



申萬宏源集團股份有限公司  
SHENWAN HONGYUAN GROUP CO., LTD.

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

Stock Code : 6806.HK 000166.SZ

申萬宏源  
2019  
Annual Report

# Important Notice

1. The Board of Directors, the board of supervisors and the directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the content contained in this annual report, and that there are no misstatements, misleading representations or material omission in the contents contained herein, and severally and jointly bear full legal responsibilities thereof.
2. This annual report was considered and approved at the 50th meeting of the fourth session of the Board. 11 directors shall participate in the poll of the meeting and the actual number of directors participated was 11. No directors, supervisors, or senior management of the Company declares the inability to warrant or disagreement with the truthfulness, accuracy and completeness of the content herein.
3. The condensed consolidated financial report for 2019 prepared by the Company in accordance with the International Financial Reporting Standards has been audited by KPMG, the auditor of the Company, which has issued a standard unqualified audit report.
4. Mr. Xu Zhibin, the legal representative and general manager of the Company, Mr. Yang Changyun, the chief financial officer of the Company, and Ms. Zhang Yan, the person in charge of the planning and finance department of the Company, have declared that they warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
5. As considered and approved at the 50th meeting of the fourth session of the Board, the profit distribution proposal of the Company for 2019 is as follows:
  1. Based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,003,195,564.80. The retained profits of the Company of RMB1,217,347,642.66 following the cash dividend distribution will be carried forward to the next year.
  2. Cash dividend is denominated and declared in RMB and paid to A shareholders in RMB and to H shareholders in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China five business days prior to the 2019 annual general meeting of the Company.

(The proposal is subject to consideration at the general meeting)
6. The forward-looking statements in this annual report, including future plans and development strategies do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.
7. The audit committee of the Board of the Company has reviewed the financial statements of the Company for 2019.
8. This annual report of the Company is prepared in both Chinese and English. In the event of any discrepancy, the Chinese version should prevail.
9. The Company did not have any preferred shares during the Reporting Period.



# 申萬宏源

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# Section I Definitions and Important Notice

## I. DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings:

<b>Term</b>	<b>Definition</b>
“A Share(s)”	domestic ordinary shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB
“actual controller” or “Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“ChiNext Board”	the growth enterprise board launched by the Shenzhen Stock Exchange
“CG Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“Company” or “Shenwan Hongyuan Group”	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)
“controlling shareholder” or “JIC”	China Jiayin Investment Ltd. (中國建銀投資有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Hubei branch”	Hubei Securities Regulatory Bureau of the CSRC (中國證券監督管理委員會湖北監管局)
“CSRC Shanghai branch”	Shanghai Securities Regulatory Bureau of the CSRC (中國證券監督管理委員會上海監管局)
“EBITDA”	earnings before interest, taxes, depreciation and amortization

## Section I Definitions and Important Notice (continued)

<b>Term</b>	<b>Definition</b>
“ETF(s)”	exchange-traded fund(s)
“FICC”	fixed income, currencies and commodities
“Fullgoal Fund”	Fullgoal Fund Co., Ltd. (富國基金有限責任公司)
“general meeting”	the general meeting of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars
“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hongyuan Futures”	Hongyuan Futures Co., Ltd. (宏源期貨有限公司)
“Hongyuan Huifu”	Hongyuan Huifu Capital Co., Ltd. (宏源匯富創業投資有限公司)
“Hongyuan Huizhi”	Hongyuan Huizhi Investment Co., Ltd. (宏源匯智投資有限公司)
“ISAE3402”	International Standard on Assurance Engagements No. 3402
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“margin financing and securities lending”	provision of collateral by investors to securities firms who are qualified for conducting margin financing and securities lending business to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

## Section I Definitions and Important Notice (continued)

<b>Term</b>	<b>Definition</b>
“Net Capital”	Comprises core net capital and net supplementary capital, of which core net capital equals net assets minus risk-adjusted assets minus risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC, and net supplementary capital is long-term subordinated debts discounted at a prescribed proportion plus or minus capital from other adjustments recognized or approved by the CSRC
“PB System”	prime brokerage system
“Reporting Period”	the year from January 1, 2019 to December 31, 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法)
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shenwan Futures”	Shenwan Futures Co., Ltd. (申銀萬國期貨有限公司)
“Shenwan Hongyuan Financing Services”	Shenwan Hongyuan Financing Services Co., Ltd. (申萬宏源證券承銷保薦有限責任公司)
“Shenwan Hongyuan Industrial Investment”	Shenwan Hongyuan Industrial Investment Management Company Limited (申萬宏源產業投資管理有限責任公司)
“Shenwan Hongyuan Investment”	Shenwan Hongyuan Investment Co., Ltd. (申萬宏源投資有限公司)
“Shenwan Hongyuan Securities (Western)”	Shenwan Hongyuan Securities (Western) Co., Ltd. (申萬宏源西部證券有限公司)
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)

## Section I Definitions and Important Notice (continued)

<b>Term</b>	<b>Definition</b>
“Shenyin & Wanguo Alternative Investment”	Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司)
“Shenyin & Wanguo Investment”	Shenyin & Wanguo Investment Co., Ltd. (申銀萬國投資有限公司)
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SSE Composite Index”	the Shanghai Stock Exchange composite index
“STAR Market”	the Sci-Tech Innovation Board launched by the Shanghai Stock Exchange
“stock-backed lending”	a transaction in which a securities firm provides financing to qualified clients who pledge their stocks as collateral
“structured notes”	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
“SWS MU”	SWS MU Fund Management Co., Ltd. (申萬菱信基金管理有限公司)
“SWS Research”	SWS Research Co., Ltd. (上海申銀萬國證券研究所有限公司)
“SZSE Component Index”	the Shenzhen Stock Exchange component index
“VaR”	value at risk
“Wind Information”	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a service provider of financial data, information and software in Mainland China
“%”	percent

In the 2019 annual report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

## II. SIGNIFICANT RISK WARNING

The Company has described details of the possibly existing risks including market risk, credit risk, liquidity risk, operational risk, policy risk, legal and compliance risk and product/business innovation risk in this annual report. Investors are advised to read the “Report of the Board” as set out in section IV of this annual report carefully and pay special attention to the above-mentioned risk factors.

