagement or the dismissal of Vice President, Chief Financial Officer and other senior management personnel (other than secretary to the Board, Chief Risk Officer and Chief Compliance Officer); determining the engagement or dismissal of responsible management personnel other than those who should be engaged or dismissed by the Board; other duties authorized by the Articles of Association or the Board.

(VII) Company secretary

Joint company secretaries of the Company are Mr. YU Jian and Ms. KWONG Yin Ping Yvonne. Mr. YU Jian also acts as an Executive Director, the secretary to the Board and primary internal contact person of the Company. Ms. KWONG Yin Ping Yvonne is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. During the Reporting Period, Mr. YU Jian has accepted over 15 hours of professional trainings in total, please refer to “III. Performance of Duties by Board and Directors – (II) Others 2. Training for Directors” in Section IX Corporate Governance of this annual report for contents of training.

(VIII) Compliance with relevant laws and regulations

As a public company listed both in Mainland China and Hong Kong, the Company abode, in strict accordance, by domestic and foreign laws, regulations and normative documents including the Company Law, Securities Law, Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association. The Company established and perfected its rules and regulations to standardize the operation, and devoted itself to maintaining and improving its market image. Please see the “X. MATERIAL LITIGATION AND ARBITRATION” in Section V Significant Events of this annual report for punishment and public condemnation the Company has suffered during the Reporting Period.

Section IX Corporate Governance

(IX) Administration of insider registration

Subject to the Requirements for the Establishment of Administrative System for Registration of Insider of Listed Companies issued by the CSRC, the Company has formulated and strictly complied with the Insider Registration System of Guotai Junan Securities Co., Ltd., and has conducted registration and filing of insiders in accordance with requirements under the system. There was no unusual volatility of stock price attributable to leakage of inside information. The Company has established an operating mechanism. Under the Registration System for Persons with Inside Information (《内幕信息知情人登記制度》), the confidentiality and registration of inside information are regulated to enhance the level of confidentiality and the management of insiders. According to the Information Disclosure Management System (《信息披露事務管理制度》) and Investor Relations Management System (《投資者關係管理制度》), information disclosure shall be made on a fair basis. This mechanism covers all key aspects of controlling inside information including the collection, circulation, verification, confidentiality and fair disclosure. The Company ensures the effectiveness of such mechanism by enhancing the training system, defining the duty requirements, upholding accountability and improving the awareness of information disclosure.

Section X Corporate Bonds

√ Applicable □ Not applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
2015 Corporate Bonds (First Tranche) (Type II)	15 GUOJUN G2	136048	18 November 2015	19 November 2022	1,000,000,000	3.8%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (Type II)	16 GUOJUN G2	136368	11 April 2016	12 April 2023	1,000,000,000	3.25%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (Type II)	16 GUOJUN G4	136623	11 August 2016	12 August 2021	3,000,000,000	3.14%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) (Type I)	17 GUOJUN G1	143229	3 August 2017	4 August 2020	4,700,000,000	4.57%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) (Type II)	17 GUOJUN G2	143230	3 August 2017	4 August 2022	600,000,000	4.70%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section X Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
2017 Corporate Bonds (Second Tranche)	17 GUOJUN G3	143337	17 October 2017	18 October 2020	3,700,000,000	4.78%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (First Tranche)	18 GUOJUN G1	143528	20 March 2018	21 March 2021	4,300,000,000	5.15%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (Second Tranche)	18 GUOJUN G2	143607	23 April 2018	25 April 2021	4,300,000,000	4.55%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (Third Tranche) (Type I)	18 GUOJUN G3	143732	12 July 2018	16 July 2021	4,700,000,000	4.44%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (Third Tranche) (Type II)	18 GUOJUN G4	143733	12 July 2018	16 July 2023	300,000,000	4.64%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2019 Corporate Bonds (First Tranche) (Type I)	19 GUOJUN G1	155371	23 April 2019	24 April 2022	3,000,000,000	3.90%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section X Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
2019 Corporate Bonds (Second Tranche)	19 GUOJUN G3	155423	15 May 2019	17 May 2022	2,900,000,000	3.73%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2019 Corporate Bonds (Third Tranche)	19 GUOJUN G4	155771	14 October 2019	16 October 2022	2,500,000,000	3.48%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
EUR Floating-rate Bonds	GTJA SEC B2203	5883.hk	12 March 2019	12 March 2022	EUR 255 million	3MEURIBOR +1.15%	Interest payable on quarterly basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange
Guotai Junan Financial Holdings Guaranteed Bonds	GTJA HOLD B2203	5853.hk	11 March 2019	11 March 2022	USD500,000,000	3.875%	Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange

Interest payment of corporate bonds

☒ Applicable ☐ Not applicable

Interest on 2018 Corporate Bonds (First Tranche) for the current period was paid in March 2019, interests on 2016 Corporate Bonds (First Tranche) (Type II) and 2018 Corporate Bonds (Second Tranche) for the current period were paid in April 2019, interest on 2018 Corporate Bonds (Third Tranche) for the current period was paid in July 2019, interests on 2017 Corporate Bonds (First Tranche) and 2016 Corporate Bonds (Second Tranche) (Type II) for the current period were paid in August 2019, interest on 2017 Corporate Bonds (Second Tranche) for the current period was paid in October 2019 and interest on 2015 Corporate Bonds (First Tranche) (Type II) for the current period was paid in November 2019.

Section X Corporate Bonds

Other matters related to corporate bonds

√ Applicable □ Not applicable

In respect of 2015 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of 2016 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

II. CONTACT PERSONS AND INFORMATION OF THE TRUSTEE MANAGER AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

15 GUOJUN G2	Name	Changjiang Financing Services Co., Limited
16 GUOJUN G2	Address of office	21/F, Chamtime International Financial Centre, No. 1589 Century Avenue, Pudong New District, Shanghai
Trustee manager of bonds	Contact persons TEL	Zhang Zhipeng, Liu Borang 021-38784899
16 GUOJUN G4	Name	Everbright Securities Co. Ltd
17 GUOJUN G1	Address of office	No. 1508 Xinzha Road, Jing'an District, Shanghai
17 GUOJUN G2	Contact persons	Huang Liang, Xing Yiwei
17 GUOJUN G3	TEL	021-22169877/021-22169842
Trustee manager of bonds		
18 GUOJUN G1	Name	Industrial Securities Co., Ltd.
18 GUOJUN G2	Address of office	6/F, East Tower, Dingxiang International Building, 36 Changliu Road, Pudong New District, Shanghai
18 GUOJUN G3	Contact persons	Yang Lingshan
18 GUOJUN G4	TEL	021-38565900
Trustee manager of bonds		
19 GUOJUN G1	Name	GF Securities Co., Ltd.
19 GUOJUN G3	Address of office	16/F, IFC I, No. 8 Century Avenue, Pudong New District, Shanghai
Trustee manager of bonds	Contact persons TEL	Xie Tian, Yan Jin, Ma Qian, Lu Yicheng, Lou Heng 020-66338888
19 GUOJUN G4	Name	China Merchants Securities Co., Ltd.
Trustee manager of bonds	Address of office Contact persons TEL	26/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Futian District, Shenzhen Chen Yujing 0755-82943666

Section X Corporate Bonds

15 GUOJUN G2	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
16 GUOJUN G2	Address of office	14/F, Huasheng Building, No.398 Hankou Road, Shanghai
16 GUOJUN G4		
17 GUOJUN G1		
17 GUOJUN G2		
17 GUOJUN G3		
18 GUOJUN G1		
18 GUOJUN G2		
18 GUOJUN G3		
18 GUOJUN G4		
19 GUOJUN G1		
19 GUOJUN G3		
19 GUOJUN G4		
Credit rating agency		

Other explanations:

☐ Applicable ☒ Not applicable

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

As at 31 December 2019, all the proceeds from the corporate bonds above have been used to supplement the working capital of the Company in order to meet the needs of its business operation, which was in line with the intended use, use plan and other agreements as set out in the bond prospectus.

IV. RATINGS OF THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

In April 2019, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit ratings for “19 GUOJUN G1”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2019 Corporate Bonds (First Tranche) (《國泰君安證券股份有限公司公開發行2019年公司債券（第一期）信用評級報告》)” (Shanghai Brilliance Bond Rating (2019) 010348) issued by Shanghai Brilliance, the long-term credit rating of the Company is AAA, the credit rating of this bond is AAA, and the credit rating outlook is stable.

In May 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for “15 GUOJUN G2”, “16 GUOJUN G2”, “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2”, “17 GUOJUN G3”, “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3” and “18 GUOJUN G4” and issued the Report on the Follow-up Credit Rating of the 2015, 2016, 2017 and 2018 Corporate Bonds of Guotai Junan Securities Co., Ltd. (Shanghai Brilliance Ongoing Rating [2019]100052), pursuant to which the credit ratings of the “15 GUOJUN G2”, “16 GUOJUN G2”, “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2”, “17 GUOJUN G3”, “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3” and “18 GUOJUN G4” are AAA, the credit rating of the Company remained at AAA, and the credit rating outlook is stable.

Section X Corporate Bonds

In May 2019, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit rating for “19 GUOJUN G3”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2019 Corporate Bonds (Second Tranche) (《國泰君安證券股份有限公司公開發行2019年公司債券(第二期)信用評級報告》)” (Shanghai Brilliance Bond rating (2019) 010462) issued by Shanghai Brilliance, the long-term credit rating of the Company is AAA, the credit ratings of this bond are AAA, and the credit rating outlook is stable.

In October 2019, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit rating for “19 GUOJUN G4”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2019 Corporate Bonds (Third Tranche) (《國泰君安證券股份有限公司公開發行2019年公司債券(第三期)信用評級報告》)” (Shanghai Brilliance Bond Rating (2019) 010521) issued by Shanghai Brilliance, the long-term credit rating of the Company is AAA, the credit ratings of these bonds are AAA, and the credit rating outlook is stable.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELATED INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As agreed in the bond prospectuses of the Company, the Company's debt repayment safeguard measures include: formulating the Bondholder Meeting Rules, establishing special repayment work teams, giving full play to the role of bond trustees and strictly performing the obligation of information disclosure. During the Reporting Period, the relevant plans and measures of the Company were consistent with the commitments in the bond prospectuses.

VI. MEETINGS OF THE HOLDERS OF THE CORPORATE BONDS

☐ Applicable ☒ Not applicable

VII. PERFORMANCE OF DUTIES BY THE TRUSTEES OF THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

Changjiang Financing Services Co., Ltd., the Company's bond trustee of “15 GUOJUN G2” and “16 GUOJUN G2”, issued the 2018 Bond Trustee Management Services Report of 2015 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. and the 2018 Bond Trustee Services Report of 2016 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. in June 2019.

Everbright Securities Co., Ltd., the Company's bond trustee of “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2” and “17 GUOJUN G3”, issued the 2018 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranches II and III) and 2017 Corporate Bonds (Tranches I and II) of Guotai Junan Securities Co., Ltd. in June 2019.

Industrial Securities Co., Ltd., the Company's bond trustee of “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3” and “18 GUOJUN G4”, issued the 2018 Bond Trustee Management Services Report of Corporate Bonds of Guotai Junan Securities Co., Ltd. in June 2019.

Section X Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

√ Applicable □ Not applicable

Unit: thousand yuan Currency: RMB

Major indicators	2019	2018	Increase/decrease for the Reporting Period as compared with the corresponding period of last year (%)	Reasons for change
EBITDA	20,139,639	16,852,506	19.51	
Current ratio	151	187	Decrease by 36 percentage points	
Quick ratio	151	187	Decrease by 36 percentage points	
Gearing ratio (%)	67.50	62.19	Increase by 5.31 percentage points	
Debt-to-EBITDA ratio	0.06	0.07	-14.29	
Interest coverage ratio	2.55	2.32	9.91	
Cash interest coverage ratio	6.74	11.65	-42.15	mainly due to decrease in net cash generated from operating activities
EBITDA interest coverage ratio	2.72	2.40	13.33	
Loan repayment ratio (%)	100	100	—	
Interest repayment ratio (%)	100	100	—	

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

√ Applicable □ Not applicable

During the Reporting Period, other bonds and debt financing instruments of the Company mainly included short-term financing bills, medium-term notes, structured notes and subordinated bonds. Please refer to note 43. Short-term debt instruments and 49. Bonds payable to Consolidated Financial Statements for further details. The principal amounts and interests of each financing instrument have been paid on time.

Section X Corporate Bonds

X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As at the end of 2019, the banking facilities the Company obtained from the major cooperation banks amounted to about RMB420 billion in aggregate, of which about RMB60 billion had been utilized and about RMB360 billion had been unutilized.

XI. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND PROSPECTUSES BY THE COMPANY DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

XII. SIGNIFICANT EVENTS OF THE COMPANY AND THE IMPACTS ON THE OPERATION POSITION AND SOLVENCY OF THE COMPANY

☐ Applicable ☒ Not applicable

Section XI Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Guotai Junan Securities Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 182 to 326, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Section XI Financial Statements

Key audit matter

How our audit addressed the key audit matter

Consolidation of structured entities

The Group acted as an asset manager for or invested in a number of structured entities including asset management schemes, trust schemes or limited partnerships, etc. Management makes significant judgement to determine whether the Group controls these structured entities and if these structured entities should be consolidated in the consolidated financial statements. When making the judgement, management considers the Group's power over the relevant activities of the structured entities, the Group's variable return and its ability to use its power to influence the Group's variable return.

As at 31 December 2019, the carrying amount of the Group's interests in unconsolidated structured entities amounted to RMB5,939 million.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement when determining whether a structured entity is required to be consolidated by the Group and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.

The disclosures for interests in structured entities are included in note 26 to the consolidated financial statements.

We assessed and evaluated the design and operating effectiveness of the controls put in place by management for determining whether the Group's interest in each structured entity falls within the consolidation scope.

We obtained and checked the contracts, documents and other public information of the structured entities on a sample basis to assess the reasonableness of management's judgement when determining whether a structured entity is required to be consolidated by considering the Group's power over the structured entity, the Group's variable return and the Group's power to use its power to influence its variable return.

We assessed the disclosures related to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Section XI Financial Statements

Key audit matter

How our audit addressed the key audit matter

Impairment of margin accounts receivable and financial assets held under resale agreements

The Group performed impairment test and recognized credit loss expense for margin accounts receivable and financial assets held under resale agreements on the basis of expected credit loss ("ECL") at each reporting date. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECLs. If the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime ECLs ("LTECL"). If credit impairment has occurred, the Group measures the loss allowance at an amount equal to LTECLs. The Group considers all reasonable and supportable information in ECL assessment, including that which is forward-looking.

As at 31 December 2019, the Group had margin accounts receivable amounting to RMB72,088 million with cumulative allowance for ECLs of RMB1,357 million and financial assets held under resale agreements amounting to RMB53,940 million with cumulative allowance for ECLs of RMB2,672 million.

We identified the impairment of margin accounts receivable and financial assets held under resale agreements as a key audit matter because of the significance of the balances and the significant management judgement involved in the process, including the classification of stages for measurement of ECLs and the estimation of future cash flows.

The related disclosures are included in notes 30 and 37 to the consolidated financial statements.

We assessed and evaluated the design and operating effectiveness of the controls over the process for the assessment of impairment of margin accounts receivable and financial assets held under resale agreements. We assessed the reasonableness of the Group's criteria for classification of stages and the models for measurement of ECLs.

We performed audit procedures to margin accounts receivable and financial assets held under resale agreements on a sample basis:

1. We compared the classification of stages for measurement of ECL with the criteria applied in the ECL model.
2. We assessed the appropriateness of key inputs used in ECLs calculation by management, including probability of default, loss given default, exposure at default, discount rate and forward-looking information, etc.
3. We assessed the reasonableness of management's ECL results and checked if they are consistent with market practice and historical loss experience.

We assessed the disclosure related to the impairment of margin accounts receivable and financial assets held under resale agreements in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Section XI Financial Statements

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments classified under Level 3 in the fair value hierarchy	
The Group assessed the fair value of the financial instruments classified under Level 3 in the fair value hierarchy (“Level 3 financial instruments”) at each reporting date. Fair value of the Level 3 financial instruments is measured generally based on significant unobservable inputs as key assumptions, which requires management’s judgment, including credit spread, volatility and discount for lack of marketability, etc. As at 31 December 2019, the Group had financial assets classified under Level 3 amounting to RMB11,321 million and financial liabilities classified under Level 3 amounting to RMB7,510 million. We identified the valuation of Level 3 financial instruments as a key audit matter because of the significant balance and the significant management judgement involved in the determination of unobservable inputs used in the valuation process. The related disclosure is included in note 63 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls over the process for the valuation of Level 3 financial instruments. We evaluated the appropriateness of the models used for the valuation of Level 3 financial instruments. We performed audit procedures relating to the valuation of Level 3 financial instruments on a sample basis: 1. We reviewed the investment agreements entered into during the current year to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments. 2. We assessed the appropriateness of the significant unobservable and observable inputs used in the valuation of Level 3 financial instruments. 3. We performed an independent valuation to the financial instruments and compared them with the valuation results of the Group. We assessed the relevant disclosures for the valuation of Level 3 financial instruments with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

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

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

Section XI Financial Statements

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

Section XI Financial Statements

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young

Certified Public Accountants

Hong Kong

24 March 2020

Section XI Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	notes	2019	2018
Revenue			
Fee and commission income	6	12,124,791	9,794,186
Interest income	7	12,630,205	12,841,989
Net investment gains	8	8,096,610	5,073,084
Total revenue		32,851,606	27,709,259
Gain on disposal of a subsidiary		–	648,287
Other income and gains	9	6,198,039	2,871,839
Total revenue and other income		39,049,645	31,229,385
Fee and commission expenses	10	(1,838,426)	(1,574,713)
Interest expenses	11	(7,403,450)	(7,009,885)
Staff costs	12	(7,766,427)	(6,759,575)
Depreciation and amortization expenses	13	(1,291,570)	(574,279)
Tax and surcharges		(136,880)	(151,861)
Other operating expenses and costs	14	(7,271,807)	(5,040,632)
Provision for impairment losses		(20,902)	(1,150)
Credit loss expense	15	(2,049,577)	(976,493)
Total expenses		(27,779,039)	(22,088,588)
Operating profit		11,270,606	9,140,797
Share of profits of associates and joint ventures		174,013	127,545
Profit before income tax		11,444,619	9,268,342
Income tax expense	16	(2,393,263)	(2,198,304)

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	<i>notes</i>	Year ended 31 December	
		2019	2018
Profit for the year		<u>9,051,356</u>	<u>7,070,038</u>
Attributable to:			
Equity holders of the Company		8,637,037	6,708,116
Non-controlling interests		<u>414,319</u>	<u>361,922</u>
Total		<u>9,051,356</u>	<u>7,070,038</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)	20		
— Basic		<u>0.90</u>	<u>0.70</u>
— Diluted		<u>0.90</u>	<u>0.70</u>

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	9,051,356	7,070,038
Other comprehensive income for the year		
Other comprehensive income that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
— Net changes in fair value	178,194	647,828
— Changes in allowance for expected credit losses	70,405	(24,343)
— Reclassified to profit or loss	(238,891)	(74,584)
— Income tax impact	(2,320)	(137,225)
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	3,193	(20)
— Reclassified to profit or loss	(10,584)	—
Exchange differences on translation of financial statements in foreign currencies	298,820	421,542
Total items that may be reclassified to profit or loss	298,817	833,198
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income		
— Net changes in fair value	707,402	(3,051,667)
— Income tax impact	(176,851)	762,917
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	124,342	(946,764)
— Income tax impact	(31,085)	236,691
Total items that will not be reclassified to profit or loss	623,808	(2,998,823)
Other comprehensive income for the year, net of tax	922,625	(2,165,625)
Total comprehensive income for the year	9,973,981	4,904,413
Attributable to:		
Equity holders of the Company	9,474,748	4,372,505
Non-controlling interests	499,233	531,908
Total	9,973,981	4,904,413

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	notes	2019	2018
Non-current assets			
Property and equipment	21	5,211,423	4,082,006
Right-of-use assets	22	2,926,043	—
Prepaid land lease payments	22	—	785,312
Goodwill	23	599,812	581,407
Other intangible assets	24	1,574,249	1,472,424
Investments in associates	27	1,183,891	1,294,133
Investments in joint ventures	27	1,274,671	1,333,516
Debt instruments at fair value through other comprehensive income	28	53,408,720	33,445,303
Equity instruments at fair value through other comprehensive income	29	17,547,076	16,785,949
Financial assets held under resale agreements	30	1,959,737	6,444,585
Financial assets at fair value through profit or loss	31	13,433,691	7,364,543
Refundable deposits	32	12,975,377	7,552,678
Deferred tax assets	33	1,251,032	1,289,051
Other non-current assets	34	1,154,839	2,932,037
Total non-current assets		114,500,561	85,362,944
Current assets			
Accounts receivable	35	3,484,166	3,634,734
Other current assets	36	2,017,453	1,867,556
Margin accounts receivable	37	72,088,344	53,655,358
Debt instruments at fair value through other comprehensive income	28	6,858,108	5,721,378
Financial assets held under resale agreements	30	51,980,260	54,672,999
Financial assets at fair value through profit or loss	31	175,588,501	130,317,537
Derivative financial assets	38	550,081	648,358
Clearing settlement funds	39	4,460,152	3,006,836
Cash held on behalf of brokerage customers	40	102,533,823	77,492,497
Cash and bank balances	41	25,252,829	20,348,883
Total current assets		444,813,717	351,366,136
Total assets		559,314,278	436,729,080

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

		As at 31 December	
	notes	2019	2018
Current liabilities			
Loans and borrowings	42	10,312,724	8,279,422
Short-term debt instruments	43	17,424,352	7,045,424
Placements from other financial institutions	44	9,488,642	10,163,246
Accounts payable to brokerage customers	45	109,336,526	82,347,043
Employee benefits payable	46	5,685,105	4,984,863
Income tax payable		1,414,731	1,518,105
Financial assets sold under repurchase agreements	47	126,017,296	70,558,545
Financial liabilities at fair value through profit or loss	48	37,845,046	28,820,153
Derivative financial liabilities	38	1,358,809	255,973
Bonds payable	49	17,672,144	15,476,842
Lease liabilities	22	638,382	—
Other current liabilities	50	14,229,188	16,110,357
Total current liabilities		351,422,945	245,559,973
Net current assets		93,390,772	105,806,163
Total assets less current liabilities		207,891,333	191,169,107
Non-current liabilities			
Loans and borrowings	42	1,490,000	—
Bonds payable	49	51,901,409	52,780,358
Lease liabilities	22	1,725,455	—
Deferred tax liabilities	33	13,762	43,015
Financial liabilities at fair value through profit or loss	48	6,441,647	4,456,490
Other non-current liabilities	51	225,237	215,852
Total non-current liabilities		61,797,510	57,495,715
Net assets		146,093,823	133,673,392

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	<i>notes</i>	As at 31 December	
		2019	2018
Equity			
Share capital	52	8,907,948	8,713,941
Other equity instruments	53	16,129,799	11,129,819
Reserves	54	71,127,776	65,535,930
Retained profits	54	41,335,967	38,070,373
Equity attributable to equity holders of the Company		137,501,490	123,450,063
Non-controlling interests		8,592,333	10,223,329
Total equity		146,093,823	133,673,392

Approved and authorized for issue by the Board of Directors on 24 March 2020.

He Qing

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392
Impact of adopting IFRS 16 (note 22)	—	—	—	—	—	(3,909)	(9,851)	(56,806)	(70,566)	(9,769)	(80,335)
Restated opening balance	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,172,530	15,471,523	38,013,567	123,379,497	10,213,560	133,593,057
Profit for the year	—	—	—	—	—	—	—	8,637,037	8,637,037	414,319	9,051,356
Other comprehensive income for the year	—	—	—	626,020	211,691	—	—	—	837,711	84,914	922,625
Total comprehensive income for the year	—	—	—	626,020	211,691	—	—	8,637,037	9,474,748	499,233	9,973,981
Placement of H shares	194,000	—	2,513,597	—	—	—	—	—	2,707,597	—	2,707,597
Issue of perpetual bonds	—	5,000,000	—	—	—	—	—	—	5,000,000	—	5,000,000
Appropriation to general reserve	—	—	—	—	—	—	2,025,614	(2,025,614)	—	—	—
Dividends (note 19)	—	—	—	—	—	—	—	(2,449,685)	(2,449,685)	—	(2,449,685)
Distribution to other equity instrument holders (note 19)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(1,691,430)	(1,691,430)
Other comprehensive income that has been reclassified to retained profits	—	—	—	249,338	—	—	—	(249,338)	—	—	—
Conversion of convertible bonds	7	(20)	152	—	—	—	—	—	139	—	139
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	101,181	101,181
Redemption of other equity instruments issued by a subsidiary	—	—	(11,362)	—	—	—	—	—	(11,362)	(307,558)	(318,920)
Acquisition of non-controlling interests in a subsidiary	—	—	(7,788)	—	—	—	—	—	(7,788)	(212,705)	(220,493)
Others	—	—	(1,656)	—	—	—	—	—	(1,656)	(9,948)	(11,604)
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	41,335,967	137,501,490	8,592,333	146,093,823

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2018	8,713,934	11,129,841	43,447,900	1,253,821	(172,336)	6,508,078	13,970,910	38,033,205	122,885,353	10,547,161	133,432,514
Profit for the year	—	—	—	—	—	—	—	6,708,116	6,708,116	361,922	7,070,038
Other comprehensive income for the year	—	—	—	(2,586,535)	250,924	—	—	—	(2,335,611)	169,986	(2,165,625)
Total comprehensive income for the year	—	—	—	(2,586,535)	250,924	—	—	6,708,116	4,372,505	531,908	4,904,413
Appropriation to surplus reserve	—	—	—	—	—	668,361	—	(668,361)	—	—	—
Appropriation to general reserve	—	—	—	—	—	—	1,510,464	(1,510,464)	—	—	—
Dividends (note 19)	—	—	—	—	—	—	—	(3,485,576)	(3,485,576)	—	(3,485,576)
Distribution to other equity instrument holders (note 19)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(213,110)	(213,110)
Other comprehensive income that has been reclassified to retained profits	—	—	—	416,547	—	—	—	(416,547)	—	—	—
Conversion of convertible bonds	7	(22)	136	—	—	—	—	—	121	—	121
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(254,785)	(254,785)
Share issued by a subsidiary upon placement of shares to non-controlling interests	—	—	503,945	—	—	—	—	—	503,945	1,125,689	1,629,634
Redemption of other equity instruments issued by a subsidiary	—	—	—	—	—	—	—	—	—	(825,893)	(825,893)
Acquisition of non-controlling interests in a subsidiary	—	—	(255,867)	—	—	—	—	—	(255,867)	(704,402)	(960,269)
Others	—	—	19,582	—	—	—	—	—	19,582	16,761	36,343
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Cash flows from operating activities:		
Profit before income tax	11,444,619	9,268,342
Adjustments for:		
Interest expenses	7,403,450	7,009,885
Share of profits of associates and joint ventures	(174,013)	(127,545)
Depreciation and amortization	1,291,570	574,279
Provision for impairment losses	20,902	1,150
Credit loss expense	2,049,577	976,493
Net (gains)/losses on disposal of property and equipment	(4,520)	4,473
Foreign exchange (gains)/losses	65,187	(5,613)
Net realized (gains)/losses from financial instruments at fair value through other comprehensive income	(238,891)	(74,584)
Gain on disposal of subsidiaries, associates and joint ventures	(740,835)	(675,510)
Dividend income and other income from financial assets at fair value through other comprehensive income	(3,087,006)	(2,466,359)
Interest income from time deposits, loans and receivables	(688,299)	(603,160)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(2,520,443)	1,215,695
Unrealized fair value changes in derivatives	1,054,702	(288,019)
	15,876,000	14,809,527

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	Year ended 31 December	
	2019	2018
Increase in refundable deposits	(5,422,699)	(649,110)
(Increase)/Decrease in margin accounts receivable	(19,153,530)	20,062,018
Decrease in accounts receivable, other current assets and other non-current assets	1,403,862	2,217,391
Decrease in financial assets held under resale agreements	4,714,435	40,826,121
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	(35,902,444)	(30,263,874)
(Increase)/Decrease in cash held on behalf of brokerage customers	(25,120,438)	3,372,746
Increase/(Decrease) in accounts payable to brokerage customers	26,687,698	(2,701,066)
Increase in other liabilities	6,269,926	9,318,956
Increase/(Decrease) in employee benefits payable	700,242	(543,909)
Increase in financial assets sold under repurchase agreements	55,458,751	23,708,960
(Decrease)/Increase in placements from other financial institutions	(674,604)	2,563,246
Cash generated from operations	24,837,199	82,721,006
Income taxes paid	(2,671,778)	(2,545,568)
Interest paid	(3,365,066)	(2,680,581)
Net cash generated from operating activities	18,800,355	77,494,857

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	Year ended 31 December	
<i>note</i>	2019	2018
Cash flows from investing activities:		
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets	13,694	34,837
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments	3,615,194	2,471,134
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments	57,310,732	35,911,901
Proceeds from disposal of subsidiaries, associates and joint ventures	85,512	94,556
Proceeds from purchases of subsidiaries, associates and joint ventures	47,883	—
Purchases of property and equipment, other intangible assets and other non-current assets	(1,782,708)	(918,349)
Purchases of financial assets at fair value through other comprehensive income and other investments	(82,415,900)	(62,821,012)
Net cash used in investing activities	(23,125,593)	(25,226,933)

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

	Year ended 31 December	
	<i>note</i>	
	2019	2018
Cash flows from financing activities:		
Net proceeds from issuance of H shares	2,711,819	—
Proceeds from issuance of short-term debt instruments	39,064,773	35,731,660
Proceeds from issuance of a perpetual bond	5,000,000	—
Proceeds from issuance of shares upon placement by a subsidiary	—	1,629,634
Proceeds from issuance of bonds payable	23,213,393	13,764,118
Proceeds from loans and borrowings	55,252,471	53,210,212
Redemption of other equity investments issued by a subsidiary	(318,920)	(825,893)
Repayment of debt securities issued	(51,225,094)	(80,473,032)
Repayment of loans and borrowings	(53,027,955)	(56,060,785)
Interest paid	(3,282,221)	(4,227,520)
Dividends paid	(4,059,234)	(3,664,956)
Distribution to other equity instrument holders	(680,762)	(701,514)
Cash used in other financing activities	(663,309)	(33,800)
Net cash generated from/(used in) financing activities	11,984,961	(41,651,876)
Net increase in cash and cash equivalents	7,659,723	10,616,048
Cash and cash equivalents at the beginning of the year	37,947,251	27,057,039
Effect of foreign exchange rate changes	164,086	274,164
Cash and cash equivalents at the end of the year	55(a) 45,771,060	37,947,251

The accompanying notes form part of the consolidated financial statements.

Section XI Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Section XI Financial Statements

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Section XI Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 16	<i>Leases</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

Except as described below, the application of the new and revised IFRSs has had no significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

Section XI Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for buildings and prepaid land lease payments. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as interest expense).

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

Section XI Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied lease exemptions to leases with a lease term that ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Financial impact at 1 January 2019

(1) Impact on the consolidated statement of financial position as at 1 January 2019:

	As at 31 December 2018	Adjustments	As at 1 January 2019
Assets:			
Right-of-use assets	—	3,228,394	3,228,394
Prepaid land lease payments	785,312	(785,312)	—
Deferred tax assets	1,289,051	26,778	1,315,829
Other current assets	1,867,556	(62,702)	1,804,854
Liabilities:			
Other current liabilities	16,110,357	(77,794)	16,032,563
Lease liabilities	—	2,565,287	2,565,287
Equity:			
Reserves	65,535,930	(13,760)	65,522,170
Retained profits	38,070,373	(56,806)	38,013,567
Non-controlling interests	10,223,329	(9,769)	10,213,560

Section XI Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

Financial impact at 1 January 2019 *(continued)*

- (2) The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	3,623,137
Less: Commitments relating to short-term leases	22
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	307,466
Commitments relating to leases of low-value assets	11
Operating lease commitments as at 1 January 2019 under IFRS 16	3,315,638
Weighted average incremental borrowing rate as at 1 January 2019	4.12%
Lease liabilities as at 1 January 2019	2,565,287

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements:

IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IFRS 3	<i>Definition of a Business</i> ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ³

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

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

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

4 No mandatory effective date yet determined but available for adoption

The application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.31%-3.20%
Leasehold improvements	Over the shorter of the remaining lease terms and 5 years
Machinery	8.64%-19.20%
Electronic equipment	19.00%-50.00%
Communication equipment	10.55%-32.00%
Motor vehicles	9.50%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading seats rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a “12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a “lifetime ECL”).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full after taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement (continued)

Financial liabilities at amortized cost

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Margin financing and securities lending services

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

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest income according to the margin financing agreement. The securities lending services are not derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from asset management business is recognized when contingent criteria associated are met.

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments. The term “equity-settled share-based payments” refers to a transaction in which the Group grants shares or other equity instruments as a consideration in return for services rendered.

The equity-settled share-based payment in return for employee services is measured at the fair value of the equity instruments granted to the employees. If the right of an equity-settled share-based payment may be exercised immediately after the grant date, the fair value of the equity instruments on the grant date is recognized in profit or loss, with a corresponding increase in capital reserve. When the grant of equity instruments is conditional upon the achievement of a performance or service condition, an amount for the services received during the vesting period is recognized based on the best available estimate of the number of equity instruments expected to vest which will be revised, if subsequent information (such as the change on the number of employees who satisfies all vesting conditions, achievement of performance and so on) indicates that the number of equity instruments expected to vest differs from previous estimates. The fair value of equity instruments is calculated based on the binomial model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The dilutive effect of outstanding options is reflected as the dilutive effect of a subsidiary's potential ordinary shares in the computation of earnings per share.

A cash-settled share-based payment rendered by the Group shall be measured in accordance with the fair value of a liability based on the shares or other equity instruments undertaken by the Group. It shall be initially measured at fair value on the grant date using the binominal model, taking into account the clauses and conditions of the equity instruments granted. If the right may be exercised immediately after the grant, the fair value of the liability shall, on the date of the grant, be included in the relevant costs or expenses, with a corresponding increase in the liability. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, at the end of each reporting period within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses with a corresponding increase in the liability. The Group shall, at the end of each reporting period and settlement date prior to the settlement of the liability, re-assess the fair values of the liability with changes in fair value recognized in the statement of profit or loss.

Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

Employee benefits

Employee benefits refer to all forms of consideration and other related expenses except share-based payments given by the Group in exchange for services rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Section XI Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

Section XI Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, apart from those assumptions involving estimations, management has made the following judgements including the classification of financial assets, the transfer of financial assets and the consolidation of structured entities, which have significant effects on the amounts recognized in the financial statements.

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. Management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. Management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of money element, whether the fair value of prepayment features is insignificant also need judgement when assessing the financial assets with prepayment features.

Transfer of financial assets

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

Section XI Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for it to exercise the renewal and include significant event or change in circumstances between the commencement date of the lease and exercise date of the renewal option.

Consolidation of structured entities

Management needs to make significant judgement on whether a structured entity is under control and shall be combined. Such judgement may affect accounting methods as well as the financial position and operating results of the Group.

When assessing control, the Group considers: (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

When judging the level of the control over the structured entities, the Group considers the following four elements:

- (a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;
- (b) The related agreement arrangements;
- (c) The Group will only take specific actions under certain conditions or incidents; and
- (d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

Section XI Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, which may result in a significant adjustment to the carrying amounts of assets and liabilities in the next accounting period.

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model, etc. In practice, the model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors, etc. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

Deferred income tax assets and liabilities

According to the provisions of the tax law, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the assets are realized or when the liabilities are settled. Deferred income tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to offset these unused tax losses. Many judgements are needed from management to estimate the amount, timing and applicable tax rate of future taxable profit, together with the tax planning strategies, to determine the amount of deferred income tax assets and liabilities to be recognized.

Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgment and estimation, and consideration of all reasonable and relevant information including forward looking information. When making such judgment and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economy indicators, and industrial risk.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Section XI Financial Statements

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Value added tax ("VAT")	Taxable revenue	3%-17%
City maintenance and construction tax	Value added tax paid	1%-7%
Education surcharge	Value added tax paid	3%

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if VAT had not been paid previously, no VAT will be payable; if VAT had been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2019	2018
Securities brokerage and investment consulting business	6,773,457	5,255,326
Underwriting and sponsorship business	2,415,790	1,831,387
Asset management business	1,665,495	1,500,588
Futures brokerage business	548,639	492,251
Custodian and outsourcing service	391,243	339,122
Financial advisory business	327,048	359,083
Others	3,119	16,429
Total	<u>12,124,791</u>	<u>9,794,186</u>

Fee and commission income represented the Group's revenue from contracts with customers.

Section XI Financial Statements

7. INTEREST INCOME

	Year ended 31 December	
	2019	2018
Margin financing and securities lending	4,562,080	4,909,723
Deposits in financial institutions	3,236,272	2,847,417
Stock-pledged financing and securities repurchase	2,269,365	3,334,002
Debt instruments at fair value through other comprehensive income	2,007,844	1,086,813
Other financial assets held under resale agreements	326,502	466,796
Term loan	127,380	120,868
Others	100,762	76,370
Total	<u>12,630,205</u>	<u>12,841,989</u>

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2019	2018
Dividend and other income		
Financial instruments at fair value through profit or loss	3,996,756	3,164,249
Equity instruments at fair value through other comprehensive income	1,079,162	1,379,546
Net realized gains		
Financial instruments at fair value through profit or loss	592,579	847,154
Debt instruments at fair value through other comprehensive income	238,891	74,584
Derivative financial instruments	493,368	811,275
Unrealized gains/(losses)		
Financial assets at fair value through profit or loss	3,784,512	(3,817,770)
Financial liabilities at fair value through profit or loss	(1,264,069)	2,602,075
Derivative financial instruments	(819,993)	12,874
Others ⁽¹⁾	(4,596)	(903)
Total	<u>8,096,610</u>	<u>5,073,084</u>

(1) Third-party interests in consolidated structured entities.

Section XI Financial Statements

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2019	2018
Income from bulk commodity trading	4,744,329	2,056,929
Gain on disposal of joint ventures and associates	740,835	27,212
Government grants ⁽¹⁾	618,989	682,710
Commission from tax withholding and remitting	35,571	15,553
Gains on disposal of property and equipment	8,406	766
Foreign exchange gains or losses	(65,187)	5,613
Others	115,096	83,056
Total	<u>6,198,039</u>	<u>2,871,839</u>

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2019	2018
Securities brokerage and investment consulting business	1,528,378	1,242,882
Underwriting and sponsorship business	147,374	181,521
Futures brokerage business	138,035	96,858
Others	24,639	53,452
Total	<u>1,838,426</u>	<u>1,574,713</u>

11. INTEREST EXPENSES

	Year ended 31 December	
	2019	2018
Bonds	3,127,553	3,183,876
Financial assets sold under repurchase agreements	2,463,699	1,593,732
Short-term debt instruments	440,587	1,031,156
Accounts payable to brokerage customers	415,104	391,501
Loans and borrowings	314,273	255,178
Placements from other financial institutions	244,897	323,925
Lease liabilities	101,686	—
Securities lending	88,148	78,331
Derivative financial instruments	74,077	38,709
Gold borrowing	65,940	47,158
Priority tranche holders of structured entities	65,402	60,284
Others	2,084	6,035
Total	<u>7,403,450</u>	<u>7,009,885</u>

Section XI Financial Statements

12. STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonuses and allowances	6,641,222	5,705,261
Contributions to defined contribution schemes	571,644	567,141
Other social welfare	553,561	487,173
Total	<u>7,766,427</u>	<u>6,759,575</u>

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2019	2018
Depreciation of right-of-use assets	620,685	—
Depreciation of property and equipment	514,545	438,117
Amortization of other intangible assets	130,560	102,966
Amortization of long-term deferred expenses	25,780	25,247
Amortization of prepaid land lease payments	—	7,949
Total	<u>1,291,570</u>	<u>574,279</u>

Section XI Financial Statements

14. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2019	2018
Cost of bulk commodity trading	4,688,979	2,058,302
Information technology expenses	354,456	269,516
Rental and property management expenses	345,673	834,386
Promotion and business development expenses	287,609	286,132
Administrative and office operating expenses	228,891	218,447
Business travel expenses	214,293	247,437
Postal and communication expenses	187,617	192,070
Marketing and advertising expenses	146,558	155,145
Consulting fees	145,881	148,384
Stock exchange management fees	125,605	94,393
Securities investor protection funds	112,507	93,109
Fund and asset management scheme distribution expenses	99,804	45,114
Utilities	47,563	48,133
Donation	35,623	29,653
Auditors' remuneration	14,539	13,788
Others	236,209	306,623
Total	<u>7,271,807</u>	<u>5,040,632</u>

15. CREDIT LOSS EXPENSE

	Year ended 31 December	
	2019	2018
Financial assets held under resale agreements	1,037,739	669,420
Margin accounts receivable	764,754	234,613
Others	247,084	72,460
Total	<u>2,049,577</u>	<u>976,493</u>

Section XI Financial Statements

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current tax		
Mainland China income tax	2,369,164	2,317,392
Hong Kong profits tax	281,496	187,644
Adjustment in respect of prior years		
Mainland China income tax	1,272	25,655
Hong Kong profits tax	(415)	1,848
Deferred tax	(258,254)	(334,235)
Total tax charges for the year	2,393,263	2,198,304

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	11,444,619	9,268,342
Tax at the PRC statutory tax rate of 25%	2,861,155	2,317,086
Effect of different tax rates of subsidiaries	(74,542)	(53,473)
Adjustments in respect of current tax and deferred tax of prior years	857	27,503
Non-taxable income	(384,002)	(252,883)
Profits and losses attributable to joint ventures and associates	(18,100)	(3,472)
Non-deductible expenses	214,513	168,189
Utilization of tax losses and deductible temporary differences previously not recognized	(39,157)	(45,254)
Tax losses and deductible temporary differences not recognized	539	40,608
Deductible distribution of other equity instrument	(168,000)	—
Total tax charges for the year	2,393,263	2,198,304

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17. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2019 and 2018 is as follows:

Year ended 31 December 2019					
Name	Fees	Salaries,	Pension scheme	Discretionary	Total
		allowances and benefits	contributions and other social welfare		
Executive Directors					
He Qing ⁽²⁾	—	—	—	—	—
Wang Song	—	925	16	503	1,444
Yu Jian	—	1,828	26	3,135	4,989
Yang Dehong ⁽³⁾	—	603	16	163	782
Non-Executive Directors					
Zhong Maojun ⁽¹⁾	—	—	—	—	—
Zhou Lei ⁽¹⁾	—	—	—	—	—
Lin Facheng	150	—	—	—	150
Zhou Hao ⁽¹⁾	—	—	—	—	—
Wang Wenjie ⁽¹⁾⁽⁴⁾	—	—	—	—	—
Guan Wei ⁽¹⁾⁽⁵⁾	—	—	—	—	—
An Hongjun ⁽¹⁾⁽⁶⁾	—	—	—	—	—
Liu Ying ⁽¹⁾⁽⁷⁾	—	—	—	—	—
Wang Yongjian ⁽⁷⁾	63	—	—	—	63
Fu Fan ⁽¹⁾⁽⁸⁾	—	—	—	—	—
Independent Non-executive Directors					
Xia Dawei	250	—	—	—	250
Shi Derong ⁽¹⁾	—	—	—	—	—
Chen Guogang	250	—	—	—	250
Ling Tao	250	—	—	—	250
Jin Qingjun	250	—	—	—	250
LEE Conway Kong Wai	250	—	—	—	250

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17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Year ended 31 December 2019					
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Supervisors					
Shao Chong	150	—	—	—	150
Zuo Zhipeng	150	—	—	—	150
Feng Xiaodong	150	—	—	—	150
Wang Weijie	—	1,138	21	2,070	3,229
Liu Xuefeng	—	1,252	21	2,077	3,350
Wang Lei ⁽⁹⁾	—	420	2	—	422
Zhu Ning ⁽¹⁰⁾	—	157	16	146	319
Shang Hongbo ⁽¹¹⁾	—	—	—	—	—
	1,913	6,323	118	8,094	16,448

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 12 February 2020.