## Section II Company Profile and Key Financial Indicators

### I. COMPANY PROFILE

<b>Stock name</b>	申萬宏源 (Shenzhen Stock Exchange); SWHY (Hong Kong Stock Exchange)	<b>Stock code</b>	000166 (Shenzhen Stock Exchange) 6806 (Hong Kong Stock Exchange)
<b>Stock exchanges on which the shares are listed</b>	Shenzhen Stock Exchange, Hong Kong Stock Exchange		
<b>Chinese name of the Company</b>	申萬宏源集團股份有限公司		
<b>Abbreviation of Chinese name of the Company</b>	申萬宏源		
<b>English name of the Company</b>	Shenwan Hongyuan Group Co., Ltd.		
<b>Abbreviation of English name of the Company</b>	Shenwan Hongyuan		
<b>Legal representative of the Company</b>	Mr. Xu Zhibin		
<b>Authorized representatives</b>	Mr. Chu Xiaoming, Mr. Yang Changyun		
<b>Joint company secretaries</b>	Mr. Yang Changyun, Ms. Fok Po Yi (HKICPA)		
<b>Registered office of the Company</b>	Room 2001, 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC		
<b>Postal code of the registered office of the Company</b>	830011		
<b>Office address of the Company</b>	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC; No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC		
<b>Postal code of the office address of the Company</b>	830011; 100033		
<b>Principal place of business in Hong Kong</b>	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong		
<b>Company website</b>	www.swhygh.com		
<b>Email address of the Company</b>	swhy@swhy.com		
<b>The registered capital of the Company</b>	RMB25,039,944,560		
<b>Net Capital of the Company</b>	The Net Capital of the parent company of Shenwan Hongyuan Securities is RMB56,148,476,091.47.		



## Section II Company Profile and Key Financial Indicators (continued)

### II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary to the Board</b>	<b>Securities affairs representative</b>
Name	Mr. Yang Changyun	Mr. Xu Liang
Address	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC
Telephone	0991-2301870, 010-88085333	0991-2301870, 010-88085333
Facsimile	0991-2301779	0991-2301779
Email address	swwhy@swwhy.com	swwhy@swwhy.com

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

<b>Newspapers designated for disclosure of the Company's A share information</b>	China Securities Journal, Securities Times, Shanghai Securities News
<b>Website designated by the CSRC for publication of the A Share annual report</b>	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
<b>Website designated by the Hong Kong Stock Exchange for publication of the H Share annual report</b>	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
<b>Location for inspection of annual report of the Company</b>	the office of the Board of the Company, 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC

### IV. REGISTRATION INFORMATION OF THE COMPANY

- (I) The date of the initial registration: September 16, 1996, Shenyin & Wanguo Securities Co., Ltd. obtained the business license of the legal entity (Registration No: 150437600), which approved and issued by Shanghai administration for industry and commerce, the registered capital was RMB1.32 billion.

Related query index of initial registration: The report of Shenyin & Wanguo Securities Co., Ltd and Hongyuan Securities Co., Ltd. merged through share conversion and absorption.

- (II) The date of the recent registered change: January 20, 2020

Registered Capital: RMB25,039,944,560

Type of Company: other joint stock limited company (listed)

Legal representative: Xu Zhibin

- (III) Unified social credit code: 91650000132278661Y

## Section II Company Profile and Key Financial Indicators (continued)

### V. OTHER RELEVANT INFORMATION

#### (I) Auditors engaged by the Company

<b>Name of Auditor in PRC</b>	KPMG Huazhen LLP
<b>Office address of auditor in PRC</b>	8/F, East Tower 2, East Square, 1 East Chang'an avenue, Beijing, China
<b>Name of signing accountant</b>	Jin Naiwen, Yu Jingjing
<b>Auditors engaged overseas</b>	KPMG
<b>Office address of auditors engaged overseas</b>	8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
<b>Name of signing accountant</b>	Peng Chengchu

#### (II) Legal Advisor

<b>Domestic legal advisor</b>	Alliance J&S Law Firm Room 1910, Tower 2, Guanghai Changan Building, No.7 Jianguomen Inner Street, Dong Cheng District, Beijing
<b>Hong Kong legal advisor</b>	Clifford Chance 27/F, Jardine House, One Connaught Place, Central, Hong Kong
<b>Hong Kong joint compliance advisors</b>	Shenwan Hongyuan Capital (H.K.) Limited Level 19, 28 Hennessy Road, Hong Kong  ABCI Capital Limited 11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

#### (III) The sponsor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

<b>Name of sponsor</b>	<b>Office address of sponsor</b>	<b>Name of sponsor representative</b>	<b>Period of continuous supervision obligation</b>
<b>Huatai United Securities Co., Ltd.</b>	25/F, Hong Kong Zhonglv Buildong, No.4011 Shennan avenue, Shenzhen	Wang Wei, Zhang Wenqian	January 30, 2018– December 31, 2019
<b>Shenwan Hongyuan Financing Services Limited</b>	No. 19, Taipingqiao Street, Xicheng District, Beijing	Kong Fanjun, Wu Fen	January 30, 2018– December 31, 2019

#### (IV) The financial advisor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

N/A

## Section II Company Profile and Key Financial Indicators (continued)

### (V) Share Registrar

**A Share registrar** China Securities Depository and Clearing Company Limited, Shenzhen Branch  
22-28/F, Shenzhen Stock Exchange Building, 2012 Shennan Blvd., Futian District,  
Shenzhen, Guangdong, China

**H Share registrar** Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai,  
Hong Kong

### (VI) Changes in the Principal Business since the Listing of the Company

After Shenyin & Wanguo Securities Co., Ltd. ("Shenyin & Wanguo Securities") merged Hongyuan Securities Co., Ltd. ("Hongyuan Securities") through share conversion and absorption. Shenyin & Wanguo Securities was changed to an investment holding group, and which was renamed to Shenwan Hongyuan Group Co., Ltd. and listed on the Shenzhen Stock Exchange. The business scope of Shenwan Hongyuan Group Co., Ltd. is: investment management, industrial investment, equity investment, investment consulting and renting property leasing. (For projects subject to approval according to laws, business activities may not be carried out until they are approved by relevant authorities.)

Shenwan Hongyuan Group conducts the securities business through three securities firms, namely Shenwan Hongyuan Securities, Shenwan Hongyuan Securities (Western) and Shenwan Hongyuan Financing Services.

### (VII) Qualifications for Each Individual Business

The business scope of subsidiary securities companies subordinate to Shenwan Hongyuan Group mainly includes: securities brokerage; securities investment consulting; margin financing and securities lending; distribution of financial products; securities investment fund sales agency; providing intermediary services for futures companies; securities asset management; securities underwriting and sponsorship; securities proprietary business; stock options market making business and custodian business for securities investment funds.

In addition, subsidiary securities companies subordinate to the Company possesses the following individual business qualifications and memberships:

1. Qualified enterprise annuity fund management institution
2. Pilot program of bonds collateralized quotation repurchase business in Shanghai & Shenzhen Stock Exchange
3. Qualified proprietary business for precious metals spot contracts
4. Qualified proprietary business for gold spot contracts
5. Qualified domestic institutional investor (QDII) qualification
6. Agreed repurchase securities trading entitlement in Shanghai & Shenzhen Stock Exchange
7. Qualification of Securities Broker
8. Treasury bonds futures proprietary business
9. Qualification of participating for treasury bonds buyback in Shanghai stock exchange
10. Qualification of level one dealer on the SSE Integrated Electronic Platform for Fixed Income Securities
11. Qualification for the SSE 50ETF options market-making business

## Section II Company Profile and Key Financial Indicators (continued)

12. Stock pledged repurchase transaction business for securities in Shanghai & Shenzhen Stock Exchange
13. Qualification to conduct Southbound trading under the Shanghai-Hong Kong stock connect
14. Permission to conduct Southbound trading under Shenzhen-Hong Kong stock connect
15. Qualification of cash management products quick withdrawal business
16. Special membership certificate of the Shanghai Gold Exchange
17. Qualification for inter-bank gold price asking transactions under Shanghai Gold Exchange
18. Qualification for stock option brokerage and proprietary business trading
19. Pilot program for OTC financial derivatives
20. Pilot program for OTC business
21. Pilot program for Internet-based securities business
22. Qualification for secondary dealers for OTC options business
23. Qualification of branch account accounting business in Shanghai Pilot Free Trade Zone
24. Qualification for lending in the national inter-bank lending market
25. Access permission for national inter-bank bond market
26. Qualification of underwriting business for debt financing instruments of non-financial enterprises
27. Membership of National Association of Financial Market Institutional Investors
28. Qualification of the principal dealer for credit risk mitigation tools
29. Qualification of the creator for credit risk mitigation certificates
30. Qualification for institution providing credit bond bill
31. Qualification of participating in the net settlement of bond trade in Shanghai Clearing House
32. Qualification of trial market maker on the inter-bank bond market
33. Qualification for interest rate swap business
34. Qualification for agency business of securities accounts
35. Qualification of Agency for business of securities pledge registration
36. Qualification for settlement of securities funds of stock-option business pilot program
37. Qualification of secondary membership of settlement in China Central Depository & Clearing Co., Ltd.
38. Qualification of direct-investment to corporate bond in China Central Depository & Clearing Co., Ltd. in 2018
39. Qualification for foreign exchange operation in the securities business
40. Approval in amount for foreign exchange for overseas investment
41. Foreign currency lending membership of China Foreign Exchange Trading System
42. Operate recommendation, brokerage, and market-making business on the National Equities Exchange and Quotations as the lead securities firm.
43. Qualification for recommended listing, directional capital increase business in Zhejiang equity exchange center
44. Qualification for recommended listing, directional capital increase business in Dalian equity exchange center
45. Qualification for margin refinancing
46. Qualification for market maker of institutional private placement product quotation and service system
47. Qualification for insurance capital trustee

## Section II Company Profile and Key Financial Indicators (continued)

48. Qualification for consultancy services relating to the secrecy-involved business of the military industry
49. Qualification for credit derivatives business
50. Qualification for treasury bonds futures market-making business of China Financial Futures Exchange
51. Qualification for Bond Connect business
52. Qualification of main market maker for listed funds of the Shanghai Stock Exchange
53. Qualification for securities option trading permission
54. Qualification of main market maker of the Shanghai and Shenzhen 300ETF options of the Shanghai Stock Exchange
55. Qualification of market maker of the Shanghai and Shenzhen 300ETF options of the Shenzhen Stock Exchange
56. Qualification of market maker of the Shanghai and Shenzhen 300 index options of China Financial Futures Exchange
57. Qualification of market maker of commodity options (PTA, methanol) of Zhengzhou Commodity Exchange
58. Membership of SSE
59. Membership of SZSE
60. Membership certificate of the Asset Management Association of China
61. Membership of National Debt Association of China
62. Membership of Shanghai Securities Association
63. Membership of Securities Association of China
64. Membership of China Securities Investor Protection Fund
65. Membership of Insurance Asset Management Industry of China
66. Membership of China Futures Association
67. Membership certificate of the National Internet Finance Association of China

### (VIII) History of the Company

Shenyin & Wanguo Securities was established through the merger of former Shanghai Shenyin Securities Co., Ltd. and former Shanghai Wanguo Securities Co., Ltd. in September 16, 1996, which had a registered capital of RMB1,320,000,000. The merger was approved by the People's Bank of China (Yin Fu [1996] No.200).