(3) Resigned on 23 September 2019.

(4) Appointed on 28 June 2019.

(5) Appointed on 25 July 2019.

(6) Appointed on 14 November 2019.

(7) Resigned on 9 May 2019.

(8) Resigned on 5 December 2019.

(9) Appointed on 4 June 2019.

(10) Resigned on 6 May 2019.

(11) Resigned on 17 June 2019.

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17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Year ended 31 December 2018

Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Executive Directors					
Yang Dehong	—	799	—	376	1,175
Wang Song	—	920	—	716	1,636
Yu Jian	—	1,614	—	4,258	5,872
Non-Executive Directors					
Fu Fan ⁽¹⁾	—	—	—	—	—
Zhong Maojun ⁽¹⁾	—	—	—	—	—
Zhou Lei ⁽¹⁾	—	—	—	—	—
Wang Yongjian	150	—	—	—	150
Xiang Dong ⁽²⁾	38	—	—	—	38
Liu Qiang ⁽¹⁾⁽²⁾	—	—	—	—	—
Liu Ying ⁽¹⁾	—	—	—	—	—
Lin Facheng ⁽³⁾	88	—	—	—	88
Zhou Hao ⁽¹⁾⁽⁴⁾	—	—	—	—	—
Independent Non-executive Directors					
Xia Dawei	250	—	—	—	250
Shi Derong ⁽¹⁾	—	—	—	—	—
Chen Guogang	250	—	—	—	250
Ling Tao	250	—	—	—	250
Jin Qingjun	250	—	—	—	250
LEE Conway Kong Wai	250	—	—	—	250
Supervisors					
Shang Hongbo	—	—	—	—	—
Zhu Ning	—	719	—	363	1,082
Teng Tieqi ⁽²⁾	38	—	—	—	38
Shao Chong	150	—	—	—	150
Zuo Zhipeng	150	—	—	—	150
Feng Xiaodong ⁽³⁾	88	—	—	—	88
Wang Weijie	—	1,132	—	2,860	3,992
Liu Xuefeng	—	1,345	—	2,729	4,074
	<u>1,952</u>	<u>6,529</u>	<u>—</u>	<u>11,302</u>	<u>19,783</u>

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17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- (1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.
- (2) Resigned on 29 March 2018.
- (3) Appointed on 28 May 2018.
- (4) Appointed on 6 June 2018.

18. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2019 and 2018. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits	10,873	12,088
Pension scheme contributions and other social welfare	48	47
Discretionary bonuses	57,502	65,801
Share-based payments	9,384	13,107
Total	77,807	91,043

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2019	2018
RMB12,000,001 to RMB13,000,000 yuan	2	—
RMB13,000,001 to RMB14,000,000 yuan	2	—
RMB15,000,001 to RMB16,000,000 yuan	—	3
RMB17,000,001 to RMB18,000,000 yuan	—	1
RMB25,000,001 to RMB26,000,000 yuan	1	—
RMB27,000,001 to RMB28,000,000 yuan	—	1
Total	5	5

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19. DIVIDENDS

	Year ended 31 December	
	2019	2018
Proposed and paid dividends	<u>2,449,685</u>	<u>3,485,576</u>
Distribution to other equity instrument holders	<u>590,000</u>	<u>590,000</u>

Pursuant to the resolution of the meeting of shareholders held on 24 June 2019, the Company distributed cash dividends of RMB2.75 yuan for every 10 shares (tax included) amounting to RMB2,450 million in total for the year ended 31 December 2018.

Pursuant to the resolution of the meeting of shareholders held on 18 May 2018, the Company distributed cash dividends of RMB4.00 yuan for every 10 shares (tax included) amounting to RMB3,486 million in total for the year ended 31 December 2017.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. The Company recognized dividend payable to other equity instrument holders of RMB590 million as at 31 December 2019 and 2018 for the years then ended.

Pursuant to the resolution of the 15th meeting of the 5th term of the Board held on 24 March 2020, the Board has proposed the annual profit distribution plan for the year ended 31 December 2019 as follows: after appropriating 10% of profit after tax each for general risk reserves and trading risk reserves, respectively, in accordance with relevant regulations, based on the total number of ordinary shares as indicated in the statutory records on that date, the Company shall distribute cash dividends of RMB3.90 yuan for every 10 shares (tax included). Based on the total of 8,907,948,159 ordinary shares as at 31 December 2019 without considering the shares that may be converted from convertible bonds after 31 December 2019, RMB3,474 million of dividends would be distributed. The profit distribution plan is subject to shareholders' approval in the upcoming shareholders' meeting.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) the tax impact of the above adjustments.

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20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the year and those issued in the year are assumed to be converted at the issuance date. The Group has convertible corporate bonds as dilutive potential ordinary shares.

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Year ended 31 December	
	2019	2018
Earnings		
Profit attributable to equity holders of the Company	8,637,037	6,708,116
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	647,534	590,000
Profit attributable to ordinary equity holders of the Company	7,989,503	6,118,116
Add: Interest expense on convertible bonds, net of tax	295,573	—
Less: Dilutive effect of a subsidiary's potential ordinary shares ⁽²⁾	1,307	1,220
Adjusted profit attributable to ordinary equity holders of the Company	8,283,769	6,116,896
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	8,843,279	8,713,939
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	356,925	—
Adjusted weighted average number of ordinary shares in issue during the year	9,200,204	8,713,939
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
— Basic	0.90	0.70
— Diluted	0.90	0.70

(1) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2019, RMB648 million (2018: RMB590 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited ("GJIHL").

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21. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2019	3,662,325	570,867	60,618	1,214,177	19,272	153,274	271,146	106,871	6,058,550
Additions	12,222	75,825	10,015	235,523	3,862	11,005	1,425,118	3,443	1,777,013
Transfers during the year	—	244,694	—	75,471	—	—	(440,769)	47	(120,557)
Acquisition of a subsidiary	3,739	—	—	—	—	—	—	—	3,739
Disposals	(553)	(34,288)	(2,263)	(98,584)	(3,740)	(10,909)	—	(33,982)	(184,319)
As at 31 December 2019	3,677,733	857,098	68,370	1,426,587	19,394	153,370	1,255,495	76,379	7,534,426
Accumulated depreciation									
As at 1 January 2019	(744,014)	(319,921)	(3,061)	(646,601)	(12,131)	(102,958)	—	(55,605)	(1,884,291)
Depreciation charge	(119,066)	(110,970)	(7,233)	(255,364)	(2,045)	(13,249)	—	(6,618)	(514,545)
Disposals	43	30,505	2,100	88,004	3,598	10,566	—	33,270	168,086
As at 31 December 2019	(863,037)	(400,386)	(8,194)	(813,961)	(10,578)	(105,641)	—	(28,953)	(2,230,750)
Impairment									
As at 1 January 2019 and 31 December 2019	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2019	2,722,443	456,712	60,176	612,626	8,816	47,729	1,255,495	47,426	5,211,423
	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2018	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Additions	43,686	60,439	2,321	144,740	1,915	13,517	590,642	36,524	893,784
Transfers during the year	742,893	57,434	43,148	131,006	208	—	(1,072,796)	25,373	(72,734)
Disposals	(4,634)	(19,062)	(16,190)	(348,799)	(1,693)	(17,237)	—	(1,842)	(409,457)
As at 31 December 2018	3,662,325	570,867	60,618	1,214,177	19,272	153,274	271,146	106,871	6,058,550
Accumulated depreciation									
As at 1 January 2018	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	—	(20,454)	(1,824,105)
Depreciation charge	(110,786)	(77,498)	(5,101)	(193,523)	(1,792)	(12,513)	—	(36,904)	(438,117)
Disposals	1,223	17,715	15,091	324,131	1,625	16,393	—	1,753	377,931
As at 31 December 2018	(744,014)	(319,921)	(3,061)	(646,601)	(12,131)	(102,958)	—	(55,605)	(1,884,291)
Impairment									
As at 1 January 2018 and 31 December 2018	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2018	2,826,058	250,946	57,557	567,576	7,141	50,316	271,146	51,266	4,082,006

As at 31 December 2019 and 2018, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB231,000 thousand and RMB236,093 thousand, respectively.

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22. LEASES

(a) Right-of-use assets

	Buildings	Prepaid land lease payments	Total
Cost			
As at 1 January 2019	3,203,089	876,029	4,079,118
Increases	419,959	—	419,959
Decreases	(333,182)	—	(333,182)
As at 31 December 2019	3,289,866	876,029	4,165,895
Accumulated depreciation			
As at 1 January 2019	(760,007)	(90,717)	(850,724)
Depreciation charge	(601,609)	(19,076)	(620,685)
Decreases	253,609	—	253,609
As at 31 December 2019	(1,108,007)	(109,793)	(1,217,800)
Impairment			
As at 1 January 2019	—	—	—
Increases	(22,052)	—	(22,052)
As at 31 December 2019	(22,052)	—	(22,052)
Net carrying amount			
As at 31 December 2019	2,159,807	766,236	2,926,043

(b) Prepaid land lease payments (before 1 January 2019)

Cost	
As at 1 January 2018 and 31 December 2018	876,029
Accumulated amortization	
As at 1 January 2018	(71,641)
Amortization	(19,076)
As at 31 December 2018	(90,717)
Carrying amount	
As at 31 December 2018	785,312

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22. LEASES (continued)

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

Carrying amount at 1 January 2019	2,565,287
New leases	419,959
Accretion of interest recognized during the year	101,686
Acquisition of a subsidiary	2,338
Modification of leases	(86,671)
Payments	(638,762)
Carrying amount at 31 December 2019	2,363,837
Analyzed into:	
Current portion	638,686
Non-current portion	1,725,151

As at 31 December 2019, the maturity analysis of lease liabilities is as follows:

	As at 31 December 2019
Within 1 year (inclusive)	638,382
1 to 5 years (inclusive)	1,246,655
After 5 years	478,800
Total	2,363,837

(d) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December 2019
Interest on lease liabilities	101,686
Depreciation charge of right-of-use assets	620,685
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in other operating expenses and costs)	284,282
Expense relating to leases of low-value assets (included in other operating expenses and costs)	9,092
Total amount recognized in profit or loss	1,015,745

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22. LEASES (continued)

(e) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Those options will not have a significant impact on the Group's financial statements.

23. GOODWILL

	As at 31 December	
	2019	2018
Cost	599,812	581,407
Less: Impairment losses	—	—
Carrying amount	<u>599,812</u>	<u>581,407</u>

Impairment testing on goodwill

	As at 31 December	
	2019	2018
Cost and carrying value		
Unit A — Guotai Junan Futures Co., Ltd.	2,491	2,491
Unit B — Shanghai Securities Co., Ltd.	578,916	578,916
Unit C — Vietnam Investment Securities Company	<u>18,405</u>	<u>—</u>
Total	<u>599,812</u>	<u>581,407</u>

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in July 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The Company acquired 51% of the equity interests in Shanghai Securities Co., Ltd. ("Shanghai Securities") from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit ("CGU") of Shanghai Securities.

GJIHL acquired 50.97% equity interests in Vietnam Investment Securities Company from a third party in December 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Vietnam Investment Securities Company.

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23. GOODWILL (continued)

The recoverable amount of Shanghai Securities has been determined on the basis of value-in-use calculation. The calculation used cash flow projections based on financial budgets approved by management and a pre-tax discount rate of 13% which reflected the risk specific to the cash-generating unit, with the terminal growth rate of 3%. Other assumptions include budgeted income and gross margin estimated based on the past performance and management's expectations of market developments, etc.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

24. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2019	747,443	205,866	1,066,264	16,331	2,035,904
Additions	232,049	—	—	17	232,066
Acquisition of a subsidiary	—	319	—	—	319
Disposal	(155)	—	—	—	(155)
As at 31 December 2019	979,337	206,185	1,066,264	16,348	2,268,134
Accumulated amortization					
As at 1 January 2019	(420,435)	(126,539)	—	(1,275)	(548,249)
Amortization	(130,111)	—	—	(449)	(130,560)
Disposal	155	—	—	—	155
As at 31 December 2019	(550,391)	(126,539)	—	(1,724)	(678,654)
Impairment					
As at 1 January 2019 and 31 December 2019	—	(4,756)	—	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2019	428,946	74,890	1,066,264	4,149	1,574,249

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24. OTHER INTANGIBLE ASSETS (continued)

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2018	623,706	207,240	1,066,264	33,049	1,930,259
Additions	150,049	166	—	4,727	154,942
Disposal	(26,312)	(1,540)	—	(21,445)	(49,297)
As at 31 December 2018	747,443	205,866	1,066,264	16,331	2,035,904
Accumulated amortization					
As at 1 January 2018	(337,626)	(128,079)	—	(1,275)	(466,980)
Amortization	(102,966)	—	—	—	(102,966)
Disposal	20,157	1,540	—	—	21,697
As at 31 December 2018	(420,435)	(126,539)	—	(1,275)	(548,249)
Impairment					
As at 1 January 2018	—	(4,756)	—	(16,252)	(21,008)
Disposal	—	—	—	5,777	5,777
As at 31 December 2018	—	(4,756)	—	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2018	327,008	74,571	1,066,264	4,581	1,472,424

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that securities and futures brokerage qualification was not impaired as at 31 December 2019 and 2018. Refer to Note 23 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

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25. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2019	2018
Unlisted shares, carried at cost	20,422,043	15,789,770
Less: Impairment losses	—	—
Total	<u>20,422,043</u>	<u>15,789,770</u>

(a) Details of the subsidiaries held by the Company

The following list contains particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December	
				2019	2018
Guotai Junan Innovation Investment Co., Ltd. ⁽¹⁾⁽⁴⁾	Shanghai PRC	RMB7,500,000,000	Equity investment and investment consulting	100%	100%
Shanghai Guotai Junan Securities Assets Management Co., Ltd. ("GTJA Assets Management") ⁽¹⁾⁽⁴⁾	Shanghai PRC	RMB2,000,000,000	Securities asset management	100%	100%
Guotai Junan Zhengyu Investment Co., Ltd. ⁽¹⁾⁽⁴⁾	Shanghai PRC	RMB2,000,000,000	Equity investment Financial products investment Industrial investment	100%	100%
Shanghai Guoxiang Real Estate Co., Ltd. ⁽¹⁾⁽⁴⁾	Shanghai PRC	RMB1,050,000,000	Real estate and property management	100%	100%
Guotai Junan Financial Holdings Limited ⁽¹⁾	HK PRC	HKD2,611,980,000	Investment service	100%	100%
Guotai Junan Risk Management Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB800,000,000	Warehouse service Cooperation hedge Investment management Corporate management consulting	100%	100%
Shanghai Gelong Entrepreneurship Investment Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB100,000,000	Venture capital investment and management	100%	100%
Shanghai GTJA Juntong Investment Management Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB20,000,000	Investment management Industrial investment Investment consulting	100%	100%
Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB20,000,000	Equity investment Venture capital investment Asset management	100%	100%
Guotai Junan Futures Co., Ltd. ⁽¹⁾⁽⁴⁾	Shanghai PRC	RMB2,000,000,000	Futures brokerage Futures investment consulting	100%	100%

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25. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December	
				2019	2018
Shanghai Securities Co., Ltd. ^{(1) (2) (4)}	Shanghai PRC	RMB2,610,000,000	Securities brokerage Securities investment Underwriting and consulting	51%	51%
Hicend Futures Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB560,000,000	Futures brokerage Futures investment consulting	51%	51%
Guotai Junan Capital Management Co., Ltd. ("Guotai Junan Capital") ⁽⁴⁾	Shanghai PRC	RMB100,000,000	Asset management Equity investment Fund management	90%	90%
Shanghai North Industries GTJA Investment Management Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	61%	N/A
Shanghai GTJA Haojing Investment Management Co., Ltd. ⁽⁴⁾	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	100%	N/A
Guotai Junan Investments (Hong Kong) Limited	HK PRC	HKD33,500,000	Investment	100%	100%
Guotai Junan Consultancy Services (Shenzhen) Limited ⁽⁴⁾	Shenzhen PRC	HKD12,000,000	Investment consulting Marketing planning Corporate management consulting	100%	100%
Guotai Junan Holdings Limited (BVI)	British Virgin Is.	USD1	Investment	100%	100%
GJIHL	HK PRC	HKD771,500,000	Investment and financing	68.48%	66.35%
Guotai Junan (Hong Kong) Limited	Samoa	USD820,400,000	Investment Administrative management	68.48%	66.35%
Guotai Junan Fund Management Limited ⁽³⁾	HK PRC	HKD10,000,000	Fund management Securities trading	34.24%	33.18%
Guotai Junan Securities (Hong Kong) Limited	HK PRC	HKD7,500,000,000	Securities brokerage	68.48%	66.35%
Guotai Junan Finance (Hong Kong) Limited	HK PRC	HKD300,000,000	Investment and financing	68.48%	66.35%
Guotai Junan Futures (Hong Kong) Limited	HK PRC	HKD50,000,000	Futures brokerage	68.48%	66.35%
Guotai Junan Capital (Hong Kong) Limited	HK PRC	HKD50,000,000	Investment consulting	68.48%	66.35%
Guotai Junan Assets Management (Asia) Limited	HK PRC	HKD50,000,000	Fund management	68.48%	66.35%
Guotai Junan FX Limited	HK PRC	HKD30,000,000	Foreign exchange dealing	68.48%	66.35%
Guotai Junan Finance Holdings Limited (BVI)	British Virgin Is.	USD1	Financial financing	100%	100%
Guotai Junan International (Singapore) Holdings Pte. Limited	Singapore	SGD9,300,000	Investment management	68.48%	66.35%
Guotai Junan International Asset Management (Singapore) Pte. Limited	Singapore	SGD4,200,000	Asset management	68.48%	66.35%
Guotai Junan Financial Products Limited	HK PRC	HKD1,000,000	Investment and securities trading	68.48%	66.35%

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25. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December	
				2019	2018
Guotai Junan International Securities (Singapore) Pte. Limited	Singapore	SGD3,500,000	Securities brokerage	68.48%	66.35%
Guotai Junan Global Limited	British Virgin Is.	USD5,000,000	Investment management	100%	100%
Guotai Junan Securities USA Holding, Inc.	USA	USD5,000,000	Investment management	100%	100%
Guotai Junan Securities USA, Inc.	USA	USD5,000,000	M&A consulting services	100%	100%
Shanghai Shipping Capital (Hong Kong) Holding Co., Ltd.	HK PRC	—	Equity investment Fund management	100%	100%
Vietnam Investment Securities Company	Vietnam	VND693.5 Billion	Securities brokerage	34.90%	N/A

- (1) These subsidiaries are directly held by the Company.
- (2) In August 2019, on the 16th extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved, pursuant to which it was agreed that the issue of competition shall be solved by targeted capital increase of Shanghai Securities. In January 2020, at the 21st extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the specific plan of Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved. the proposal has yet to be approved by regulators.
- (3) GJIHL, a subsidiary controlled by the Company through its voting rights of 68.48%, via its wholly-owned subsidiary Guotai Junan (Hong Kong) Limited controls Guotai Junan Fund Management Limited through contractual arrangement between shareholders whereby Guotai Junan (Hong Kong) Limited has been granted the authority to direct relevant activities of Guotai Junan Fund Management Limited unilaterally. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.
- (4) All of the subsidiaries established in the PRC are registered as companies with limited liability under PRC law.

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25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

Shanghai Securities	As at 31 December	
	2019	2018
NCI percentage	49.00%	49.00%
Current assets	24,852,704	22,307,947
Non-current assets	9,968,729	6,790,027
Current liabilities	23,091,987	15,689,967
Non-current liabilities	3,181,822	2,013,777
Net assets	8,547,624	11,394,230
Carrying amount of NCI	5,235,519	6,623,145
Year ended 31 December		
	2019	2018
Total revenue and other income	2,244,831	1,639,590
Total expenses and income tax expense	1,970,265	1,595,935
Profit for the year	274,566	43,655
Total comprehensive income	270,047	42,366
Profit attributable to NCI	176,357	63,211
Distribution to NCI	1,552,000	—
Cash flows generated from operating activities	5,759,018	6,245,434
Cash flows used in investing activities	(3,423,467)	(2,987,873)
Cash flows used in financing activities	(1,772,353)	(3,693,103)

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25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests *(continued)*

GJIHL	As at 31 December	
	2019	2018
NCI percentage	31.52%	33.65%
Current assets	77,981,893	70,754,944
Non-current assets	8,674,214	6,380,702
Current liabilities	69,531,052	63,400,808
Non-current liabilities	6,902,604	3,926,408
Net assets	10,222,451	9,808,430
Carrying amount of NCI	3,335,875	3,585,232
	Year ended 31 December	
	2019	2018
Total revenue and other income	3,739,003	2,562,018
Total expenses and income tax expense	2,944,995	1,843,956
Profit for the year	794,008	718,062
Total comprehensive income	793,608	718,310
Profit attributable to NCI	239,329	287,909
Distribution to NCI	139,430	213,110
Cash flows used in operating activities	(4,735,478)	(2,523,450)
Cash flows used in investing activities	(110,254)	(23,834)
Cash flows generated from financing activities	7,443,907	4,147,502

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25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(c) Business combination

GJIHL acquired 50.97% equity interests in Vietnam Investment Securities Company from a third party in 2019. The purchase consideration for the acquisition was in the form of cash, with RMB115,944 thousand paid at the acquisition date on 6 December 2019. The fair values and book values of the identifiable assets and liabilities of Vietnam Investment Securities Company as at the date of acquisition were as follows:

	As at the acquisition date	
	Fair value	Book value
Cash and bank balances	163,827	163,827
Margin accounts receivable	44,210	44,453
Other current and non-current assets	8,483	8,001
Total assets	216,520	216,281
Total liabilities	25,155	22,966
Non-controlling interests	93,826	94,782
Goodwill	18,405	

The financial performance and cash flows of Vietnam Investment Securities Company were as follows:

	From the acquisition date to 31 December 2019
Total revenue	770
Net profit	101
Net cash inflow	2,232

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26. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including limited partnerships and asset management products by acting as a manager or general partner during the year. Except for the structured entities the Group has consolidated as stated in note 26(a), in management's opinion, the Group's exposure to variable returns of these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2019 and 2018, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB5,939 million and RMB5,605 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB875 million and RMB855 million for the years ended 31 December 2019 and 2018, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statement of financial position approximate the maximum loss exposure for these unconsolidated structured entities.

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2019	2018
Share of net assets		
— Associates	1,183,891	1,294,133
— Joint ventures	1,274,671	1,333,516
Total	<u>2,458,562</u>	<u>2,627,649</u>

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27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

At the end of each reporting period, the Group had the following associates and joint ventures:

	Place of incorporation or primary business	Registered capital/ Capital commitment (Expressed in yuan)		Percentage of equity interests as at 31 December	
Name of associates and joint ventures			Principal activities	2019	2018
Associates:					
Anhui Panguhongye Equity Investment Centre LLP	Suzhou PRC	RMB30,300,000	Equity investment	33%	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Phase I Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	38%	38%
Xiamen Hongxin Electron-Tech Co., Ltd. ⁽²⁾	Xiamen PRC	RMB207,000,000	Flexible printed circuit board research and design	3%	5%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. ⁽²⁾	Shanghai PRC	RMB100,000,000	Investment management and equity investment	13%	13%
Huaan Funds Management Co., Ltd. ("Hua An Fund")	Shanghai PRC	RMB150,000,000	Fund management	20%	20%
Shenzhen United Property and Share Rights Exchange ⁽²⁾	Shenzhen PRC	RMB500,000,000	Provision of intermediary services and equity registration services for equity trading	10%	N/A
Joint ventures:					
Xiamen Junxin Equity Investment Company LLP ⁽²⁾	Xiamen PRC	RMB200,100,000	Equity investment and advisory	10%	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai PRC	RMB100,000,000	Industrial investment and Investment management	25%	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai PRC	RMB500,000,000	Industrial investment and Investment management	20%	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP ⁽¹⁾	Shanghai PRC	RMB1,000,200,000	Industrial investment and Investment management	55%	55%
Shanghai Junzheng Investment Management Co., Ltd. ⁽¹⁾	Shanghai PRC	RMB10,000,000	Investment management and advisory	51%	51%
Shanxi GTJA Chuangtou Equity Investment Company LLP	Shanghai PRC	RMB200,000,000	Investment management and advisory	30%	30%
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	25%	25%
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP	Shanghai PRC	RMB233,000,000	Investment management and advisory	28%	15%
Shanghai Juntong Jinglian Investment LLP ⁽¹⁾	Shanghai PRC	RMB701,000,000	Investment management and advisory	100%	100%
Juntong Phase II Fund	Shanghai PRC	RMB401,000,000	Investment management and advisory	50%	50%
Shanghai North Industries GTJA Investment Centre LLP ⁽²⁾	Shanghai PRC	RMB652,000,000	Investment management and advisory	16%	N/A

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27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

- (1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Year ended 31 December	
	2019	2018
Share of associates' profit for the year	<u>72,945</u>	<u>59,513</u>
Share of joint ventures' profit for the year	<u>101,068</u>	<u>68,032</u>
	Year ended 31 December	
	2019	2018
Share of associates' total comprehensive income for the year	<u>75,637</u>	<u>45,496</u>
Share of joint ventures' total comprehensive income for the year	<u>225,912</u>	<u>(864,735)</u>
	As at 31 December	
	2019	2018
Aggregate carrying amount of the Group's investments in associates	<u>1,183,891</u>	<u>1,294,133</u>
Aggregate carrying amount of the Group's investments in joint ventures	<u>1,274,671</u>	<u>1,333,516</u>

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28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2019	2018
Government bonds	10,979,202	5,658,610
Financial bonds	9,003,336	8,818,045
Corporate bonds	24,533,966	13,983,921
Other bonds	8,892,216	4,984,727
Total	<u>53,408,720</u>	<u>33,445,303</u>
Analyzed as:		
Listed outside Hong Kong	28,065,608	15,685,430
Unlisted	<u>25,343,112</u>	<u>17,759,873</u>
Total	<u>53,408,720</u>	<u>33,445,303</u>

Current

	As at 31 December	
	2019	2018
Government bonds	1,355,652	499,472
Financial bonds	337,463	235,834
Corporate bonds	3,313,903	2,457,635
Other bonds	1,851,090	2,528,437
Total	<u>6,858,108</u>	<u>5,721,378</u>
Analyzed as:		
Listed outside Hong Kong	4,303,152	1,908,243
Unlisted	<u>2,554,956</u>	<u>3,813,135</u>
Total	<u>6,858,108</u>	<u>5,721,378</u>

As at 31 December 2019, debt instruments at fair value through other comprehensive income of the Group included approximately RMB47,317,435 thousand of pledged, restricted or transferred assets.

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	151,826	238,621
Charge for the year	76,027	19,553
Reversal	(5,622)	(43,896)
Amounts written off	<u>(14,080)</u>	<u>(62,452)</u>
At the end of the year	<u>208,151</u>	<u>151,826</u>

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28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(continued)

(b) Analysis of the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>122,265</u>	<u>85,886</u>	<u>—</u>	<u>208,151</u>
As at 31 December 2018	<u>71,204</u>	<u>80,622</u>	<u>—</u>	<u>151,826</u>

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2019	2018
Contribution to designated accounts at		
China Securities Finance Corporation Limited ("CSFC investment") ^{(1) (2)}	13,011,129	12,393,180
Equity securities ⁽²⁾	<u>4,535,947</u>	<u>4,392,769</u>
Total	<u>17,547,076</u>	<u>16,785,949</u>
Analyzed as:		
Listed in Hong Kong	136,648	—
Listed outside Hong Kong	3,376,626	3,530,723
Unlisted	<u>14,033,802</u>	<u>13,255,226</u>
Total	<u>17,547,076</u>	<u>16,785,949</u>

(1) As at 31 December 2019, the equity instruments at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). CSFC manages the operations and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 31 December 2019, the fair value of the Company's contribution was RMB13,011 million, based on the investment account statement provided by CSFC.

(2) The Group has designated some investments, including CSFC investment and those held for strategic investment purposes or for securities lending, as equity instruments at fair value through other comprehensive income during the year ended 31 December 2019. The dividend income relating to equity instruments at fair value through other comprehensive income is disclosed in note 8.

During the year ended 31 December 2019, the Group disposed of some of the equity instruments at fair value through other comprehensive income in response to an adjustment in its investment strategy. The accumulated net realized losses and the dividend income of the equity instruments disposed of amounted to RMB332 million and RMB138 million, respectively.

(3) As at 31 December 2019, equity instruments at fair value through other comprehensive income of the Group included approximately RMB1,219,711 thousand of pledged, restricted or transferred shares.

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30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current

	As at 31 December	
	2019	2018
Equity securities	1,977,491	6,529,812
Less: Allowance for ECLs	(17,754)	(85,227)
Total	<u>1,959,737</u>	<u>6,444,585</u>

Current

	As at 31 December	
	2019	2018
Equity securities	31,763,998	33,666,689
Debt securities	22,668,973	21,632,169
Precious metals	191,701	917,372
Others	10,134	6,103
Less: Allowance for ECLs	(2,654,546)	(1,549,334)
Total	<u>51,980,260</u>	<u>54,672,999</u>

(b) Analyzed by market:

Non-current

	As at 31 December	
	2019	2018
Stock exchanges	1,977,491	6,529,812
Less: Allowance for ECLs	(17,754)	(85,227)
Total	<u>1,959,737</u>	<u>6,444,585</u>

Current

	As at 31 December	
	2019	2018
Stock exchanges	34,808,253	37,735,743
Interbank market	19,624,718	17,563,114
Over the counter	201,835	923,476
Less: Allowance for ECLs	(2,654,546)	(1,549,334)
Total	<u>51,980,260</u>	<u>54,672,999</u>

Section XI Financial Statements

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(c) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	1,634,561	965,141
Charge for the year	1,310,009	669,480
Reversal	(272,270)	(60)
At the end of the year	<u>2,672,300</u>	<u>1,634,561</u>

(d) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>129,378</u>	<u>295,877</u>	<u>2,247,045</u>	<u>2,672,300</u>
As at 31 December 2018	<u>270,983</u>	<u>426,543</u>	<u>937,035</u>	<u>1,634,561</u>

The carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB 47,465,925 thousand and RMB6,474,072 thousand respectively.

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing :

	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount	23,999,121	4,160,204	4,856,790	33,016,115
Allowance for ECLs	122,872	295,877	2,247,045	2,665,794
Fair value of collateral	<u>74,968,637</u>	<u>10,747,268</u>	<u>3,637,303</u>	<u>89,353,208</u>

	As at 31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount	33,324,240	4,932,130	1,721,100	39,977,470
Allowance for ECLs	270,981	426,543	937,035	1,634,559
Fair value of collateral	<u>75,637,393</u>	<u>6,701,352</u>	<u>1,080,751</u>	<u>83,419,496</u>

Section XI Financial Statements

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(f) Fair value of collateral:

	As at 31 December	
	2019	2018
Fair value	115,006,605	106,454,497
Including: Able to sell or pledge	502,051	1,092,954
Including: Sold or pledged	—	737,008

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2019	2018
At fair value through profit or loss:		
Funds	7,212,279	3,917,114
Equity securities	2,427,263	1,193,791
Asset-backed securities	2,100,845	1,371,180
Debt securities	1,356,921	477,175
Other investments ⁽¹⁾	336,383	405,283
Total	13,433,691	7,364,543

	As at 31 December	
	2019	2018
Analyzed as:		
Listed in Hong Kong	470,935	477,175
Listed outside Hong Kong	2,728,098	1,350,828
Unlisted	10,234,658	5,536,540
Total	13,433,691	7,364,543

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31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Current

	As at 31 December	
	2019	2018
At fair value through profit or loss:		
Debt securities	95,314,955	71,336,293
Funds	44,112,122	36,052,491
Equity securities	17,999,884	9,118,472
Wealth management products	6,078,196	4,742,829
Asset management schemes	5,009,153	4,490,705
Perpetual bonds	3,502,108	2,970,986
Asset-backed securities	1,289,836	1,410,829
Other investments ⁽¹⁾	2,282,247	194,932
Total	<u>175,588,501</u>	<u>130,317,537</u>
Analyzed as:		
Listed in Hong Kong	18,639,994	26,333,974
Listed outside Hong Kong	103,402,041	56,697,451
Unlisted	53,546,466	47,286,112
Total	<u>175,588,501</u>	<u>130,317,537</u>

(1) Other investments mainly represent investments in precious metals, etc.

(2) As at 31 December 2019, financial assets at fair value through profit or loss of the Group included approximately RMB55,866,500 thousand of pledged, restricted or transferred assets.

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32. REFUNDABLE DEPOSITS

	As at 31 December	
	2019	2018
Deposits with exchanges and other financial institutions:		
Futures deposits	10,204,363	6,542,669
Performance deposits	1,201,915	294,691
Trading deposits	1,082,727	422,757
Credit deposits	319,882	265,968
Other deposits	166,490	26,593
Total	<u>12,975,377</u>	<u>7,552,678</u>

33. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2019	2018
Deferred tax assets	1,251,032	1,289,051
Deferred tax liabilities	(13,762)	(43,015)
	<u>1,237,270</u>	<u>1,246,036</u>

The following are the major deferred tax assets and liabilities recognized and the movements thereon for the years ended 31 December 2019 and 2018:

Deferred tax arising from:	Allowance for ECLs/impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 1 January 2018	472,365	892,464	(679,426)	(452,321)	13,828	(14,448)	232,462
Recognized in profit or loss	276,432	(71,719)	4,740	9,334	(1,391)	116,839	334,235
Recognized in other comprehensive income	—	—	862,383	—	—	—	862,383
Transferred out	—	—	(138,850)	—	—	—	(138,850)
Disposal of a subsidiary	—	(21,558)	(12,973)	—	—	(9,663)	(44,194)
As at 31 December 2018	748,797	799,187	35,874	(442,987)	12,437	92,728	1,246,036
Impact of adopting IFRS 16	—	—	—	—	—	26,778	26,778
As at 1 January 2019	748,797	799,187	35,874	(442,987)	12,437	119,506	1,272,814
Recognized in profit or loss	454,540	212,779	(329,990)	9,334	45,365	(133,774)	258,254
Recognized in other comprehensive income	(13,364)	—	(165,807)	—	—	(31,085)	(210,256)
Transferred out	—	—	(82,980)	—	—	(562)	(83,542)
As at 31 December 2019	<u>1,189,973</u>	<u>1,011,966</u>	<u>(542,903)</u>	<u>(433,653)</u>	<u>57,802</u>	<u>(45,915)</u>	<u>1,237,270</u>

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

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34. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
Term loan	776,571	2,067,210
Advances relating to lawsuits	256,037	256,037
Deposit	69,346	68,777
Long-term deferred expenses	58,156	65,154
Prepayments	—	572,268
Others	859,913	568,826
Less: Allowance for ECLs	(865,184)	(666,235)
Total	<u>1,154,839</u>	<u>2,932,037</u>

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	666,235	706,228
Charge for the year	210,879	45,213
Reversal	(11,930)	—
Amounts written off	—	(85,206)
At the end of the year	<u>865,184</u>	<u>666,235</u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>—</u>	<u>25,489</u>	<u>839,695</u>	<u>865,184</u>
As at 31 December 2018	<u>155</u>	<u>—</u>	<u>666,080</u>	<u>666,235</u>

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35. ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
Accounts receivable from:		
— Brokers and dealers	2,125,007	2,650,217
— Fee and commission	932,281	829,801
— Settlement	314,738	76,491
— Fund management fee	83,092	63,584
— Cash and custodian clients	36,141	41,106
Less: Allowance for ECLs	(7,093)	(26,465)
Total	<u>3,484,166</u>	<u>3,634,734</u>

(a) Analyzed by aging:

	As at 31 December	
	2019	2018
Within 1 year	<u>3,484,166</u>	<u>3,634,734</u>

(b) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	26,465	41,720
Charge for the year	—	1,454
Reversal	(19,372)	(12,338)
Amounts written off	—	(4,371)
At the end of the year	<u>7,093</u>	<u>26,465</u>

(c) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>7,093</u>	<u>—</u>	<u>—</u>	<u>7,093</u>
As at 31 December 2018	<u>26,465</u>	<u>—</u>	<u>—</u>	<u>26,465</u>

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36. OTHER CURRENT ASSETS

	As at 31 December	
	2019	2018
Bulk commodity trading inventories	587,019	55,580
Term loans	562,070	925,095
Receivable from disposal of an associate	139,078	—
Prepayment for expenses	99,176	141,690
Deposit	76,569	173,755
Prepayments	44,956	116,826
Dividends receivable	24,068	171,985
Others	616,685	417,821
Less: Allowance for ECLs/impairment losses	(132,168)	(135,196)
Total	<u>2,017,453</u>	<u>1,867,556</u>

(a) Analysis of the movements of allowance for ECLs/impairment losses:

	Year ended 31 December	
	2019	2018
At the beginning of the year	135,196	67,693
Charge for the year	—	69,591
Reversal	(3,028)	(2,088)
At the end of the year	<u>132,168</u>	<u>135,196</u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>—</u>	<u>—</u>	<u>132,168</u>	<u>132,168</u>
As at 31 December 2018	<u>1,195</u>	<u>—</u>	<u>132,851</u>	<u>134,046</u>

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37. MARGIN ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
Individuals	55,160,769	42,404,756
Institutions	18,284,407	11,842,680
Less: Allowance for ECLs	(1,356,832)	(592,078)
Total	<u>72,088,344</u>	<u>53,655,358</u>

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	592,078	441,191
Charge for the year	777,089	237,145
Reversal	(12,335)	(2,532)
Amounts written off	—	(83,726)
At the end of the year	<u>1,356,832</u>	<u>592,078</u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>83,731</u>	<u>4,836</u>	<u>1,268,265</u>	<u>1,356,832</u>
As at 31 December 2018	<u>88,770</u>	<u>44,616</u>	<u>458,692</u>	<u>592,078</u>

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB71,577,263 thousand and RMB511,081 thousand respectively.

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 31 December	
	2019	2018
Fair value of collateral:		
— Stocks	228,668,761	140,380,877
— Cash	10,135,486	6,973,750
— Funds	2,405,770	1,843,195
— Bonds	206,371	34,417
Total	<u>241,416,388</u>	<u>149,232,239</u>

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38. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019			
	Nominal amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury futures	8,309,245	—	(20,147)
— Interest rate swap	1,037,310,494	10,024	(135,363)
— Interest rate options	594,000	408	(3,139)
— Others	6,319,305	50,345	(7,019)
Equity derivatives			
— Stock index futures	8,097,994	5,807	—
— Forward contracts	8,159,500	131,605	(120,853)
— Equity return swaps	6,546,765	120,986	(729,967)
— Stock options	29,727,888	93,584	(281,697)
Currency derivatives			
— Currency swaps	23,495,013	13,100	(23,004)
— Foreign exchange forward	8,698,694	71,236	(52,531)
— Foreign exchange options	208,053	7,609	(17,390)
— Others	1,364,569	5,611	—
Other derivatives			
— Precious metals futures	2,315,137	—	(59,235)
— Au (T+D)	273,636	1,058	—
— Commodity futures	2,606,484	—	(2,508)
— Gold options	18,571,491	1,803	(25,502)
— Commodity options	15,183,850	53,889	(47,541)
— Others	1,432,076	8,497	(4,307)
Less: Cash (received)/paid as settlement		(25,481)	171,394
Total		<u>550,081</u>	<u>(1,358,809)</u>

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38. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 31 December 2018			
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	14,295,844	—	(22,585)
— Interest rate swap	2,395,878,384	13,453	(152,191)
— Others	11,481,715	1,472	(15,222)
Equity derivatives			
— Stock index futures	5,338,156	119	(248,214)
— Forward contracts	275,148	398	(3,616)
— Equity return swaps	8,572,873	387,210	(29,993)
— Stock options	16,093,300	167,957	(124,768)
Currency derivatives			
— Currency swaps	6,385,222	17,943	(3,091)
— Foreign exchange forward	2,151,078	21,948	(12,573)
— Foreign exchange options	307,300	937	(945)
— Others	1,487,381	11,221	—
Other derivatives			
— Precious metals futures	940,033	571	(8,159)
— Au (T+D)	166,767	268	—
— Commodity futures	1,757,227	15,140	515
— Gold options	6,336,187	363	(4,251)
— Commodity options	3,415,921	42,500	(44,130)
— Others	596,271	45	(559)
Less: Cash (received)/paid as settlement		(33,187)	413,809
Total		<u>648,358</u>	<u>(255,973)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap and currency swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

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39. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2019	2018
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	4,248,348	2,869,960
— Others	211,804	136,876
Total	<u>4,460,152</u>	<u>3,006,836</u>

As at 31 December 2019 and 2018, the Group's clearing settlement funds of RMB193,157 thousand and RMB74,829 thousand, respectively, were restricted.

40. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

41. CASH AND BANK BALANCES

	As at 31 December	
	2019	2018
Cash on hand	513	434
Bank balances	25,252,316	20,348,449
Total	<u>25,252,829</u>	<u>20,348,883</u>

As at 31 December 2019 and 2018, the Group's bank balances of RMB706,908 thousand and RMB481,793 thousand, respectively, were restricted.

As at 31 December 2019, the ECL allowance for cash and bank balances amounted to RMB5,919 thousand (31 December 2018: RMB6,939 thousand).

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42. LOANS AND BORROWINGS

Current	As at 31 December	
	2019	2018
Unsecured loans and borrowings ⁽¹⁾	<u>10,312,724</u>	<u>8,279,422</u>
Total	<u><u>10,312,724</u></u>	<u><u>8,279,422</u></u>
Non-current	As at 31 December	
	2019	2018
Unsecured loans and borrowings ⁽²⁾	<u>1,490,000</u>	<u>—</u>
Total	<u><u>1,490,000</u></u>	<u><u>—</u></u>

(1) As at 31 December 2019 and 2018, the current unsecured loans and borrowings of the Group were repayable within one year and bore interest at rates ranging from 2.41% to 5.31% per annum and from 3.48% to 3.89% per annum, respectively.