According to the "reply on approving the plan of increase in capital and shares by Shenyin & Wanguo Securities Co., Ltd." issued by CSRC on October 18, 2001 (Zheng Jian Ji Gou Zi [2001] No.218), Shenyin & Wanguo Securities completed all the work within the prescribed time limit, with the registered capital changed from RMB1,320,000,000 to RMB4,215,760,000, and the articles of association was amended accordingly. According to the "reply on approving the plan of increase in capital and shares by Shenyin & Wanguo Securities Co., Ltd." issued by CSRC on March 4, 2002 (Zheng Jian Ji Gou Zi [2002] No.61), Shenyin & Wanguo Securities completed the industrial and commercial alteration registration of registered capital in May 2002, and obtained the new license for operating securities business from the CSRC.

In September 2005, Central Huijin injected capital into Shenyin & Wanguo Securities, purchasing 2.5 billion new shares with RMB2.5 billion in cash. Upon the approval of the general meeting of shareholders and the

## Section II Company Profile and Key Financial Indicators (continued)

CSRC, and the completion of the change of registration and other relevant legal procedures, the capital increase and share expansion of Shenyin & Wanguo Securities was officially completed on September 30, 2005, and the registered capital was changed to RMB6,715,760,000.

By the approval of “approval for alteration of Shenyin & Wanguo Securities Co., Ltd.’s shareholders which holding more than 5% (Hu Zheng Jian Ji Gou Zi [2012] No.42)” by CSRC Shanghai branch on February 24, 2012, Central Huijin acquired 1,218,967,798 shares of Shenyin & Wanguo Securities held by four companies, namely Shanghai international group Co., Ltd., Shanghai state-owned assets management Co., Ltd., Shanghai international trust Co., Ltd., Shanghai international group assets management Co., Ltd. Upon completion of the shareholding change, the number of shares held by Central Huijin increased to 3,718,967,798 shares with the shareholding of 55.38%.

On July 25, 2014, Shenyin & Wanguo Securities held the 18th meeting of the third session of the board of directors, and Hong Yuan Securities held the 21st meeting of the seventh session of the board of directors, deliberating and passing the proposal of Shenyin & Wanguo Securities exchanging shares to absorb and merge Hong Yuan Securities. On August 11, 2014, the second extraordinary general meeting of shareholders of Shenyin & Wanguo Securities in 2014 and the first extraordinary general meeting of shareholders of Hong Yuan Securities in 2014 reviewed and approved the above-mentioned issues of share exchange absorption and merger.

Hong Yuan Securities, formerly Xinjiang Hongyuan Trust and Investment Co., Ltd., was established in 1993 by public subscription. Approved by CSRC on January 3, 1994, Hong Yuan Securities issued 50 million ordinary shares of RMB to the public initially and was listed on the Shenzhen Stock Exchange on February 2, 1994. In September 2000, with the approval of the Zheng Jian Ji Gou Zi [2000] No. 210 issued by CSRC, the company was reorganized into Hong Yuan Securities.

On November 28, 2014, CSRC issued the “reply to the approval of Shenyin & Wanguo securities Co., Ltd. to issue shares to absorb and merge Hong Yuan Securities Co., Ltd. (Zheng Jian Xu Ke [2014] No.1279), and approved Shenyin & Wanguo Securities to issue 8,140,984,977 shares to absorb and merge Hong Yuan Securities.

On December 14, 2014, Shenyin & Wanguo Securities held the 23rd meeting of the third session of the board of directors, reviewed and agreed the reorganization scheme, Shenyin & Wanguo Securities set up a wholly owned subsidiary of securities in Shanghai with all the securities assets and liabilities after the merge with Hong Yuan Securities, and Shenyin & Wanguo Securities renamed into Shenwan Hongyuan Group Co., Ltd. and relocated to Xinjiang.

On January 8, 2015, the Ministry of Finance issued the “approval of the asset appraisal project of Shenyin & Wanguo Securities absorbing and merging Hong Yuan Securities” (Cai Jin [2015] No.1), and approved the asset appraisal report of Shenyin & Wanguo securities investing and establishing securities subsidiaries with all securities assets and liabilities after absorbing and merging Hong Yuan Securities; On January 15, 2015, CSRC issued the reply to the approval for the establishment of Shenwan Hong Yuan Securities Co., Ltd. and its two subsidiaries (Zheng Jian Xu Ke [2015] No.95), approving that Shenyin & Wanguo Securities would establish Shenwan Hong Yuan Securities Co., Ltd. as a wholly-owned securities subsidiary by absorbing all securities assets and liabilities after the merger of Hong Yuan Securities. On the same day, Shenwan Hong Yuan Securities Co., Ltd. was established.

## Section II Company Profile and Key Financial Indicators (continued)

On January 16, 2015, Shenyin & Wanguo Securities renamed as “Shenwan Hongyuan Group Co.,Ltd.” and changed its business scope to “investment management, industrial investment, equity investment and investment consultation”, and obtained the renewed business license issued by Shanghai Administration for Industry and Commerce (registration number: 310000000046991).

On January 20, 2015, Shenwan Hongyuan group moved to Urumqi, Xinjiang and obtained the business license renewed by the administration for industry and commerce of Xinjiang Uygur Autonomous region.

On January 23, 2015, after the close of trading on the record date of implementing the transfer of shares, Hong Yuan Securities implemented the transfer of shares and converted into A Shares of Shenwan Hongyuan Group.

On January 26, 2015, with the approval of “Notice on the listing of RMB ordinary shares of Shenwan Hongyuan Group Co., Ltd.” (Shen Zheng Shang [2015] No.14) by Shenzhen Stock Exchange, Shenwan Hongyuan Group’s RMB ordinary shares are listed on the Shenzhen Stock Exchange.

In March 2015, in accordance with the authorization and specific implementation of the general meeting, the Company completed the filing procedures for the Articles of Association, change of registered capital, change of enterprise type and other industrial and commercial changes procedures, and obtained the business license issued by the Administration for Industry and Commerce of Xinjiang Uygur Autonomous region, with the registered capital of RMB14,856,744,977.

On July 6, 2016, the Company implemented and completed the 2015 annual profit distribution plan, and the total share capital of the Company increased from 14,856,744,977 shares to 20,056,605,718 shares. In November 2016, as authorized by the general meeting, the Company amended the relevant articles of the Articles of Association, went through the procedures of changing the industrial and commercial registration and filing procedure, and obtained a new business license. The registered capital was changed to RMB20,056,605,718, and the business scope is changed to: investment management, industrial investment, equity investment, investment consultation, and property leasing (for projects subject to approval according to law, business activities can be carried out only after the approval of relevant departments).

Upon the “reply for approval of the Shenwan Hongyuan Group Co., Ltd.’s non-public issue of stock” (Zheng Jian Xu Ke [2017] No. 2282) by CSRC, in January 2018, Shenwan Hongyuan Group conducted non-public issuance of 2,479,338,842 ordinary shares to our investors, and on January 30, 2018 listed on the Shenzhen Stock Exchange, the Company’s total share capital increased by 20,056,605,718 shares to 22,535,944,560 shares. On February 2, 2018, as authorized by the general meeting, the Company went through the procedures for the alteration of industrial and commercial registration and filing of the registered capital and the relevant provisions of the articles of association of the company, and obtained a new business license, with the registered capital changed to RMB22,535,944,560.

The Company issued 2,504,000,000 overseas listed foreign shares (H Shares) and such H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on April 26, 2019, as approved by the “Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd.” (Zheng Jian Xu Ke [2019] No. 393) issued by CSRC and by the Hong Kong Stock Exchange. The total share capital of the Company increased from 22,535,944,560 shares to 25,039,944,560 shares. During

## Section II Company Profile and Key Financial Indicators (continued)

the Reporting Period, the Company has gone through the procedures for the alteration of the industrial and commercial registration and filing of the registered capital and related articles of the Articles of Association as authorized by the general meeting, and obtained a new business license. The registered capital of the company was changed from RMB22,535,944,560 to RMB25,039,944,560.

### VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS (consolidated statements)

Accounting data and financial indicators set out in this report have been prepared in accordance with the International Financial Reporting Standards.

#### (I) Key accounting data and financial indicators

Unit: RMB'000

Items	2019	2018	Increase/decrease as compared with the last year (%)	2017
Total revenue and other income	33,251,541	24,109,617	37.92	20,924,649
Profit before income tax	6,927,231	5,187,265	33.54	5,927,493
Net Profit attributable to shareholders of the Company	5,735,413	4,160,189	37.86	4,599,683
Net cash generated from/(used in) operating activities	-1,004,066	-9,396,995	N/A	-5,995,522
Basic earnings per share (in RMB per share)	0.24	0.19	26.32	0.23
Weighted average return on equity (%)	7.41	6.19	Increased by 1.22 percentage points	8.61

Items	End of 2019	End of 2018	Increase/decrease as compared with the end of last year (%)	End of 2017
Total assets	388,537,268	347,725,035	11.74	299,943,298
Total liabilities	303,705,861	276,529,106	9.83	242,937,520
Net assets attributable to shareholders of the Company	83,206,190	69,399,325	19.89	55,197,197
Total Share capital	25,039,945	22,535,945	11.11	20,056,606
Equity per share attributable to shareholders of the Company (in RMB per share)	3.32	3.08	7.81	2.75
Gearing ratio (%) <sup>Note</sup>	72.77	75.23	Decreased by 2.46 percentage points	75.88

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)



## Section II Company Profile and Key Financial Indicators (continued)

### VII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

There are no differences between the net profits in 2019 and 2018 and net assets as of December 31, 2019 and December 31, 2018 set out in the financial statements disclosed by the Company under the International Financial Reporting Standards and China Accounting Standards for Business Enterprises.

### VIII. NET CAPITAL AND THE LIQUIDITY RISK CONTROL INDICATORS (CALCULATED BASED ON THE DATA OF THE PARENT COMPANY OF SHENWAN HONGYUAN SECURITIES)

Unit: RMB

Items	As of the end of 2019	As of the end of 2018	Increase/decrease as compared with the end of the last year
Core net capital	<b>53,848,476,091.47</b>	47,653,705,518.04	13.00%
Net supplementary capital	<b>2,300,000,000.00</b>	10,720,000,000.00	-78.54%
Net capital	<b>56,148,476,091.47</b>	58,373,705,518.04	-3.81%
Net assets	<b>70,434,032,260.20</b>	62,330,977,192.62	13.00%
Total risk capital reserves	<b>26,464,802,563.00</b>	24,547,756,153.88	7.81%
Total on-balance sheet & off-balance sheet assets	<b>271,074,765,600.01</b>	251,877,780,259.51	7.62%
Risk coverage ratio	<b>212.16%</b>	237.80%	Decreased by 25.64 percentage points
Capital leverage ratio	<b>19.86%</b>	18.92%	Increased by 0.94 percentage point
Liquidity coverage ratio	<b>259.18%</b>	333.57%	Decreased by 74.39 percentage points
Net stable funding ratio	<b>137.32%</b>	130.22%	Increased by 7.10 percentage points
Net capital/Net assets	<b>79.72%</b>	93.65%	Decreased by 13.93 percentage points
Net capital/liabilities	<b>29.54%</b>	31.54%	Decreased by 2.00 percentage points
Net assets/liabilities	<b>37.05%</b>	33.68%	Increased by 3.37 percentage points
Equity securities and derivatives held/Net capital	<b>29.67%</b>	20.28%	Increased by 9.39 percentage points
Non-equity securities and derivatives held/Net capital	<b>277.43%</b>	172.09%	Increased by 105.34 percentage points

## Section II Company Profile and Key Financial Indicators (continued)

### IX. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN LAST FIVE YEARS

#### (I) Profiting status (Unit: RMB'000)

Items	2019	2018	2017	2016	2015
Total revenue and other income	<b>33,251,541</b>	24,109,617	20,924,649	21,718,820	42,162,734
Total expenses	<b>26,606,448</b>	19,133,948	15,220,327	15,545,269	24,666,331
Profit before income tax	<b>6,927,231</b>	5,187,265	5,927,493	6,385,312	17,546,731
Profit attributable to shareholders of the Company	<b>5,735,413</b>	4,160,189	4,599,683	5,409,058	12,154,188