(2) As at 31 December 2019, the non-current unsecured loans and borrowings of the Group were repayable in 2 years and bore interest at a rate of 4.09% per annum.

43. SHORT-TERM DEBT INSTRUMENTS

	Nominal	As at			As at
	interest rate	1 January	Increase	Decrease	31 December
		2019			2019
Short-term financing bills payable	2.57%-3.15%	3,019,418	21,122,439	(18,123,307)	6,018,550
Short-term corporate bonds	3.70%-4.25%	507,862	2,020,992	(521,276)	2,007,578
Medium-term notes	1.50%-3.70%	2,289,294	3,151,646	(2,307,121)	3,133,819
Structured notes	2.70%-5.00%	<u>1,228,850</u>	<u>13,209,915</u>	<u>(8,174,360)</u>	<u>6,264,405</u>
Total		<u><u>7,045,424</u></u>	<u><u>39,504,992</u></u>	<u><u>(29,126,064)</u></u>	<u><u>17,424,352</u></u>
	Nominal	As at			As at
	interest rate	1 January	Increase	Decrease	31 December
		2018			2018
Short-term financing bills payable	3.15%-4.99%	6,000,000	16,714,994	(19,695,576)	3,019,418
Short-term corporate bonds	4.25%-5.10%	1,999,950	604,882	(2,096,970)	507,862
Medium-term notes	0.90%-2.80%	3,756,035	2,516,094	(3,982,835)	2,289,294
Structured notes	2.80%-5.50%	<u>24,698,650</u>	<u>16,240,380</u>	<u>(39,710,180)</u>	<u>1,228,850</u>
Total		<u><u>36,454,635</u></u>	<u><u>36,076,350</u></u>	<u><u>(65,485,561)</u></u>	<u><u>7,045,424</u></u>

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44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Placements from banks ⁽¹⁾	5,469,923	9,006,422
Placements from CSFC ⁽²⁾	4,018,719	1,156,824
Total	<u>9,488,642</u>	<u>10,163,246</u>

(1) As at 31 December 2019 and 2018, placements from banks were repayable within one year, and bore interest at annual interest rates ranging from 1.85% to 2.95% and from 2.89% to 5.70%, respectively.

(2) As at 31 December 2019 and 2018, placements from CSFC were repayable within one year, and bore interest at annual interest rates ranging from 3.25% to 3.50% and from 4.80% to 5.10%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 31 December	
	2019	2018
Margin financing and securities lending deposits	12,305,984	11,159,295
Other brokerage business deposits	97,030,542	71,187,748
Total	<u>109,336,526</u>	<u>82,347,043</u>

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing and futures trading activities under the normal course of business. Only amounts in excess of the required deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not provide additional value in view of the nature of these businesses.

46. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2019	2018
Salaries, bonuses and allowances	5,382,418	4,665,499
Social welfare and others	278,175	295,002
Contributions to a defined contribution scheme	24,512	24,362
Total	<u>5,685,105</u>	<u>4,984,863</u>

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47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current	As at 31 December	
	2019	2018
Bonds	104,028,206	61,719,773
Precious metals	10,896,125	2,133,731
Funds	8,090,127	3,700,541
Margin accounts receivable-backed repurchase	3,002,838	3,004,500
Total	<u>126,017,296</u>	<u>70,558,545</u>

(b) Analyzed by market:

Current	As at 31 December	
	2019	2018
Interbank market	73,411,056	39,116,376
Stock exchanges	38,707,277	26,303,937
Over the counter	13,898,963	5,138,232
Total	<u>126,017,296</u>	<u>70,558,545</u>

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current	As at 31 December	
	2019	2018
At fair value through profit or loss ⁽¹⁾		
—Debt securities	5,668,354	3,705,281
—Gold	—	157,392
Designated as at fair value through profit or loss		
—Debt securities ⁽²⁾	32,049,360	24,420,488
—Interest attributable to other holders of consolidated structured entities ⁽³⁾	127,332	536,992
Total	<u>37,845,046</u>	<u>28,820,153</u>

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48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Non-current	As at 31 December	
	2019	2018
Designated as at fair value through profit or loss		
—Debt securities ⁽²⁾	5,891,494	3,926,408
—Interest attributable to other holders of consolidated structured entities ⁽³⁾	550,153	530,082
Total	<u>6,441,647</u>	<u>4,456,490</u>

(1) As at 31 December 2019 and 2018, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.

(2) As at 31 December 2019 and 2018, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 31 December 2019 and 2018, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

49. BONDS PAYABLE

Current	As at 31 December	
	2019	2018
Corporate bonds ⁽¹⁾	9,357,582	9,251,506
Subordinated bonds ⁽¹⁾	8,297,637	5,324,029
Medium-term notes	16,925	—
Structured notes	—	901,307
Total	<u>17,672,144</u>	<u>15,476,842</u>

Non-current	As at 31 December	
	2019	2018
Corporate bonds ⁽¹⁾	47,507,688	41,783,163
Subordinated bonds ⁽¹⁾	3,000,000	10,997,195
Medium-term notes	1,393,721	—
Total	<u>51,901,409</u>	<u>52,780,358</u>

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49. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 31 December 2019

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
Subordinated bonds				
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (ii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	1.00%
GTJA HOLD B2203 (iv)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (v)	1,993,335	2019.03	2022.03	0.757%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Subordinated bonds				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

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49. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

As at 31 December 2018

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
GUOTAI FH B1905 (vi)	3,059,553	2014.05	2019.05	3.625%
16 GUOJUN G1 (vii)	5,000,000	2016.04	2021.04	2.97%
Subordinated bonds				
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
17 Shanghai Securities C3	2,000,000	2017.11	2019.11	5.50%
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (ii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G3 (viii)	5,000,000	2016.08	2021.08	2.90%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
16 GUOJUN G5 (ix)	3,000,000	2016.09	2021.09	2.94%
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	0.50%
Subordinated bonds				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%

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49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

- (i) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.
- (ii) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.
- (iii) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bond bear a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

As at 31 December 2019, convertible corporate bonds with a principal amount of RMB287 thousand were converted into 14,359 ordinary A shares.

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49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

- (iv) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.
- (v) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.
- (vi) In May 2014, Guotai Junan Finance Holding Limited (BVI) issued 5-year credit enhancement bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5754 and bear a fixed annual interest rate of 3.625% payable on a semi-annual basis. In May 2019, the company redeemed all of the bonds.
- (vii) In April 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In April 2019, the Company redeemed all of the bonds.
- (viii) In August 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In August 2019, the Company redeemed all of the bonds.
- (ix) In September 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB3 billion. The bonds bear a fixed annual interest rate of 2.94% payable on an annual basis. At the end of the third year, the Company has the right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In September 2019, the Company redeemed all of the bonds.

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50. OTHER CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Accounts payable arising from derivative brokerage	5,132,673	7,369,304
Settlement payables to clearing house and customers	2,849,011	2,073,732
Accounts payable to brokers	1,439,982	1,249,908
Payables to priority tranche holders of structured entities	1,259,103	2,101,399
Other tax payable	859,486	401,206
Dividends payable	614,009	622,889
Proceeds from underwriting securities received on behalf of customers	499,566	813,270
Underwriting fee payable in relation to the listing of A shares and H shares	238,169	261,054
Advance received from customers	153,021	26,708
Payable for construction projects	136,189	145,647
Advance received from issuance of financial products	88,776	128,757
Payables for the securities investor protection fund	60,679	45,438
Commission payable to other distributors	56,611	57,928
Gold borrowing expenses payable	30,451	4,335
Interest payable	14,200	25,317
Dividend received on behalf of customers	10,899	34,019
Others	786,363	749,446
Total	<u>14,229,188</u>	<u>16,110,357</u>

51. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Risk reserve for the futures brokerage business	143,123	130,297
Provisions	82,114	85,555
Total	<u>225,237</u>	<u>215,852</u>

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52. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The number of shares issued by the Company and their nominal value are as follows:

	As at 31 December	
	2019	2018
At beginning of the year	8,713,941	8,713,934
The conversion of convertible bonds into ordinary shares	7	7
Issuance of shares ⁽¹⁾	194,000	—
At the end of the year	8,907,948	8,713,941

(1) In April 2019, The Company placed 194,000,000 new H Shares at a price of HKD16.34 per H Share.

53. OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2019	2018
Perpetual subordinated bonds ⁽¹⁾	15,000,000	10,000,000
Equity component of convertible bonds ⁽²⁾	1,129,799	1,129,819
Total	16,129,799	11,129,819

(1) As approved by the CSRC, the Company issued three batches of perpetual subordinated bonds ("15 Guojun Y1", "15 Guojun Y2" and "19 Guojun Y1") amounting to RMB5 billion, RMB5 billion and RMB5 billion with an initial interest rate of 6.00%, 5.80% and 4.20% on 22 January 2015, 3 April 2015 and 23 September 2019, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards. On 10 December 2019, the Company announced that it would exercise the issuer's redemption option and consequently redeemed 15 Guojun Y1 on 22 January 2020. On 21 February 2020, the Company announced that it would exercise the issuer's redemption option with plans to redeem 15 Guojun Y2 on 3 April 2020.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

As at 31 December 2019 and 2018, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB590 million and RMB590 million (note 19), respectively.

(2) Refer to note 49 for the issuance of convertible bonds.

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54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

Section XI Financial Statements

54. RESERVES AND RETAINED PROFITS *(continued)*

(6) Retained profits

The movements in retained profits are set out below:

	Year ended 31 December	
	2019	2018
At the end of last year	38,070,373	38,347,216
Impact of adopting IFRS 16/IFRS 9	(56,806)	(314,011)
At beginning of the year	38,013,567	38,033,205
Profit for the year	8,637,037	6,708,116
Appropriation to surplus reserve	—	(668,361)
Appropriation to general reserve	(2,025,614)	(1,510,464)
Dividends	(2,449,685)	(3,485,576)
Distribution to other equity instrument holders	(590,000)	(590,000)
Others	(249,338)	(416,547)
At end of the year	41,335,967	38,070,373

55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash on hand	513	434
Bank balances	25,252,316	20,348,449
Clearing settlement funds	4,460,152	3,006,836
Financial assets held under resale agreements with original maturity of less than three months	20,125,334	21,550,747
Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	(4,067,255)	(6,959,215)
Total	45,771,060	37,947,251

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55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

	Loans and borrowings	Short-term debt instruments	Bonds payable	Lease liabilities
At 1 January 2018	11,520,278	36,454,635	68,312,091	—
Changes from financing cash flows	(3,496,937)	(29,753,903)	(3,781,512)	—
Non-cash changes	256,081	344,692	3,726,621	—
As 31 December 2018	8,279,422	7,045,424	68,257,200	—
Effect of adoption of IFRS 16	—	—	—	2,565,287
At 1 January 2019	8,279,422	7,045,424	68,257,200	2,565,287
Changes from financing cash flows	3,209,029	9,938,341	(1,811,060)	(638,762)
Interest expense	314,273	440,587	3,127,553	101,686
New leases	—	—	—	419,959
Other non-cash changes	—	—	(140)	(84,333)
At 31 December 2019	11,802,724	17,424,352	69,573,553	2,363,837

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December 2019
Within operating activities	281,542
Within financing activities	638,762

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56. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) Asset-backed securities management schemes

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

Section XI Financial Statements

56. TRANSFERRED FINANCIAL ASSETS (continued)

(4) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

			Asset-backed securities management schemes	Margin financing borrowing
31 December 2019	Repurchase agreements	Securities lending		
Carrying amount of transferred assets	<u>7,566,316</u>	<u>1,501,038</u>	<u>—</u>	<u>1,637,179</u>
Carrying amount of related liabilities	<u>7,282,761</u>	<u>N/A</u>	<u>—</u>	<u>N/A</u>
31 December 2018	Repurchase agreements	Securities lending	Asset-backed securities management schemes	Margin financing borrowing
Carrying amount of transferred assets	<u>6,640,057</u>	<u>528,340</u>	<u>505,378</u>	<u>406,985</u>
Carrying amount of related liabilities	<u>6,350,792</u>	<u>N/A</u>	<u>475,000</u>	<u>N/A</u>

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57. COMMITMENTS

(1) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2018
Within 1 year (inclusive)	798,004
1 to 2 years (inclusive)	612,356
2 to 3 years (inclusive)	506,187
After 3 years	<u>1,706,590</u>
Total	<u><u>3,623,137</u></u>

- (2) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are not significant.

58. CONTINGENCIES

As at 31 December 2019 and 2018, the contingent liabilities due to pending litigations amounted to RMB274,702 thousand and RMB142,716 thousand, respectively.

59. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2019, the total equity-settled share-based compensation expense of RMB57,440 thousand was recognized in profit or loss (2018: RMB65,512 thousand).

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholdings of 5% or above in the Company.

Share percentage in the Company:

	As at 31 December	
	2019	2018
Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai SA")	21.34%	21.82%
Shanghai International Group Co., Ltd. ("SIG")	7.66%	7.83%
Shenzhen Investment Holding Co., Ltd. ("SIHC")	6.84%	6.99%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in note 25.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in note 27.

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(4) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. ("Zhengtong")	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	The director of the Company acts as a director of the entity
Great Wall Securities Co., Ltd. ("GW Securities")	The supervisor of the Company acts as the vice chairman of the entity
Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy")	The supervisor of the Company acts as the senior management of the entity
Guotai Junan Leasing (Shanghai) Co., Ltd. ("Guotai Junan Leasing")	The Shanghai SA holds more than 30% equity interests of the entity's parent company
Galaxy Asset Management Co., Ltd. ("Galaxy AMC")	The director of the Company acted as a director of the entity
Guosen Securities Co., Ltd. ("Guosen Securities")	The demission director of the Company acted as a director of the entity
China Minsheng Investment Group ("CMIG")	The director of the Company acted as the senior management of the entity
China Minsheng Financial Holding Co., Ltd. ("CM Financial")	The director of the Company acted as the chairman of the entity
Shenzhen Special Economic Zone Construction and Development Co., Ltd. ("SSEZ")	The demission director of the Company acts as a director and senior management of the entity
Shanghai International Trust Co., Ltd. ("Shanghai Trust")	The entity acted as the trustee of a trust of which Shanghai SA is a beneficiary
Shanghai International Group Asset Management Co., Ltd. ("SIG AM")	The entity is under the control of SIG
Yangtze River Economic United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Bright Food (Group) Co., Ltd. ("Bright Food")	The director of the Company acts as a director of the entity
SPDB Financial Leasing Co., Ltd. ("SPDB Financial Leasing")	The senior management of The Shanghai SA acts as a director of the entity
Shanghai Guoxin Investment Development Co., Ltd. ("GXID")	The entity is under the control of Shanghai SA
Shanghai SITICO Assets Management Co., Ltd. ("SITICO AM")	The entity is under the control of Shanghai SIG
FAW Group Co., Ltd. ("FAW")	The demission supervisor of the Company acted as the senior management of the entity

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2019	2018
Shanghai SA	Securities brokerage	499	1,102
SIG	Securities brokerage	901	—
Shenzhen Energy	Securities brokerage	—	1,597
Shanghai Trust	Securities brokerage	313	N/A
Hua An Fund	Trading seats lending	43,211	32,788
Galaxy AMC	Trading seats lending	2,591	2,174
SPD Bank	Underwriting	34,687	264
Bright Food	Underwriting	283	5,825
CMIG	Underwriting	708	3,538
SSEZ	Underwriting	—	1,208
SPDB Financial Leasing	Underwriting	—	2,208
SIG	Underwriting	1,563	—
Shanghai SA	Underwriting	2,792	—
SPD Bank	Asset management	17,085	25,885
YUDC	Asset management	468	597
Shanghai SA	Asset management	228	461
SRCB	Asset management	557	390
Shanghai Trust	Asset management	612	N/A
CM Financial	Financial advisory	—	581
SIHC	Financial advisory	—	377
SRCB	Financial advisory	830	—

(2) Fee and commission expense to related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2019	2018
SPD Bank	Third-party funds depository business	876	820
Zhengtong	Third-party funds depository business	600	600

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(3) Interest received from related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2019	2018
SPD Bank	Financial assets held under resale agreements	1,718	12,981
GW Securities	Financial assets held under resale agreements	83	461
Guosen Securities	Financial assets held under resale agreements	103	949
SPD Bank	Deposit in financial institutions	263,667	135,843

(4) Interest paid to related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2019	2018
SRCB	Financial assets sold under repurchase agreements	5,260	9,264
SPD Bank	Financial assets sold under repurchase agreements	3,546	759
Shanghai Trust	Accounts payable to brokerage customers	564	—
SIG	Accounts payable to brokerage customers	372	32
FAW	Accounts payable to brokerage customers	—	373
SRCB	Gold borrowing	308	—
SPD Bank	Placements from other financial institutions	5,905	148
SPD Bank	Bonds	19,216	15,682
Guosen Securities	Bonds	916	1,570
SIG	Loans and borrowings	6,933	—
SITICO AM	Loans and borrowings	14,751	—

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

- (5) Operating expenses and costs paid to related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2019	2018
SPD Bank	Sales of financial products	11,184	3,360

- (6) Related party transactions with Shanghai International Group Co., Ltd. constitute continuing connected transactions as defined by the Hong Kong Listing Rules. For the year ended 31 December 2019, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with Shanghai International Group Co., Ltd. and its associates are as follows:

Description of transaction	Year ended 31 December 2019	
	Caps RMB in million	Actual amount RMB in million
Securities and financial products		
Inflow		
Products with fixed income features	4,306.60	2,848.70
Other products and financing transactions	29.10	24.20
Outflow		
Products with fixed income features	6,523.90	2,525.20
Other products and financing transactions	24.90	—
Financial services		
Revenue generated	187.78	8.72
Fees paid	58.94	0.74

(c) Balances of related party transactions between the Group and its related parties

- (1) Deposits with related parties

Name of related parties	As at 31 December	
	2019	2018
SPD Bank	11,228,264	6,137,599
SRCB	9	2,402

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(2) Accounts receivable

		As at 31 December	
Name of related parties	Description of transactions	2019	2018
Hua An Fund	Trading seats lending	20,062	14,598
Galaxy AMC	Trading seats lending	1,097	306
SPD Bank	Management fee and Remuneration	10,644	10,691
SRCB	Management fee and Remuneration	777	220
GXID	Management fee and Remuneration	534	294
CM Financial	Management fee and Remuneration	N/A	2,107

(3) Financial assets held under resale agreements

		As at 31 December	
Name of related parties		2019	2018
SPD Bank		800,480	—
Guosen Securities		N/A	100,173

(4) Accounts payable

		As at 31 December	
Name of related party	Description of transactions	2019	2018
SPD Bank	Sales of financial products	6,716	2,202
SPD Bank	Third-party funds depository business	298	413

(5) Financial assets sold under repurchase agreements

		As at 31 December	
Name of related party		2019	2018
SPD Bank		1,000,556	—

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(6) Bonds payable to related parties

Name of related parties	As at 31 December	
	2019	2018
SPD Bank	1,019,216	—
Guosen Securities	N/A	50,606

(7) Loans and borrowings with related parties

Name of related parties	As at 31 December	
	2019	2018
SITICO AM	1,014,689	—
SIG	476,933	—

(8) Related parties' funds, asset management plans and trusts held by the Group

Name of related party	As at 31 December	
	2019	2018
Hua An Fund	30,000	30,000

(9) The Group's assets management plans or funds held by related parties

Name of related parties	As at 31 December	
	2019	2018
SIG AM	826	803
Shanghai SA	—	206,022
Guotai Junan Leasing	—	2,046

Section XI Financial Statements

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 17, is as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits	9,979	9,656
Pension scheme contributions and other social welfare	725	931
Discretionary bonuses	12,322	15,781
Total	<u>23,026</u>	<u>26,368</u>

Further details of directors' and supervisors' emoluments are included in note 17.

61. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

- (1) The institutional finance-Institutional investor services segment, which primarily includes institution brokerage, stock-pledged financing and securities repurchase and research services to institutional investors, as well as investment trading in equities, derivative financial instruments and FICC;
- (2) The institutional finance-Investment banking segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients;
- (3) The personal finance segment, which primarily includes securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services to individual clients through both online and offline channels;
- (4) The investment management segment, which primarily includes asset management and fund management services to institutions and individuals and also includes alternative investment business;
- (5) The international business segment, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, loans and financing services, financial products, market-making and investment businesses; and
- (6) The other segment, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

Section XI Financial Statements

61. SEGMENT REPORTING (continued)

(a) Operating segments

	Year ended 31 December 2019						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,294,988	2,060,367	5,947,643	1,598,643	1,223,150	—	12,124,791
Interest income	5,478,349	—	5,995,642	47,900	1,108,276	38	12,630,205
Net investment gains	5,900,347	—	—	534,569	1,661,694	—	8,096,610
Other income and gains	4,746,849	—	33,337	788,215	(64,197)	693,835	6,198,039
Total revenue and other income	17,420,533	2,060,367	11,976,622	2,969,327	3,928,923	693,873	39,049,645
Segment expenses	(12,181,361)	(1,043,400)	(9,545,636)	(1,003,185)	(3,079,154)	(926,303)	(27,779,039)
Including: Interest expenses	(3,677,310)	—	(2,656,014)	(56,787)	(969,274)	(44,065)	(7,403,450)
Provision for impairment losses	—	—	1,150	(22,052)	—	—	(20,902)
Credit loss expense	(1,184,305)	—	15,569	(43,335)	(837,506)	—	(2,049,577)
Segment operating profit	5,239,172	1,016,967	2,430,986	1,966,142	849,769	(232,430)	11,270,606
Share of profits of associates and joint ventures	—	—	—	174,013	—	—	174,013
Segment profit before income tax	5,239,172	1,016,967	2,430,986	2,140,155	849,769	(232,430)	11,444,619
Income tax expense							2,393,263
Segment profit for the year							9,051,356
As at 31 December 2019							
Segment total assets	243,730,534	861,681	189,995,465	23,802,426	94,575,489	6,348,683	559,314,278
Segment total liabilities	191,426,298	989,215	131,765,639	5,456,194	82,778,592	804,517	413,220,455
Year ended 31 December 2019							
Other segment information:							
Depreciation and amortization expenses	202,427	170,393	631,595	67,786	90,700	128,669	1,291,570
Capital expenditure	170,665	103,968	196,646	18,912	68,284	1,224,233	1,782,708

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61. SEGMENT REPORTING (continued)

(a) Operating segments (continued)

Year ended 31 December 2018							
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,180,096	1,677,959	4,530,292	1,466,566	939,273	—	9,794,186
Interest income	5,626,609	—	6,038,115	10,330	1,166,897	38	12,841,989
Net investment gains	4,208,178	—	—	350,867	514,039	—	5,073,084
Gain on disposal of a subsidiary	—	—	—	648,287	—	—	648,287
Other income and gains	2,196,153	—	15,775	33,368	(131,976)	758,519	2,871,839
Total revenue and other income	13,211,036	1,677,959	10,584,182	2,509,418	2,488,233	758,557	31,229,385
Segment expenses	(7,660,189)	(1,096,109)	(9,327,001)	(1,146,777)	(1,899,804)	(958,708)	(22,088,588)
Including: Interest expenses	(3,406,679)	—	(2,841,436)	(47,519)	(713,495)	(756)	(7,009,885)
Provision for impairment losses	—	—	(1,150)	—	—	—	(1,150)
Credit loss expense	(679,052)	—	(69,475)	(11,143)	(216,823)	—	(976,493)
Segment operating profit	5,550,847	581,850	1,257,181	1,362,641	588,429	(200,151)	9,140,797
Share of profits of associates and joint ventures	—	—	—	127,545	—	—	127,545
Segment profit before income tax	5,550,847	581,850	1,257,181	1,490,186	588,429	(200,151)	9,268,342
Income tax expense							(2,198,304)
Segment profit for the year							7,070,038
As at 31 December 2018							
Segment total assets	205,571,719	1,168,074	130,469,082	18,538,279	78,037,585	2,944,341	436,729,080
Segment total liabilities	130,398,012	867,976	97,692,222	3,673,350	69,020,249	1,403,879	303,055,688
Year ended 31 December 2018							
Other segment information:							
Depreciation and amortization expenses	123,524	52,211	250,409	18,460	65,028	64,647	574,279
Capital expenditure	194,304	119,870	160,581	19,936	79,273	344,385	918,349

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61. SEGMENT REPORTING *(continued)*

(b) Geographical segments

Revenue	Year ended 31 December	
	2019	2018
Mainland, China	28,858,486	25,089,050
Hong Kong, China	3,993,120	2,620,209
Total	32,851,606	27,709,259

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2019 and 2018.

62. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

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62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: compliance, completeness, independence, segregation of duties, prudence, effectiveness, timeliness, Chinese wall and a combination of qualitative and quantitative analyses.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

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62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Structure of risk management *(continued)*

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behaviors.

Organizational structure of risk management

The Group has established a four-level risk management system, which consists of the Board of Directors as the core, top management level, dedicated risk supervision departments, and relevant functional and business departments. The dedicated risk supervision departments comprise the First Risk Management Department, the Internal Audit Department, the Compliance Department, the Legal Department and the Second Risk Management Department.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is the risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

In order to manage the credit risk arising from the brokerage business, securities and futures brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Credit risk arises from the margin financing and securities lending business and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full in a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, and the involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on the periodic assessment of customers' ability to repay. The Credit and Risk Management Department monitors the status of margin deposits and stock-pledged financing, and makes margin calls when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. When determining the expected credit loss of the margin financing and securities lending business, securities repurchase and stock-pledged financing, the Group estimates the probability of default based on practical experience and historical data, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. When determining the expected credit loss on bond investments, the Group estimates the probability of default based on the mapping relationship of rating, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

For trade receivables, the Group applies a simplified approach in calculating ECLs based on the historical credit loss experience, adjusted for related information specific to the debtors and the economic environment, etc.

For other financial assets where the simplified approach was not adopted, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under the requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When debt financial assets are first recognized, the Group recognizes an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered to be a (partial) derecognition of the financial asset.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

For financial assets held under resale agreements and margin accounts receivable, the allowance for ECLs may significantly fluctuated due to the decline in fair value of collaterals caused by stock market volatility, which may not fully cover the receivables. The Group considers multiple factors to determine the allowance for ECLs, such as the credit situation, repayment ability of the debtor, the credit enhancement measures of the third party, the liquidity and disposal cycle of collaterals.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Criteria of significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analyses based on historical data, internal and external credit risk ranking, and forward-looking information. The Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition, on either an individual basis or a collective basis for the underlying portfolio of financial instruments with similar credit risk characteristics, to determine the change in the risk of a default occurring over the expected life of the financial instrument.

Relevant considerations in assessing whether the credit risk on the financial instrument has increased significantly include: whether the probability of default has increased significantly at the reporting date since initial recognition, whether the borrower's operating and financial condition has significant and adverse changes, whether the maintenance margin ratio has under a force liquidation level, whether the latest rating has under investment grade. Generally, the credit risk on a financial instrument is considered to have increased significantly when the contractual payment is more than or equal to 30 days past due regardless of the way in which the Group assesses significant increases in credit risk unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Definition of credit-impaired financial asset

Credit impairment may be due to the combined effect of several events rather than a single discrete event. To determine whether a financial asset is credit-impaired, the Group considers one or more of the following both quantitative and qualitative indicators:

- The borrower is more than 90 days past due on its contractual payments;
- The collateral valuation falls short of the related loan amounts;
- The latest ratings are in default grade;
- Significant financial difficulty of the issuer or the borrower;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Other circumstances that shows financial assets is credit-impaired.

For Stock-pledged financing, based on the borrowers' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, restrictions, concentration, volatility, maintenance margin ratio, issuers' operation condition and related information, the Group sets differentiated collateral to loan ratios (generally no less than 130%) as force liquidation thresholds against different exposures related to these transactions.

- Stock-pledged financing with maintenance margin ratio above the force liquidation thresholds, past due for no more than 30 days are classified under Stage 1;
- Stock-pledged financing with maintenance margin ratio above 100% while fall below the force liquidation thresholds, past due for more than 30 days but less than 90 days are classified under Stage 2;
- Stock-pledged financing with maintenance margin ratio fall below 100%, past due for more than 90 days are classified under Stage 3

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Key parameters for expected credit losses

Depending on whether the credit risk is significantly increased or credit-impaired, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month or lifetime expected credit losses. The key parameters for measuring expected credit losses include the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group considers the quantitative analysis of historical data (such as the credit rating of counter parties, ways of guarantee, the category of collateral, and ways of repayment, etc.) and forward-looking information, to establish a model of PD, LGD, and EAD.

Methods that is used in the calculation of expected credit losses

The Group considers PD/LGD impact on measuring expected credit losses:

- PD is an estimate of the likelihood that a borrower will be unable to meet its debt obligations over the future 12 months or the whole remaining lifetime. The Group estimates PD based on the historical default data, internal and external credit ratings and forward-looking information, etc.
- LGD is the estimated share of the exposure at default that is lost when a borrower defaults. LGD varies depending on the category of counterparties, ways and priority of recourse, and the category of collateral. LGD is the percentage of loss when default occurs;
- EAD is an estimation of the extent to which the Group may be exposed to a counterparty in the event of the counterparty's default in the future 12 months or the whole remaining lifetime;
- Forward-looking information, both the assessment of a significant increase in credit risk and calculation of expected credit losses include forward-looking information. The Group identifies the key economic factors affecting credit risk and the expected credit losses of different kinds of business based on historical data analysis. The Group forecasts economic factors periodically and applies expert judgments to determine the impact of forward-looking information on PD, etc.

For Stock-pledged financing, the Group periodically make assessment on the borrowers' credit risk based on available internal and external information, such as: historical default data, maintenance margin ratio, the liquidity, etc. Loss ratio (considers PD& LGD) applied by the Group under the 3 stages as at 31 December 2019 were as follows:

Stage 1: 0.2% to 1.9% according to different maintenance margin ratios;

Stage 2: 5% to 10% according to different maintenance margin ratios;

Stage 3: Evaluate and determine the allowance for ECLs after considering the recoverable amount of each contract based on multiple factors, including qualitative and quantitative indicators such as the value of collaterals, maintenance margin ratio, the credit quality and repayment ability of the borrower, other collaterals conditions, the credit enhancement measures of the third party.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Methods that is used in the calculation of expected credit losses *(continued)*

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

	As at 31 December	
	2019	2018
Debt instruments at fair value through other comprehensive income	60,266,828	39,166,681
Financial assets held under resale agreements	53,939,997	61,117,584
Financial assets at fair value through profit or loss	96,671,876	71,813,468
Refundable deposits	12,975,377	7,552,678
Other non-current assets	1,056,555	2,294,615
Accounts receivable	3,484,166	3,634,734
Other current assets	1,176,829	1,400,009
Margin accounts receivable	72,088,344	53,655,358
Derivative financial assets	203,906	92,792
Clearing settlement funds	4,460,152	3,006,836
Cash held on behalf of brokerage customers	102,533,823	77,492,497
Bank balances	25,252,316	20,348,449
Total maximum credit risk exposure	<u>434,110,169</u>	<u>341,575,701</u>

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the assets liability ratio, the debt to net assets ratio, the proprietary equity investment ratio, the net capital ratio, etc. according to “Administrative Measures for Risk Control Indicators of Securities Companies”. Meanwhile, the Company strictly adheres to the requirements as per “Guidance for Liquidity Risk Management of Securities Companies” and sets up a framework of the liquidity risk management which features with the liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling the scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facilities, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB8,300 million and RMB8,300 million as at 31 December 2019 and 2018, respectively, in case of any temporary position shortage.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

Temporary liquidity replenishment mechanism (continued)

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

31 December 2019	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	—	8,310,762	843,049	1,246,612	1,530,123	—	11,930,546
Short-term debt instruments	—	457,444	11,408,036	5,748,023	—	—	17,613,503
Placements from other financial institutions	—	4,703,858	515,483	4,357,744	—	—	9,577,085
Accounts payable to brokerage customers	109,336,526	—	—	—	—	—	109,336,526
Financial assets sold under repurchase agreements	—	108,754,653	6,993,944	10,511,657	—	—	126,260,254
Financial liabilities at fair value through profit or loss	25,102,011	2,546,054	5,764,993	5,428,674	6,428,632	157,961	45,428,325
Derivative financial liabilities	—	70,559	306,383	307,800	13,188	660,879	1,358,809
Bonds payable	—	58,330	5,598,724	13,316,244	54,706,283	—	73,679,581
Lease liabilities	—	67,462	121,730	495,478	1,412,021	535,707	2,632,398
Other current liabilities	—	10,231,835	595,210	2,181,122	—	—	13,008,167
Total financial liabilities	<u>134,438,537</u>	<u>135,200,957</u>	<u>32,147,552</u>	<u>43,593,354</u>	<u>64,090,247</u>	<u>1,354,547</u>	<u>410,825,194</u>
31 December 2018	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	—	8,300,741	—	—	—	—	8,300,741
Short-term debt instruments	—	3,707,157	1,727,785	1,714,662	—	—	7,149,604
Placements from other financial institutions	—	9,615,739	51,272	512,715	—	—	10,179,726
Accounts payable to brokerage customers	82,347,043	—	—	—	—	—	82,347,043
Financial assets sold under repurchase agreements	—	62,866,215	6,618,450	1,386,087	—	—	70,870,752
Financial liabilities at fair value through profit or loss	15,069,836	1,919,350	3,038,114	9,307,527	4,193,614	262,876	33,791,317
Derivative financial liabilities	704	59,274	41,477	154,518	—	—	255,973
Bonds payable	—	—	451,450	16,569,272	56,877,290	—	73,898,012
Other current liabilities	—	12,887,770	107,423	2,536,700	—	—	15,531,893
Total financial liabilities	<u>97,417,583</u>	<u>99,356,246</u>	<u>12,035,971</u>	<u>32,181,481</u>	<u>61,070,904</u>	<u>262,876</u>	<u>302,325,061</u>

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62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in the stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. Market risk is controlled within the predetermined range set by management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to financial instruments that are interest-bearing.

Section XI Financial Statements

62. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing dates or maturity dates, and are stated at their carrying amounts.

31 December 2019	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	1,444,317	799,519	4,870,020	41,629,957	11,523,015	—	60,266,828
Equity Instruments at fair value through other comprehensive income	—	—	—	—	—	17,547,076	17,547,076
Financial assets held under resale agreements	28,777,176	2,011,032	21,192,052	1,959,737	—	—	53,939,997
Financial assets at fair value through profit or loss	3,050,929	3,483,442	60,252,341	24,576,665	5,308,499	92,350,316	189,022,192
Refundable deposits	2,129,299	—	—	—	—	10,846,078	12,975,377
Other non-current assets	—	—	—	776,571	—	279,984	1,056,555
Accounts receivable	2,125,101	—	—	—	—	1,359,065	3,484,166
Other current assets	254,286	—	245,362	—	—	677,181	1,176,829
Margin accounts receivable	14,219,237	14,169,824	43,699,283	—	—	—	72,088,344
Derivative financial assets	—	6,322	42,807	—	—	500,952	550,081
Clearing settlement funds	4,460,152	—	—	—	—	—	4,460,152
Cash held on behalf of brokerage customers	82,491,637	6,532,186	13,510,000	—	—	—	102,533,823
Cash and bank balances	18,445,300	332,680	6,474,336	—	—	513	25,252,829
Total	<u>157,397,434</u>	<u>27,335,005</u>	<u>150,286,201</u>	<u>68,942,930</u>	<u>16,831,514</u>	<u>123,561,165</u>	<u>544,354,249</u>
Financial liabilities							
Loans and borrowings	8,303,069	837,144	1,170,889	1,491,622	—	—	11,802,724
Short-term debt instruments	448,837	11,336,749	5,638,766	—	—	—	17,424,352
Placements from other financial institutions	4,701,637	506,756	4,280,249	—	—	—	9,488,642
Accounts payable to brokerage customers	93,428,782	—	—	—	—	15,907,744	109,336,526
Financial assets sold under repurchase agreements	108,729,100	6,940,592	10,347,604	—	—	—	126,017,296
Financial liabilities at fair value through profit or loss	6,744,507	10,679,777	20,293,431	5,891,494	—	677,484	44,286,693
Derivative financial liabilities	809	246	54,963	—	—	1,302,791	1,358,809
Bonds payable	—	7,187,225	11,613,915	50,772,413	—	—	69,573,553
Lease liabilities	57,251	103,034	478,097	1,246,655	478,800	—	2,363,837
Other current liabilities	—	—	1,217,007	—	—	11,737,811	12,954,818
Total	<u>222,413,992</u>	<u>37,591,523</u>	<u>55,094,921</u>	<u>59,402,184</u>	<u>478,800</u>	<u>29,625,830</u>	<u>404,607,250</u>
Interest rate sensitivity exposure	<u>(65,016,558)</u>	<u>(10,256,518)</u>	<u>95,191,280</u>	<u>9,540,746</u>	<u>16,352,714</u>	<u>93,935,335</u>	<u>139,746,999</u>

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62. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

31 December 2018	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	846,536	495,583	3,733,232	24,608,592	9,482,738	—	39,166,681
Equity Instruments at fair value through other comprehensive income	—	—	—	—	—	16,785,949	16,785,949
Financial assets held under resale agreements	27,444,320	5,448,958	21,779,721	6,444,585	—	—	61,117,584
Financial assets at fair value through profit or loss	1,576,265	5,397,341	38,622,114	20,204,091	6,013,657	65,868,612	137,682,080
Refundable deposits	1,700,981	—	—	—	—	5,851,697	7,552,678
Other non-current assets	—	—	—	2,067,057	—	227,558	2,294,615
Accounts receivable	2,660,529	—	—	—	—	974,205	3,634,734
Other current assets	186,333	604,716	—	—	—	608,960	1,400,009
Margin accounts receivable	14,397,450	10,293,514	28,964,394	—	—	—	53,655,358
Derivative financial assets	4,866	8,279	1,780	—	—	633,433	648,358
Clearing settlement funds	3,006,836	—	—	—	—	—	3,006,836
Cash held on behalf of brokerage customers	63,867,571	6,738,713	6,886,213	—	—	—	77,492,497
Cash and bank balances	16,176,188	2,462,262	1,709,999	—	—	434	20,348,883
Total	<u>131,867,875</u>	<u>31,449,366</u>	<u>101,697,453</u>	<u>53,324,325</u>	<u>15,496,395</u>	<u>90,950,848</u>	<u>424,786,262</u>
Financial liabilities							
Loans and borrowings	8,279,422	—	—	—	—	—	8,279,422
Short-term debt instruments	3,671,827	1,685,344	1,688,253	—	—	—	7,045,424
Placements from other financial institutions	9,612,311	50,871	500,064	—	—	—	10,163,246
Accounts payable to brokerage customers	72,778,192	—	—	—	—	9,568,851	82,347,043
Financial assets sold under repurchase agreements	62,848,090	6,344,411	1,366,044	—	—	—	70,558,545
Financial liabilities at fair value through profit or loss	4,544,018	5,873,933	17,707,818	3,926,408	—	1,224,466	33,276,643
Derivative financial liabilities	4,896	1,095	26,010	—	—	223,972	255,973
Bonds payable	—	—	14,475,001	53,782,199	—	—	68,257,200
Other current liabilities	—	—	1,620,116	—	—	13,838,307	15,458,423
Total	<u>161,738,756</u>	<u>13,955,654</u>	<u>37,383,306</u>	<u>57,708,607</u>	<u>—</u>	<u>24,855,596</u>	<u>295,641,919</u>
Interest rate sensitivity exposure	<u>(29,870,881)</u>	<u>17,493,712</u>	<u>64,314,147</u>	<u>(4,384,282)</u>	<u>15,496,395</u>	<u>66,095,252</u>	<u>129,144,343</u>

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62. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The Group uses sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

The table below summarizes the results of the sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2019 and 2018, with all other variables held constant.

	As at 31 December			
	2019		2018	
	+50 BP	-50 BP	+50 BP	-50 BP
Change in				
— net profit	(560,945)	574,441	(344,756)	349,986
— other comprehensive income	(735,533)	768,064	(500,136)	519,419
Change in equity	<u>(1,296,478)</u>	<u>1,342,505</u>	<u>(844,892)</u>	<u>869,405</u>

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

The Group's currency risk is not material because the net foreign currency exposure is relatively low.

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62. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in the stock index level or the price of individual securities.