#### (II) Assets status (Unit: RMB'000)

Items	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	<b>388,537,268</b>	347,725,035	299,943,298	275,489,263	333,569,469
Total liabilities	<b>303,705,861</b>	276,529,106	242,937,520	221,416,022	281,703,691
Equity attributable to shareholders of the Company	<b>83,206,190</b>	69,399,325	55,197,197	52,304,812	50,234,291
Share capital	<b>25,039,945</b>	22,535,945	20,056,606	20,056,606	14,856,745

#### (III) Key financial indicators

Items	2019	2018	2017	2016	2015
Basic earnings per share (in RMB per share)	<b>0.24</b>	0.19	0.23	0.27	0.82
Diluted earnings per share (in RMB per share)	<b>0.24</b>	0.19	0.23	0.27	0.82
Weighted average return on equity (%)	<b>7.41</b>	6.19	8.61	10.59	27.41
Gearing ratio (%) <sup>Note</sup>	<b>72.77</b>	75.23	75.88	70.89	74.17
Equity per share attributable to shareholders of the Company (in RMB per share)	<b>3.32</b>	3.08	2.75	2.61	3.38

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)

## Section III Summary of the Company's Business

### I. PRINCIPAL BUSINESS ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

#### (I) Principal business engaged by the Company and its business model

As an investment holding group, the Company is committed to providing diverse financial products and services to clients, footed the capital market and focusing on securities businesses. Utilizing the structure of "investment holding group + subsidiary securities firm", the Company has established business model and competitive strengths to distinct itself among its competitors. The Company's business mainly focuses on four segments, including enterprise finance, personal finance, institutional services and trading, as well as investment management. The specific business structure is as follows:

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

#### 1. Enterprise finance

The Company's enterprise finance business consists of investment banking business and principal investment business. Investment banking business provides equity underwriting and sponsorship, debt underwriting and financial advisory services for corporate clients; and principal investment business mainly comprises equity investment and debt investment of non-listed companies.

#### 2. Personal finance

The Company's personal finance business serves the comprehensive financial needs of individuals and non-professional institutional investors. It provides services such as securities and futures brokerage, margin financing and securities lending, stock-backed lending, sales of financial products and investment advisory through the combination of online and offline channels.

#### 3. Institutional services and trading

The Company's institutional services include prime brokerage and research and consultation services for professional institutional clients; in the meantime, the Company is also engaged in the trading of FICC, equity and equity-linked securities, based on which the Company offers sales, trading, hedging and OTC derivatives services to institutional clients.

## Section III Summary of the Company's Business (continued)

### 4. Investment management

The Company's investment management business consists of asset management, mutual fund management and private equity fund management services.

There were no material changes to the principal business and business model of the Company during the Reporting Period.

### (II) The characteristics of the industry and the Company's position in the industry

In 2019, the reforming and opening of domestic capital market have made steady progress, the STAR Market was officially launched, the reforms of the NEEQ and ChiNext Board were accelerated, restrictions on foreign ownership of securities, fund and futures enterprises were lifted ahead of schedule, and the revised Securities Law was officially implemented. With the continuous improvement of the multi-level capital market system, the importance of the capital market in the financial system has been further enhanced and its role in serving the development of the real economy has become more prominent. At the same time, the slowdown in macroeconomic growth and trade frictions between China and the US have also had a certain impact on the capital market, which makes the capital market still face a series of challenges.

As a comprehensive service provider of capital market, the Company is committed to providing customers with diversified financial products and services. The Company's securities business has established a leading position in domestic securities industry with a long history, all-round and high quality. The Company takes the advantages of the two-tier structure of "investment holding group + subsidiary securities firm", which lead the principal investment business perform steadily, constantly optimizes the asset allocation structure, and strengthens the coordination between investment business, asset management, investment banking and other businesses, to continuously improve the investment model of sustainable development. Relying on the capital market, the Company vigorously develops the private equity business, constantly optimizes the fund management model, and comprehensively serves the development of real economy and industrial transformation and upgrading.

During the Reporting Period, facing the complicated market situation and the increasingly fierce industry competition, the Company continued to insist on prudent management, accelerated the layout in terms of capital, business transformation, internationalization and fintech, and comprehensively strengthened customer management, asset and liability management and risk management. It further deepened the reform of mechanisms and systems including human resources, continuously strengthened comprehensive customer service ability, and centered on four major businesses development needs, to construct the whole financial industrial chain relying on the capital market. At present, the Company has the solid asset quality, the healthy financial situation, the controllable financial risk, which continues to maintain the strong profitability.

## Section III Summary of the Company's Business (continued)

### II. SIGNIFICANT CHANGES FOR KEY ASSETS OF THE COMPANY

#### (I) Status of significant changes for key assets

Key Assets	Explanation for Significant Changes
Cash held on behalf of brokerage clients	Increase in deposits from brokage customers
Fund-providing	Increase in customers' demand for financing
Refundable deposits	Increase in transaction and performance deposits
Financial assets held under resale agreements	Decrease in the scale of stock-pledged repurchase business and bond-pledged repurchase business
Financial assets at fair value through profit or loss	Increase in the scale of bonds & funds investment
Financial assets at fair value through other comprehensive income	Increase in the scale of bonds investment

#### (II) Status of key assets overseas

Details of the assets	Formed reason	Assets scale	Location	Operating model	Profiting status	Assets overseas/	Whether there
						net asset of the Company	is significant impairment risk
Shenwan Hongyuan (international) Holdings Limited	Investment	HKD 10,595,202,545.00	Hong Kong	Wholly-owned subsidiary	HKD 669,714,453.86	11.41%	No

### III. CORE COMPETITIVENESS OF THE COMPANY

The Company utilizes its established advantages of two-tier structure to promote the sustainable development of each business segment coordinately, and actively builds an investment holding group, thus forming its own core competitiveness, which is mainly reflected in the following aspects:

#### (I) Leading comprehensive strength

Making full use of the advantages of its predecessors, Shenyin & Wanguo Securities and Hong Yuan Securities, which leads the total assets and the scale of net assets of the Company ranked top among the industry, demonstrating strong capital strength. The Company has inherited the leading brand influence of its predecessors, Shenyin & Wanguo Securities and Hong Yuan Securities, among the industry, and therefore has a strong influence in various businesses. The Company is vigorously carrying out various investment businesses, steadily conducting diversified financial investments, and explore international business capitalizing on the opportunities arising from the construction of "Belt and Road" initiative, striving to become an investment holding group with sound layout and outstanding capabilities.

## Section III Summary of the Company's Business (continued)

### (II) Broad development prospects

The Company's two-tier structure of "investment holding group + subsidiary securities firm" is conducive to realizing the whole industry chain business model based on the capital market. The group companies have the flexibility to carry out various investments and establish trading assets centered on the capital market. Our securities firm, a large securities firm with comprehensive business and full license, has sound product lines and service lines under securities business. Its comprehensive strength has been greatly improved since the merger and reorganization, which helped laying the foundation for its transformation into a modern investment bank. The Company will actively promote the coordinated development of investment business and securities business, and build a differentiated development model of "investment + investment bank" to provide a full range of comprehensive financial services for the economic entity.

### (III) Favorable regional advantage

In terms of the capital market business, we are able to make full use of the regional advantage and the role of Xinjiang as the forefront for the strategy of the new "Silk Road Economic Belt"; at the same time, we are able to achieve linkage and resource synergy between the Eastern and Western regions of China by capturing the development opportunities arising from the construction of "Two Centers" and free trade zone in Shanghai. The Company has gained most of the market shares of brokerage business in Xinjiang which is located in the economic center of the "Belt and Road" initiative, accumulated rich client resources, and maintained good relationship with local governments, regulatory authorities and enterprises, enabling us to benefit from the development of the Western region. Capitalizing on the favorable regional advantage and policy support in Shanghai area, the Company is able to seize opportunities for pilot implementation in the aspects of financial reform, opening up and innovation to actively participate in the promotion of the national strategy of "Maritime Silk Road".

### (IV) Effective risk management

As an investment holding group, the Company attaches great importance to legal operation and internal control construction. It has established a comprehensive risk management system at group level covering all aspects and all staff throughout its entire business process, achieved the integration of business development and compliance operation, and effectively controlled market risk, credit risk, liquidity risk, operational risk and other risks, with risk control indicators of subsidiary securities firm in compliance with the requirements of regulatory authorities. Moreover, its business maintains sustainable development momentum, providing a guarantee for the further improvement of the Company's comprehensive strength.

### (V) Well-established talent mechanism

The Company adheres to the people-oriented principle, upholds the concept of employing those with integrity, competence and merit and giving full scope to the talents, and creates a transparent, fair, competitive, merit-based and applicable employment environment. The Company improves the human resources development system with market-oriented mechanism as the core, and promotes the interests sharing between the Company, shareholders and employees to provide strong and enduring career help for employee's long-term development and self-value realization.

## Section IV Report of the Board

### I. OVERVIEW

In 2019, due to the escalated global trade frictions and tense geopolitical situation, the world economic growth slowed down. The domestic economy adhered to the general principle of “striving for progress while maintaining stability” and the supply-side structural reform was further deepened. The PRC maintained sustained and healthy development of the economy and society, and the securities market experienced an “Indian summer”. Throughout the year, the SSE Composite Index and the SZSE Component Index rose by 22.30% and 44.08%, respectively, and the average daily turnover of shares and funds in the Shanghai Stock Exchange and the Shenzhen Stock Exchange was RMB561.579 billion, representing a year-on-year increase of 36.34%.

During the Reporting Period, the Company continued to increase its strategic layout and solidify its management foundation for the purpose of three major tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform. Based on its high-base operating performance in 2018 and resolute adjustment to its structure, the Company achieved rapid growth in performance again, its major businesses advanced, and its revenue structure was continuously improved. In particular, the return on investment in FICC and the market share of the bond distribution business continued to lead the industry. The revenue and market position of investment banking climbed rapidly. Retail business saw a significant increase in new accounts and new customer assets. With the improvement of credit asset structure and optimization of quality, institutional customers’ influence and market share in respect of revenue has been steadily rising. The building of investment research capability and product system of the asset management business have been gradually improved, and breakthroughs have been made in the international business layout. During the Reporting Period, the Company obtained 10 qualifications for individual businesses which further improved the business layout of FICC, derivatives, market making services, etc. As a result, the Company’s overall strength and core competitiveness have been strengthened as a whole. During the year, the Company was successfully listed in Hong Kong and completed the H-share financing in an amount of US\$1.16 billion, which further optimized the Company’s equity structure, consolidated the international capital platform, and placed the international business at a new level.

### II. PRINCIPAL BUSINESS ANALYSIS

#### (I) General Condition

In 2019, the Company realized total revenue and other income of RMB33,252 million, representing an increase of 37.92% as compared to the corresponding period of last year; profit before income tax of RMB6,927 million, representing an increase of 33.54% as compared to the corresponding period of last year; net profit attributable to shareholders of the Company of RMB5,735 million, representing an increase of 37.86% as compared to the corresponding period of last year; basic earnings per share of RMB0.24, representing an increase of 26.32% as compared to the corresponding period of last year; and a weighted average return on equity of 7.41%, representing an increase of 1.22 percentage points as compared to the corresponding period of last year. As of December 31, 2019, the Company has total assets of RMB388,537 million, representing an increase of 11.74% as compared to the beginning of the year, and the total equity attributable to shareholders of the Company amounted to RMB83,206 million, representing an increase of 19.89% as compared to the beginning of the year.

## Section IV Report of the Board (continued)

### (II) Principal Business Analysis

Shenwan Hongyuan Group is comprised of Shenwan Hongyuan Securities, Shenwan Hongyuan Industrial Investment, Shenwan Hongyuan Investment, Hongyuan Futures, Hongyuan Huizhi, Hongyuan Huifu and other subsidiaries, and has four major business segments including enterprise finance, personal finance, institutional services and trading, and investment management. The Company continues to build the whole industry chain of investment and financial services relying on the capital market to provide diverse financial products and services to customers.