The Group mainly invests in listed equity securities, warrants, funds, stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for equity instruments at fair value through other comprehensive income, the impact only takes into account changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

	As at 31 December			
	2019		2018	
	+10%	-10%	+10%	-10%
Change in				
— net profit	6,780,340	(6,780,340)	5,274,150	(5,274,150)
— other comprehensive income	1,316,031	(1,316,031)	1,258,946	(1,258,946)
Change in equity	<u>8,096,371</u>	<u>(8,096,371)</u>	<u>6,533,096</u>	<u>(6,533,096)</u>

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62. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in the economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts net capital as the indicator to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 16 June 2016, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2016 amended) and the Calculation Rules for Risk Control Indicators of Securities Companies with amendments to the framework and criteria of risk control indicators which securities companies must be continually compliant, which came into effect on 1 October 2016. Based on the rules above and other related rules issued or revised subsequently, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) the ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) the ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) the ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8% ("Ratio 7");

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62. FINANCIAL RISK MANAGEMENT (continued)

(5) Capital management (continued)

- (viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100% ("Ratio 8");
- (ix) the ratio of stable funds available divided by stable funds required shall be no less than 100% ("Ratio 9"); and
- (x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400% ("Ratio 10");

As at 31 December 2019 and 2018, the Company has maintained the above ratios as follows:

		As at 31 December	
	Requirement	2019	2018
Net capital		85,971,493	86,576,140
Ratio 1	≥ 100%	271.23%	343.15%
Ratio 2	≥ 20%	68.05%	76.97%
Ratio 3	≥ 8%	40.53%	58.05%
Ratio 4	≥ 10%	59.57%	75.42%
Ratio 5	≤ 100%	41.75%	27.45%
Ratio 6	≤ 500%	194.63%	133.40%
Ratio 7	≥ 8%	19.97%	21.54%
Ratio 8	≥ 100%	258.18%	372.53%
Ratio 9	≥ 100%	146.85%	151.12%
Ratio 10	≤ 400%	107.14%	90.20%

The above ratios are calculated based on the financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in Mainland China.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

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63. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	2,912,305	93,759,571	—	96,671,876
— Funds	24,130,212	19,812,779	7,381,410	51,324,401
— Equity securities	17,484,776	170,657	2,771,714	20,427,147
— Other investments	7,494,181	12,786,169	318,418	20,598,768
Debt instruments at fair value through other comprehensive income				
— Debt securities	1,822,685	58,444,143	—	60,266,828
Equity Instruments at fair value through other comprehensive income				
— Equity securities	3,775,849	5,797	754,301	4,535,947
— CSFC investment	—	13,011,129	—	13,011,129
Derivative financial assets	110,155	345,007	94,919	550,081
Total	<u>57,730,163</u>	<u>198,335,252</u>	<u>11,320,762</u>	<u>267,386,177</u>
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	—	5,668,354	—	5,668,354
Designated as at fair value through profit or loss				
— Debt securities	—	31,300,721	6,640,133	37,940,854
— Others	—	45,974	631,511	677,485
Derivative financial liabilities	132,873	987,387	238,549	1,358,809
Total	<u>132,873</u>	<u>38,002,436</u>	<u>7,510,193</u>	<u>45,645,502</u>

Section XI Financial Statements

63. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: (continued)

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	2,395,768	69,316,966	100,734	71,813,468
— Funds	16,635,004	18,349,587	4,985,014	39,969,605
— Equity securities	8,204,864	355,588	1,751,811	10,312,263
— Other investments	5,232,926	10,253,818	100,000	15,586,744
Debt instruments at fair value through other comprehensive income				
— Debt securities	2,371,070	36,795,611	—	39,166,681
Equity Instruments at fair value through other comprehensive income				
— Equity securities	3,601,815	44,515	746,439	4,392,769
— CSFC investment	—	12,393,180	—	12,393,180
Derivative financial assets	184,922	435,739	27,697	648,358
Total	<u>38,626,369</u>	<u>147,945,004</u>	<u>7,711,695</u>	<u>194,283,068</u>
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	—	3,705,281	—	3,705,281
— Others	157,392	—	—	157,392
Designated as at fair value through profit or loss				
— Debt securities	—	23,972,227	4,374,669	28,346,896
— Others	—	329,180	737,894	1,067,074
Derivative financial liabilities	29,811	86,217	139,945	255,973
Total	<u>187,203</u>	<u>28,092,905</u>	<u>5,252,508</u>	<u>33,532,616</u>

During the year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

Section XI Financial Statements

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the year, the Group held no changes on the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Section XI Financial Statements

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

	Year ended 31 December 2019				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2019	6,937,559	746,439	27,697	(5,112,563)	(139,945)
Gains/(losses) for the year	309,700	—	(204,385)	112,646	(312,514)
Changes in fair value recognized in other comprehensive income	—	(145,131)	—	—	—
Purchases	3,754,730	190,877	1,220,572	—	—
Issues	—	—	—	(2,635,910)	(1,606,000)
Transfers in	940,751	—	—	—	—
Transfers out	(123,012)	(32,662)	—	—	—
Disposal and settlements	(1,348,186)	(5,222)	(948,965)	364,183	1,819,910
As at 31 December 2019	<u>10,471,542</u>	<u>754,301</u>	<u>94,919</u>	<u>(7,271,644)</u>	<u>(238,549)</u>

	Year ended 31 December 2018				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2018	2,870,975	676,045	131,346	(1,388,323)	(299,033)
Gains/(losses) for the year	(320,381)	—	3,318	354,573	(74,208)
Changes in fair value recognized in other comprehensive income	—	(125,852)	—	—	—
Purchases	3,987,065	4,694	416,588	—	—
Issues	—	—	—	(3,323,608)	(513,987)
Transfers in	774,406	196,692	—	(817,033)	—
Transfers out	(8,511)	—	—	—	—
Disposal and settlements	(365,995)	(5,140)	(523,555)	61,828	747,283
As at 31 December 2018	<u>6,937,559</u>	<u>746,439</u>	<u>27,697</u>	<u>(5,112,563)</u>	<u>(139,945)</u>

Section XI Financial Statements

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investments with disposal restrictions within a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Stocks/unlisted equity investments	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/unlisted equity investments	Level 3	Recent transaction price	N/A	N/A
Unlisted funds	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted funds	Level 3	Recent transaction price	N/A	N/A
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Derivative assets	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value
Derivative assets	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	Level 3	Recent transaction price	N/A	N/A
Derivative liabilities	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

Section XI Financial Statements

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(5) Financial assets and liabilities not measured at fair value

As at 31 December 2019 and 31 December 2018, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 31 December	
	2019	2018
Bonds payable		
Carrying amounts	69,573,553	68,257,200
Fair values		
— Level 1	6,479,540	7,368,802
— Level 2	62,184,988	61,412,726
— Level 3	1,403,206	962,359
Total	70,067,734	69,743,887

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64. EVENTS AFTER THE REPORTING PERIOD

Other than those matters as already disclosed elsewhere in the consolidated financial statements, significant events after the reporting period included the following event:

1. Issuance of corporate bonds and perpetual subordinated bonds

On 9 January 2020, the Company issued the first batch of 3-year corporate bonds of Year 2020 amounting to RMB4 billion. The bonds bear a fixed annual interest rate of 3.37% payable on an annual basis.

On 11 March 2020, the Company issued the first batch of perpetual subordinated bonds of Year 2020 amounting to RMB5 billion. The bonds bear an initial annual interest rate of 3.85%. The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years.

On 23 March 2020, the Company issued the second batch of 3-year corporate bonds of Year 2020 amounting to RMB4 billion. The bonds bear a fixed annual interest rate of 3.05% payable on an annual basis.

Section XI Financial Statements

65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2019	2018
Non-current assets		
Property and equipment	1,795,390	1,649,953
Right-of-use assets	1,661,268	—
Other intangible assets	445,570	355,606
Investments in subsidiaries	20,422,043	15,789,770
Investments in associates	918,062	234,997
Debt instruments at fair value through other comprehensive income	47,414,426	30,034,611
Equity instruments at fair value through other comprehensive income	16,354,566	15,792,128
Financial assets held under resale agreements	1,959,737	6,424,527
Financial assets at fair value through profit or loss	4,144,205	2,329,556
Refundable deposits	3,130,510	1,660,064
Deferred tax assets	835,004	1,115,299
Other non-current assets	1,680,691	1,810,893
Total non-current assets	100,761,472	77,197,404
Current assets		
Accounts receivable	2,849,604	1,083,902
Other current assets	473,399	1,048,681
Margin accounts receivable	57,625,930	41,644,659
Debt instruments at fair value through other comprehensive income	6,338,081	5,316,810
Financial assets held under resale agreements	46,787,321	48,559,614
Financial assets at fair value through profit or loss	105,631,481	70,425,441
Derivative financial assets	273,482	550,733
Clearing settlement funds	3,794,032	2,539,476
Cash held on behalf of brokerage customers	64,268,337	46,445,755
Cash and bank balances	12,819,101	12,847,764
Total current assets	300,860,768	230,462,835
Total assets	401,622,240	307,660,239

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65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2019	2018
Current liabilities		
Short-term debt instruments	12,159,112	4,248,268
Placements from other financial institutions	9,488,642	10,112,375
Accounts payable to brokerage customers	63,172,725	46,036,444
Employee benefits payable	4,602,487	4,190,269
Income tax payable	862,686	1,236,191
Financial assets sold under repurchase agreements	99,816,786	52,771,568
Financial liabilities at fair value through profit or loss	10,826,571	5,972,936
Derivative financial liabilities	998,927	167,153
Bonds payable	14,524,626	9,030,848
Lease liabilities	468,508	—
Other current liabilities	9,753,457	11,545,020
Total current liabilities	226,674,527	145,311,072
Net current assets	74,186,241	85,151,763
Total assets less current liabilities	174,947,713	162,349,167
Non-current liabilities		
Bonds payable	47,038,870	49,783,162
Lease liabilities	1,307,260	—
Financial liabilities at fair value through profit or loss	175,152	—
Other non-current liabilities	82,115	82,115
Total non-current liabilities	48,603,397	49,865,277
Net assets	126,344,316	112,483,890
Equity		
Share capital	8,907,948	8,713,941
Other equity instruments	16,129,799	11,129,819
Reserves	68,573,481	63,589,752
Retained profits	32,733,088	29,050,378
Total equity	126,344,316	112,483,890

Section XI Financial Statements

65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Reserves							Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained profits	
At 1 January 2018	8,713,934	11,129,841	42,402,719	1,238,166	6,508,077	12,716,606	28,846,646	111,555,989
Profit for the year	—	—	—	—	—	—	6,683,614	6,683,614
Other comprehensive income for the year	—	—	—	(1,664,265)	—	—	—	(1,664,265)
Total comprehensive income for the year	—	—	—	(1,664,265)	—	—	6,683,614	5,019,349
Dividends	—	—	—	—	—	—	(3,485,576)	(3,485,576)
Appropriation to surplus reserve	—	—	—	—	668,361	—	(668,361)	—
Appropriation to general reserve	—	—	—	—	—	1,336,723	(1,336,723)	—
Distribution to other equity instrument holders	—	—	—	—	—	—	(590,000)	(590,000)
Reclassification of other comprehensive income to retained profits	—	—	—	399,222	—	—	(399,222)	—
Conversion of convertible bonds	7	(22)	136	—	—	—	—	121
Others	—	—	(15,993)	—	—	—	—	(15,993)
At 31 December 2018	<u>8,713,941</u>	<u>11,129,819</u>	<u>42,386,862</u>	<u>(26,877)</u>	<u>7,176,438</u>	<u>14,053,329</u>	<u>29,050,378</u>	<u>112,483,890</u>
Impact of adopting IFRS 16	—	—	—	—	(3,909)	(7,817)	(27,360)	(39,086)
Restated opening balance	<u>8,713,941</u>	<u>11,129,819</u>	<u>42,386,862</u>	<u>(26,877)</u>	<u>7,172,529</u>	<u>14,045,512</u>	<u>29,023,018</u>	<u>112,444,804</u>
Profit for the year	—	—	—	—	—	—	8,747,228	8,747,228
Other comprehensive income for the year	—	—	—	571,551	—	—	—	571,551
Total comprehensive income for the year	—	—	—	571,551	—	—	8,747,228	9,318,779
Placement of H shares	194,000	—	2,486,405	—	—	—	—	2,680,405
Issue of perpetual bonds	—	5,000,000	—	—	—	—	—	5,000,000
Dividends	—	—	—	—	—	—	(2,449,685)	(2,449,685)
Distribution to other equity instrument holders	—	—	—	—	—	—	(590,000)	(590,000)
Appropriation to general reserve	—	—	—	—	—	1,749,446	(1,749,446)	—
Reclassification of other comprehensive income to retained profits	—	—	—	248,027	—	—	(248,027)	—
Conversion of convertible bonds	7	(20)	152	—	—	—	—	139
Others	—	—	(60,126)	—	—	—	—	(60,126)
At 31 December 2019	<u>8,907,948</u>	<u>16,129,799</u>	<u>44,813,293</u>	<u>792,701</u>	<u>7,172,529</u>	<u>15,794,958</u>	<u>32,733,088</u>	<u>126,344,316</u>

Section XI Financial Statements

66. COMPARATIVE AMOUNTS

The accounting treatment and presentation of certain items and balances in the financial statements have been revised in accordance with relevant requirements following the adoption of new accounting standards. Along with the prior year adjustments made, certain comparatives have been reclassified and restated to conform with the current year's presentation and accounting treatment.

67. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 24 March 2020.

Section XII Documents Available for Inspection

Documents Available for Inspection	1. The text of the annual report with signatures of authorized representatives of the Company
Documents Available for Inspection	2. The text of the financial report signed and chopped by authorized representatives of the Company, competent responsible persons of accounting works and persons in charge of accounting institutions
Documents Available for Inspection	3. The original copy of the audit report signed by the accounting firm as well as signed and chopped by the certified accountant
Documents Available for Inspection	4. All original copies of texts and announcements of documents of the Company publicly disclosed on websites designated by China Securities Regulatory Commission during the Reporting Period
Documents Available for Inspection	5. Other relevant information

Chairman of the Board: HE Qing

Date of approval by the Board: 24 March 2020

REVISED INFORMATION

☐ Applicable ☒ Not applicable

Section XIII Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

√ Applicable □ Not applicable

(1) Administrative Permissions of the Company

No.	Date of approval	Headings of approval	No. of approval
1	7 February 2019	CSRC's Reply on the Provision of Guarantee for Overseas Subsidiaries by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 425
2	12 February 2019	Shanghai Stock Exchange's Notice on Registration of Core Dealer of Credit Protection Contract of Guotai Junan Securities Co., Ltd.	Shang Zheng Han [2019] No.205
3	26 April 2019	Shanghai Office of the China Securities Regulatory Commission's Reply of Approval of the Changes in Material Articles of Articles of Association for Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2019] No.17
4	6 May 2019	CSRC's Reply on the Proposed Increase in Capital Investment in Guotai Junan Financial Holdings Co., Ltd. by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2019] No.1061
5	4 June 2019	Shanghai Office of the China Securities Regulatory Commission's Reply of Approval of the Qualification of Wang Lei as Chairman of Securities Company	Hu Zheng Jian Xu Ke [2019] No.33
6	20 June 2019	The Bureau of the Financial Market of the People's Bank of China's Notice on the Maximum Outstanding Balance of Short-term Debentures of Guotai Junan Securities Co., Ltd.	Yin Shi Chang [2019] No.131
7	24 June 2019	CSRC's Opinion on Regulation of Issuance of the Financial Bond by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2019] No.1578
8	28 June 2019	Shanghai Office of the China Securities Regulatory Commission's Reply of Approval of the Qualification of Wang Wenjie as Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No.41
9	2 July 2019	The China Securities Regulatory Commission's Reply of Approval on Public Issuance of Corporate Bonds to Qualified Investors by Guotai Junan Securities Co., Ltd.	Zheng Jian Xu Ke [2019] No.1177
10	12 July 2019	The China Securities Regulatory Commission's Reply on the Issuance of Perpetual Subordinated Bonds by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2019] No.1740

Section XIII Information Disclosure of Securities Company

No.	Date of approval	Headings of approval	No. of approval
11	22 July 2019	The People's Bank of China's Administrative Permission Decision on Agreeing with the Issuance of RMB Financial Bonds Not Exceeding RMB8 billion by the Company	Yin Shi Chang Zhun Yu Zi [2019] No.121
12	25 July 2019	Shanghai Office of the China Securities Regulatory Commission's Reply of Approval of the Qualification of GUAN Wei as Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No.53
13	1 August 2019	Notice on the Business Qualification of Guotai Junan Securities Co., Ltd. as Lead Market Maker of Listed Funds issued by the Shanghai Stock Exchange	Shang Zheng Han [2019] No.1288
14	20 September 2019	CSRC's Reply on the acquisition of a Vietnamese company by a Hong Kong subsidiary of Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 2318
15	5 November 2019	CSRC's Reply on Guotai Junan Securities' commitment to provide Shanghai Securities with a net capital guarantee	Ji Gou Bu Han [2019] No. 2658
16	14 November 2019	Shanghai Office of the China Securities Regulatory Commission's Reply of Approval of the Qualification of AN Hongjun as director of Securities Company	Hu Zheng Jian Xu Ke [2019] No.116
17	27 November 2019	The China Securities Regulatory Commission's Reply of Approval on Public Issuance of Corporate Bonds to Qualified Investors by Guotai Junan Securities Co., Ltd.	Zheng Jian Xu Ke [2019] No.2521
18	11 December 2019	Shanghai Stock Exchange's Notice on Registration of Certificate Creation Institution of Credit Protection Contract of Guotai Junan Securities Co., Ltd.	Shang Zheng Han [2019] No.2253
19	11 December 2019	Shenzhen Stock Exchange's Notice of Approval of CITIC Securities and Other Option Operating Institutions as Shenzhen Stock Exchange CSI 300 ETF Options Market Maker	Shen Zheng Hui [2019] No. 483
20	16 December 2019	Notice on the 300ETF Options Market Maker Business of Guotai Junan Securities Co., Ltd. by the Shanghai Stock Exchange	Shang Zheng Han [2019] No.2303
21	17 December 2019	CSRC's Reply on the Opinions of Stock Index Options Market Making by Guotai Junan Securities Co., Ltd.	CSRC Ji Gou Bu Han [2019] No. 3066

Section XIII Information Disclosure of Securities Company

(2) Administrative Permissions of the Major Controlled Subsidiaries

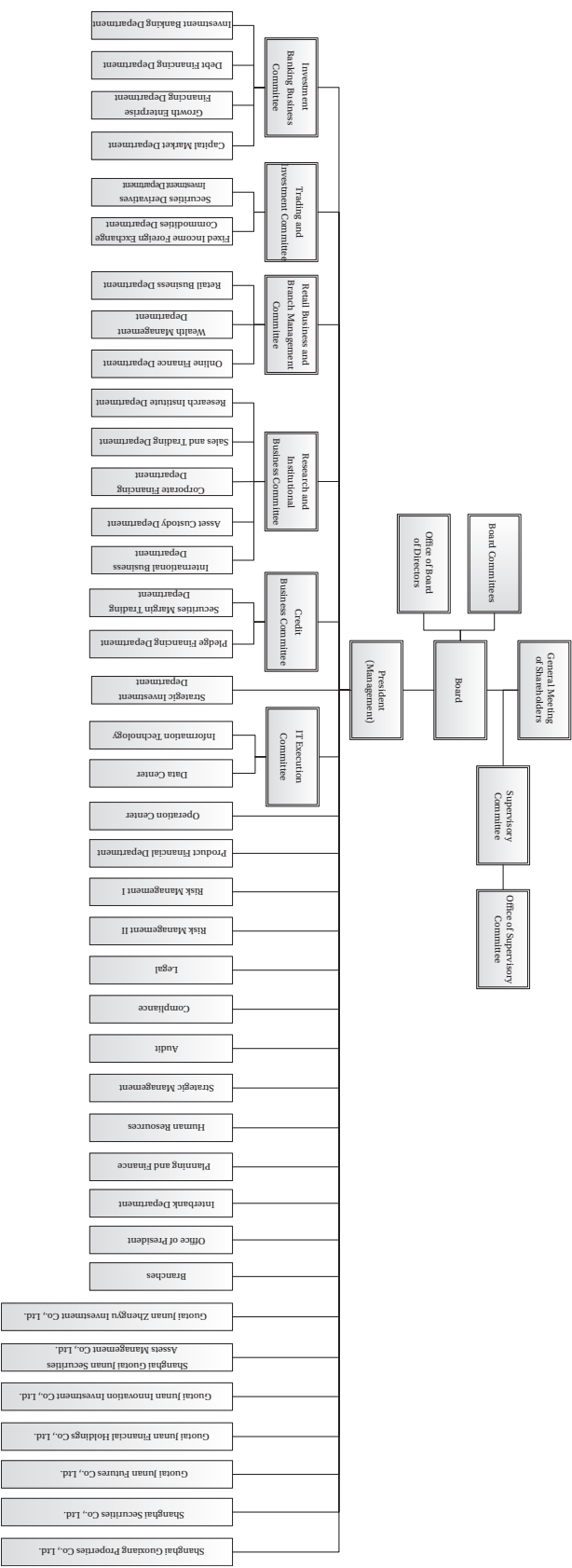
Name of the subsidiary	Date of approval	Headings of approval	No. of approval
Shanghai Securities and its subsidiaries	11 October 2019	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Chu Weizhong as Senior Management of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 104
	17 December 2019	Shanghai Supervision Bureau of CSRC's No Objection Letter in relation to the Issuance of Net Capital Guarantee Commitment to Shanghai Securities Co., Ltd.by Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Ji Gou Zi [2019] No. 485

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

☒ Applicable ☐ Not applicable

The Company's classified evaluation result in 2019: Class A Grade AA

Appendix I Organization Chart of the Company



Appendix II Basic Information of Branch Office

1. BRANCH OFFICE OF THE COMPANY

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Anhui Branch Office	Rooms 2501,2510,2511 and 2512, AHCOF International Trade Center, Intersection of South Second Ring Road and Jinzhai Road, Shushan District, Hefei City	2013.2.21	RMB5 million	Zeng Fengsan (曾逢三)	0571-7245858 Ext 8753
Guangxi Branch Office	Rooms 2201 & 2205, 22/F, Tower A, Nanhu Mingdu Plaza, 30 Shuangyong Road, Qingxiu District, Nanning City	2013.2.20	Nil	Li Jian (李建)	0771-5651977
Xinjiang Branch Office	6F, Tower A, Gongxiao Building, 314 Yangtze River Road, Shayibake District, Urumqi	2013.3.4	RMB5 million	Zhang Qingsong (張青松)	0991-2835838
Beijing Branch Office	Room 202, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing City	2000.9.6	RMB10 million	Geng Xuling (耿旭令)	010-82263589
Shanghai Branch Office	369 Jiangsu Road	2000.8.15	RMB10 million	Jiang Wei (江偉)	021-52400388
Shanghai FTZ Branch Office	1503-A, B, C, D, E, F, G, H, 2 Maji Road, China (Shanghai) Pilot Free Trade Zone	2013.12.13	RMB5 million	Zhang Neng (張能)	021-52400647
Shenzhen Branch Office	3401-3411, 3509, New World Center, Yitian Road West and Fuzhong Road North, Futian District, Shenzhen City	2000.7.21	RMB10 million	Liu Jindong (劉敬東)	0755-23976888 -6121
Sichuan Branch Office	China Resources Building, 10 Shuangqing Road, Chenghua District, Chengdu City	2000.7.31	Nil	Guo Liping (郭麗萍)	028-65775298
Hubei Branch Office	7/F, 73 Xudong Street, Hongshan District, Wuhan City	2000.8.11	RMB10 million	Hu Sufei (胡肅飛)	027-87267558
Tianjin Branch Office	Units 07-09, 42F, Surveying and Mapping Level, Jinta Office Building, Tianjin Worldwide Finance Center, No.2 Dagou North Road, Xiaobailou, Heping District, Tianjin City	2009.6.30	RMB5 million	Gu Xin (顧鑫)	022-58308306
Hebei Branch Office	9/F, Tower A, Fangbei Building, No. 133, Yuhua East Road, Shijiazhuang City, Hebei Province	2009.7.2	RMB5 million	Wang Zhiyong (王志勇)	0311-85668338
Shanxi Branch Office	Rooms 1204 & 1205, 12/F and East Side of 16/F, Building 1, 15 Gaoxin Street, Taiyuan Xuefu Park	2009.7.3	Nil	Fan Xiaojun (範曉軍)	0351-7023028
Inner Mongolia Branch Office	Room 2102 & 2102, International Finance Building, 18 Xinhua East Street, Ruyi Industrial Park, Hohhot City	2009.6.30	Nil	Xu Xihai (徐錫海)	0431-5212939

Appendix II Basic Information of Branch Office

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Liaoning Branch Office	68 Shiyiwei Road, Heping District, Shenyang City	2009.7.1	RMB5 million	Luan Jinchang (樂金昶)	024-22821663
Jilin Branch Office	Rooms 2506-2509, 2607, Huamao International Building, 4848 Renmin Street, Nanguan District, Changchun City, Jilin Province	2009.6.30	RMB5 million	Fei Weifu (費維富)	0431-84505678
Heilongjiang Branch Office	3/F Keji Building, 90 Xidazhi Street, Nangang District, Harbin City, Heilongjiang Province	2009.6.30	RMB5 million	Hou Xiaopeng (侯霄鵬)	0451-86201260
Jiangsu Branch Office	Room 401 & 502, 389 Taiping South Road, Qinhuai District, Nanjing City	2009.7.9	Nil	Wang Yuansong (王原松)	025-84575188
Zhejiang Branch Office	Room 1401, Unit 1 & 2, Building 6, Fanhai International Center, 185 Wuxing Road, Sijiqing Sub-district, Jianggan District, Hangzhou City	2009.6.30	RMB5 million	Cao Chenglong (曹成龍)	0571-87227580
Fujian Branch Office	11/F, Export-Import Bank of China Building, 350 Jiangbin Central Boulevard, Taijiang District, Fuzhou City, Fujian Province	2009.7.2	RMB5 million	Lin Jian (林堅)	0591-83666109
Jiangxi Branch Office	Room 908, 9/F, Nanchang Sunny World Center Office and Serviced Apartment Building, 1218 Ganjiang Central Boulevard, Honggutan New District, Nanchang City	2009.7.3	RMB5 million	Huang Quan (黃全)	0791-86113053
Shandong Branch Office	5/F, Building 1, Longao Jinzuo Office Building, No. 8000 Jingshi Road, Lixia District, Jinan City	2009.6.29	RMB5 million	Zhang Congxuan (張從宣)	0531-68817977
Henan Branch Office	39 Jinshui East Road, Zhengdong New District, Zhengzhou City	2009.6.29	RMB5 million	Yu Ping (于萍)	0371-65752727
Hunan Branch Office	4/F, 89 Wuyi Boulevard, Changsha City	2009.7.1	RMB5 million	Hu Lan (胡蘭)	0731-85525225
Hainan Branch Office	No. B2002, B2003, B2004, 20F, West Block of office building, Tower B, Lot S5, Haikuo Tiankong Guorui Cheng, 11 Guoxing Avenue, Meilan District	2009.6.30	RMB5 million	Lin Guokui (林國奎)	0898-68551022
Guizhou Branch Office	22/F, Tower 1-6, East Zone, Financial Business District, Area B, Zhongtian Exhibition, Changling North Road, Guanshanhu District, Guiyang City	2009.7.1	RMB5 million	Ma Hong (馬鴻)	0851-85818223
Yunnan Branch Office	Rooms 1706, 1707, 1708, 1709 and 1710, 17/F, Building 4, Qicaijunyuan, Baita Road, Panlong District, Kunming City, Yunnan Province	2009.6.30	RMB5 million	Zhang Wenzhou (張文洲)	0871-63107159

Appendix II Basic Information of Branch Office

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Shaanxi Branch Office	2/F, Finance Commerce Center, Telecom Plaza, 56 Gaoxin Road, Yanta District, Xi'an City, Shaanxi Province	2009.7.2	RMB5 million	Chen Bin (陳兵)	029-88304680
Gansu Branch Office	215 Jiuquan Road, Chengguan District, Lanzhou City	2009.6.30	Nil	Lan Geru (蘭革儒)	0931-8436687
Guangdong Branch Office	Units 2502A, 2502B, 2506, 2602 and 2603, R&F Center, No. 10 Huaxia Road, Zhujiang Xincheng, Tianhe District, Guangzhou City	2009.6.29	RMB5 million	Huang Feng (黃鋒)	020-28023166
Chongqing Branch Office	17-1/F, 3 Finance Street, Jiangbei District, Chongqing City	2009.6.30	RMB5 million	Chen Yaohua (陳耀華)	023-63707175

2. BRANCH OFFICE OF SHANGHAI SECURITIES

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Shanghai Branch Office	3/F, No. 373 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	2017.11.9	RMB5 million	Zhang Guofa (張國發)	021-53686919
Wenzhou Branch Office	2/F, Tower D, Xiechi Mall, Renmin East Road, Wenzhou	2012.6.1	RMB5 million	Cai Xiaomin (蔡曉敏)	0577-88812528
Shenzhen Branch Office	Unit 1105-1106, Huarong Tower, No.178 Mintian Road, Futian Street, Futian District, Shenzhen City	2018.2.12	RMB5 million	Wang Yu (王瑜)	0755-83640898

Appendix II Basic Information of Branch Office

3. BRANCH OFFICE OF GUOTAI JUNAN FUTURES

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Beijing Branch Office (formerly Beijing Jianguomenwai Street securities branch)	Unit 06, 7F, East Tower, Gemini Building, B12 Jianguomenwai Street, Chaoyang District, Beijing	11 June 2019	Nil	Wang Yigang (王毅崗)	010-58795766
Guangdong Branch Office (formerly Guangzhou securities branch)	Room 1102, No. 10 Huaxia Road, Tianhe District, Guangzhou	17 June 2019	Nil	Li Hui (李暉)	020-38628582
Xiamen Branch	1508-1509, Block B, China Resources Building, No. 95 Hubin East Road, Siming District, Xiamen	6 November 2019	Nil	Fu Zuoren (傅作仁)	0592-5886138

4. BRANCH OFFICE OF HICEND FUTURES

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Shandong Branch Office (formerly Jinan Futures Branch)	503 & 504, 5/F, Xinyuan Financial Building, Building 7 Xinyuanxin Center, No.3 Huaxin Road, Licheng District, Jinan City	23 September 2019	Nil	Ma Hongguang (馬洪廣)	0531-55666358

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

1. THE COMPANY

1) Relocated branch offices:

Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
Xinjiang Branch Office	Xinjiang Branch Office	6F, Tower A, Gongxiao Building, 314 Yangtze River Road, Shayibake District, Urumqi
Hainan Branch Office	Hainan Branch Office	No. B2002, B2003, B2004, 20F, West Block of office building, Tower B, Lot S5, Haikuo Tiankong Guorui Cheng, 11 Guoxing Avenue, Meilan District, Haikou City
Shanxi Branch Office	Shanxi Branch Office	Rooms 1204 & 1205, 12/F and East Side of 16/F, Building 1, 15 Gaoxin Street, Xuefu Park, Taiyuan
Inner Mongolia Branch Office	Inner Mongolia Branch Office	Room 2102 & 2102, International Finance Building, 18 Xinhua East Street, Ruyi Industrial Park, Hohhot City, Inner Mongolia
Hubei Branch Office	Hubei Branch Office	7/F, 73 Xudong Street, Hongshan District, Wuhan City

2) Relocated securities branches:

Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
Xiangtan Jianshe South Road Securities Branch	Xiangtan Jianshe Middle Road Securities Branch	No. 0701001, 0701002, 7F, Block A, Xiangtan Center Building, 4 Lanyuan Road, Dongping Street, Yuetang District, Xiangtan City, Hunan Province
Jingzhou Bianhe East Road Securities Branch	Jingzhou Jiangnan North Road Securities Branch	No.1 (A), 2F and No.2 (B), 1F, Huajin Building, Jiangnan North Road, Shashi District, Jingzhou City, Hubei Province
Luzhou Naxi District Yunxi East Road Securities Branch	Luzhou Free Trade Zone Yuntai Road Securities Branch	Building 3, 68 Yuntai Road, Chunnan lingang District, Free Trade Zone, Sichuan Province
Huaihua Remin Road Securities Branch	Huaihua Yingfeng Road Securities Branch	Room 205, 2F, Wuxi Fortune Center, Yingfeng Road, Hecheng District, Huaihua City, Hunan Province

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
Changsha Wuyi Avenue Securities Branch	Changsha Wuyi Avenue Securities Branch	Passages of 1F, portions of 2F (West Area), 3F, 89 Wuyi Avenue, Furong District, Changsha City, Hunan Province
Shenzhen Longhua Unitown Securities Branch	Shenzhen Longhua Unitown Securities Branch	L1-005/006/013 and L2-001/007, 1061 Meilong Road, E area, Jingyuan Yifang Tiandi, Yicheng Center, intersection of Donghuan Yi Road and Meilong Road, Jinglong Community, Longhua Street, Longhua District, Shenzhen City
Shanghai Mudanjiang Road Securities Branch	Shanghai Jiangchang Road Securities Branch	A102, B301, B312, B313, 1400 Jiangchang Road, Jing'an District, Shanghai
Jiangsu Huai'an Jiankang East Road Securities Branch	Huai'an Huaihai East Road Securities Branch	Room 2103, 2105, 2106, 2107, 2108, Fenghui Plaza, 1 Huaihai East Road, Qingjiangpu District, Huai'an City
Shanghai Dapu Road Securities Branch	Shanghai Huangpi South Road Securities Branch	Unit 08, 09, 10, 11, 10F, Tower A, No.1, Lane 838, No. 808-2, 798 and Room 106-2 and Unit L117-2, L118, L119-2, Basement 1, No.2, Lane 838, Huangpi South Road, Huangpu District, Shanghai
Changde Renmin Road Securities Branch	Changde Renmin Road Securities Branch	1F, 2F, 4F, Huadu Building, 1888 Renmin Road, Guangmingxiang Community, Fuping Sub-district Office, Wuling District, Changde City, Hunan Province
Zhangzhou Shuixian Street Securities Branch	Zhangzhou Shuixian Street Securities Branch	Unit 06, 1F and Unit 07, 5F, Building B, Rongxin • Hilton • Yilin Hotel, 88 Shuixian Street, Longwen District, Zhangzhou City, Fujian Province
Nanning Shuangyong Road Securities Branch	Nanning Shuangyong Road Securities Branch	2206, 2204-2, Building A, Nanhu Mingdu Plaza, 30 Shuangyong Road, Qingxiu District, Nanning City, Guangxi Province
Daqing Huojuxin Street Securities Branch	Daqing Jinliu Street Securities Branch	16th Gate, Shangfu Building, A06, Xuewei Xincheng, 297 Jingliu Street, Dongfeng New Village, Saertu District, Daqing City
Chongqing Fengjie Securities Branch	Chongqing Fengjie Securities Branch	2F, 179 Kuizhou Road, Yufu Street, Fengjie County, Chongqing
Hengshui Renmin West Road Securities Branch	Hengshui Renmin West Road Securities Branch	1-2F, No. 585, Renmin West Road, Taocheng District, Hengshui City, Hebei Province

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
Weinan Cangcheng Road Securities Branch	Weinan Cangcheng Road Securities Branch	B2-105/205, Chengshangcheng, the middle section of Cangcheng Road, Linwei District, Weinan City, Shaanxi Province
Yantai South Street Securities Branch	Yantai Xisheng Street Securities Branch	1F and Room 2301, 2302, 2303, 2305, 23F, Huitong International, 27 Xisheng Street, Zhifu District, Yantai City, Shandong Province
Jiaxing Zhongshan West Road Securities Branch	Jiaxing Xiuzhou Avenue Securities Branch	Room 104-105, North side, 1F, Tower F, Future Science and Technology Plaza, 136 Xiuzhou Avenue, Xiuzhou District, Jiaxing City, Zhejiang Province
Zhaoqing Xinghu East Road Securities Branch	Zhaoqing Xinghu East Road Securities Branch	B08, B09, 2F and A01, 1 Floor Shopping Mall, Bihu Plaza, 1 Xinghu East Road, Duanzhou District, Zhaoqing City, Guangdong Province
Yanji Changbaishan Road Securities Branch	Yanji Youyi Road Securities Branch	Dunhua Hall, 4F, Yanbian International Hotel, 118 Youyi Road, Yanji City, Jilin Province
Changchun Linhe Street Securities Branch	Changchun Northeast Asia International Financial Center Securities Branch	Room 611, 612, 613, 615, 616, 617, West Side, Building 2, Northeast Asia International Finance Center, Nanguan District, Changchun City, Jilin Province
Beijing Finance District Securities Branch	Beijing Finance District Securities Branch	Unit 105-01, 1/F, Building 9, Finance Street, Xicheng District, Beijing City
Ganzhou Zhangjiangnan Avenue Securities Branch	Ganzhou Zhangjiangnan Avenue Securities Branch	Shop 25 & 26, Haode Shui'anxintian, No. 18 Zhangjiangnan Avenue, Zhanggong District, Ganzhou City, Jiangxi Province
Shanghai Yincheng Central Road Securities Branch	Shanghai Xinzha Road Securities Branch	21/F, No. 669 Xinzha Road, Jing'an District, Shanghai City
Xiangyang Dongfeng Motor Avenue Securities Branch	Xiangyang Changhong Road Branch	2/F, Unit 2, Building 2, Hairunmingdu, No. 56 Changhong Road, Fancheng District, Xiangyang City, Hubei Province
Guangzhou Dongfeng Middle Road Securities Branch	Guangzhou Dongfeng Middle Road Securities Branch	3-4/F, No. 313, Dongfeng Middle Road, Yuexiu District, Guangzhou City, Guangdong Province

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
Nanjing Middle Road Securities Branch	Nanjing Financial City Securities Branch	Room 3101 & 3102, 31/F, Building 4, Nanjing Financial City, No. 248 Lushan Road, Jianye Country, Nanjing City, Jiangsu Province
Hengyang Jiefang Avenue Securities Branch	Hengyang Jiefang Avenue Securities Branch	4/F, No. 8 Jiefang Avenue, Gaoxin District, Hengyang City, Hunan Province
Wuhan Xudong Street Securities Branch	Wuhan Xudong Street Securities Branch	1&7F, No. 73 Xudong Street, Hongshan District, Wuhan City
Chongqing Zhong County Securities Branch	Chongqing Zhong County Securities Branch	Sub-No. 11, No. 15, Zhongbo Avenue, Zhongzhou Street, Zhong County, Chongqing City
Qionghai Jinhai Road Securities Branch	Qionghai Jinhai Road Securities Branch	Sub-No. 1, 145 & 2, 145 No. 147 Jinhai Road, Jiayi Town, Qionghai City, Hainan Province
Jining Wutaizha Road Securities Branch	Jining Wutaizha Road Securities Branch	No. 0107, 0108, 1/F & No. 0208, 0207, 0223, 2/F, Tower A, Commercial Building, Yangguangshengjingyuan, No. 31 Wutaizhai Road, Jining City, Shandong Province
Tangshan Jianhua West Road Securities Branch	Tangshan Jianhua West Road Securities Branch	South Side, 1/F, Xuyuan Building, Huayandonglixuyuan, Lubei District, Tangshan City, Hebei Province
Chongqing Wushan Securities Branch	Chongqing Wushan Securities Branch	2-3-1, 2-3-2, Building 2, Shangxitai, No. 688 Shengquan Street, Gaotang Street, Wushan County, Chongqing City

3) Deregistered securities branches:

Names of securities branches	Reply reference number	Approval date	Verification letter date
Funing Wenti Road Securities Branch	Yun Zheng Jian Xu Ke [2018] No.10	17 July 2018	23 October 2018
Guixi Yejin Avenue Securities Branch	Gan Zheng Jian Xu Ke [2018] No.15	20 November 2018	24 January 2019

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

2. SHANGHAI SECURITIES

1) Newly-established securities branches:

No.	Names of newly-established securities branches	Locations of newly-established securities branches	Permit issuing date
1	Lishui Liandu District Youshan Road Securities Branch	Room 202, Unit 1, Building 275, Yinyuan Community, 565-569 Youshan Road, Liandu District, Lishui City, Zhejiang Province	14 January 2019
2	Ningbo Beilun District Qixing Road Securities Branch	Room 205-3 and 206-1, Building 1, 88 Qixing Road, Meishan, Beilun District, Ningbo, Zhejiang Province	12 February 2019

2) Relocated securities branches:

	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Hongmei Road Securities Branch	Hongmei Road Securities Branch	Area B, 3309 Hongmei Road, Shanghai
2	Nanqiao Securities Branch	Fengxian Nanfenggong Road Securities Branch	No. 8, Lane 9777, Nanfeng Road, Nanqiao Town, Fengxian District, Shanghai
3	Jinshan Securities Branch	Jinshan Weiqing West Road Securities Branch	1F and 2F, 643 Weiqing West Road, Jinshan District, Shanghai
4	Jing'an Nanjing West Road Securities Branch	Jing'an Nanjing West Road Securities Branch	Room A, 13F, 758 Nanjing West Road, Jing'an District, Shanghai
5	Pudong New Area Shangcheng Road Second Securities Branch	Chongming Antong Road Securities Branch	No. 1158-1, Antong Road, Chenjia Town, Chongming District, Shanghai
6	Pudong New Area Nianjiabang Road Securities Branch	Hongkou Dalian Road Securities Branch	Room 107, 108, 1599 Dalian Road, Hongkou District, Shanghai
7	Fengxian Huhang Highway Securities Branch	Fengxian Wangyuan South Road Securities Branch	Rooms 81813, 1815, 1816, No. 8, Lane 1518, Wangyuan South Road, Fengxian District, Shanghai City
8	Yueqing Hongqiao Feihong South Road Securities Branch	Yueqing Hongqiao Feihong South Road Securities Branch	No. 221 & 223, Feihong South Road, Hongqiao Town, Yueqing, Zhejiang Province
9	Fuzhou Wusi Road Securities Branch	Fuzhou Wusi Road Securities Branch	Room 1212, 12/F, Worldwide Square, No. 158, Wusi Road, Gulou District, Fuzhou City

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

3. GUOTAI JUNAN FUTURES

1) Newly-established branch offices:

No.	Names of Newly-established Branch office	Locations of newly-established branch offices	Permit issuing date
1	Beijing Branch Office	Unit 06, 7F, East Tower, Gemini Building, B12 Jianguomenwai Street, Chaoyang District, Beijing (formerly Beijing Jianguomenwai Street securities branch)	11 June 2019
2	Guangdong Branch Office	Room 1102, No. 10 Huaxia Road, Tianhe District, Guangzhou (formerly Guangzhou securities branch)	17 June 2019
3	Xiamen Branch Office	1508-1509, Block B, China Resources Building, 95 Hubin East Road, Siming District, Xiamen City	6 November 2019

2) Newly-established futures branches:

No.	Names of newly-established futures branch	Locations of newly-established futures branch	Permit issuing date
1	Shanghai Yandong Road Futures Branch	Room 03, 04, 14F, 58 Yan'an East Road, Huangpu District, Shanghai	29 January 2019
2	Changsha Futures Branch	Room 3404, 34F, Industry Building of New Hunan Building, No. 442, Section 1, Furong Middle Road, Wangluyuan Street, Kaifu District, Changsha City	1 February 2019
3	Jinan Futures Branch	Room 1107, 1108, 975 Caoshanling South Road, Lixia District, Jinan City	14 February 2019
4	Shanghai Yincheng Road Futures Branch	Unit 06, 27/F (actual level: 24), No. 88 Yincheng Road, China (Shanghai) Pilot Free-Trade Zone	6 November 2019

Appendix III Establishment and Disposal of Branches (Branch Offices, Securities Branches and Futures Branches)

4. HICEND FUTURES

1) Newly-established branch offices:

	Names of newly-established branch offices	Locations of newly-established branch offices	Permit issuing date
1	Shandong Branch Office	503 & 504, 5/F, Xinyuan Financial Building, Building 7 Xinyuanxin Center, No.3 Huaxin Road, Licheng District, Jinan City (formerly Jinan Futures Branch of Hicend Futures Co., Ltd.)	23 September 2019

2) Newly-established futures branches:

	Names of Newly-established futures branches	Locations of newly-established futures branches	Permit issuing date
1	Shanghai Tibet South Road Futures Branch	Area B, 1/F, No.889 Tibet South Road, Huangpu District, Shanghai City	12 December 2019
2	Guangzhou Futures Branch	Room 2402, 2403, 2404, Tower B, No. 191, Tiyu West Road, Tianhe District, Guangzhou City	18 July 2019

3) Relocated futures branches:

Name of futures branches before relocation	Name of futures branches after relocation	Location of futures branches after relocation
Shanghai Lujiazui Futures Branch	Shanghai Dongfang Road Futures Branch	Room B, 5/F, Oriental Financial Park, 2981 Dongfang Road, Pudong New District, Shanghai
Zhengzhou Futures Branch	Zhengzhou Futures Branch	No. 504, 1905 Future Building, 69 Future Avenue, Jinshui District, Zhengzhou City

4) Deregistered futures branch:

Name of futures branch of Hicend Futures	No. of approval	Date of approval	Verification letter date
Shenzhen Futures Branch	Nil	Nil	Ni