Information on each business segment of the principal business is as follows:

Unit: RMB'000

Segment	Total revenue and other income	Total expenses	Operating profit margin (%)	Change in total revenue and other income as compared to the corresponding period of last year (%)	Change in total expenses as compared to the corresponding period of last year (%)	Change in operating profit margin as compared to the corresponding period of last year (percentage point)
Enterprise finance	2,717,917	2,294,396	15.58	25.47	55.71	-16.39
Including: Investment banking	1,218,787	811,075	33.45	27.53	38.29	-5.18
Principal investment	1,499,130	1,483,321	1.05	23.84	67.22	-25.67
Personal finance	11,344,722	8,555,561	24.59	1.86	-8.33	8.39
Institutional services and trading	17,166,153	14,392,010	16.16	93.66	100.14	-2.71
Investment management	2,022,749	1,364,481	32.54	4.18	20.11	-8.95
Total	33,251,541	26,606,448	19.98	37.92	39.05	-0.65

#### 1. Enterprise Finance Business

Targeting enterprise clients, our enterprise finance business consists of investment banking business and principal investment business. The investment banking business includes equity financing, debt financing and financial advisory, while the principal investment business includes equity investment, debt investment and other investment. During the Reporting Period, the enterprise finance business of the Company recorded total revenue and other income of RMB2,718 million, representing a year-on-year increase of 25.47%, including RMB1,219 million from the investment banking business and RMB1,499 million from the principal investment business.



## Section IV Report of the Board (continued)

### (1) *Investment banking business*

In 2019, the total A Share equity financing amounted to RMB1,532.3 billion, representing a year-on-year increase of 26.57%; the total corporate bonds issued amounted to RMB2,543.9 billion, representing a year-on-year increase of 53.47%; and the total enterprise bonds issued amounted to RMB362.4 billion, representing a year-on-year increase of 49.87% (WIND, 2019).

In the context of policies that support direct financing, the Company's investment banking business actively served the capital market reform and the national strategy of scientific and technological innovation, seized market opportunities, and fully participated in the construction of the STAR Market. It grasped business opportunities for M&A and restructuring based on industrial logic. The Company develops a full range of fixed income financing businesses and continued to increase efforts on development of new projects to increase project reserves. In addition, it further focused on central enterprises, local state-owned enterprises and leading private enterprises, to consolidate and expand core customer groups and improve customer structure.

During the Reporting Period, the Company completed 13 equity financing projects (including 3 IPOs and 10 refinancing projects) with a financing amount of RMB13.879 billion. In particular, "Anji Technology", for the shares of which the Company was responsible for sponsoring and undertaking, was one of the first batch of enterprises listed in the STAR Market; six M&A and restructuring transactions were approved by the M&A and restructuring committee of the CSRC, ranking the fifth in the industry, up by 13 in ranking as compared with the last year; The Company also acted as the lead underwriter for 18 enterprise bond projects, ranking the seventh in the industry, with an underwriting amount of RMB9.229 billion, 61 corporate bond projects with an underwriting amount of RMB45.205 billion which doubled as compared with the last year in terms of the number of corporate bond projects and the underwriting amount, and the Company was thus rated as an outstanding lead underwriter of corporate bonds by the Shenzhen Stock Exchange. Besides, the Company acted as the underwriter for 493 local government bond projects with an underwriting amount of RMB32.483 billion, ranking the fifth in the industry. The Company recommended seven companies for listing and 40 private placement projects on the NEEQ, ranking the second in the industry. The Company ranked the first in the industry in terms of the accumulated number of enterprises for which the Company recommended for listing, the number of private placement projects and the number of enterprises subject to continuous supervision of the Company. By leveraging on the development opportunities arising from the deepened reform of the NEEQ, the Company has reserved a batch of enterprises with the plan for the selective layer.

## Section IV Report of the Board (continued)

### (2) *Principal investment business*

The Company and certain of its subsidiaries including Shenwan Hongyuan Securities conduct the principal investment business.

For the principal investment business, by fully leveraging on the advantages of the “investment holding group + subsidiary securities firm” two-tier structure, the Company reinforced the in-depth collaboration of “investment + investment banking” to provide comprehensive equity and debt financing services for customers through cooperation with investment banking, asset management and other businesses. During the Reporting Period, in respect of the principal investment business, the Company, relying on the capital market, actively promoted the business transformation and innovation, steadily expanded the business scope, enriched investment varieties, and further improved the asset allocation structure. The Company further strengthened the development of major customers and deepened the strategic cooperation with existing important customers, to establish and improve a major customer reserve bank and continuously broaden the breadth of cooperation; it continued to strengthen investment capacity building, actively served the development of the real economy, and strengthened risk management.

Hongyuan Huizhi deepened business cooperation with strategic customers and core customers and actively cooperated with securities business, to provide customers with all-round comprehensive financial services and continuously consolidate the foundation of profitability. It proactively promoted real estate financial projects, consumer credit projects, accounts receivable projects, urban renewal projects, etc., expanded diversified investments, optimized asset allocation. In addition, the Company’s bond underwriting business was promoted through relevant investment projects.

Shenyin & Wanguo Alternative Investment deepened the adjustment of asset layout, and focused on promoting the private equity investment, investment in private securities funds and investment in the STAR Market. During the Reporting Period, it completed the follow-up investment project of “Anji Technology” in the STAR Market, and good investment returns were achieved.

Shenyin & Wanguo Investment strove to strengthen business cooperation with large groups, listed companies, and local governments, and its investment business developed steadily. Two investees have been listed, one investee has passed the IPO review, and two investees are in the process of application for IPO review.

### 2. Personal Finance Business

The personal finance business of the Company mainly covers securities brokerage, futures brokerage, margin financing and securities lending, stock-backed lending and sales of financial products. During the Reporting Period, the personal finance business of the Company recorded total revenue and other income of RMB11,345 million, representing a year-on-year increase of 1.86%.

#### (1) *Securities brokerage business*

In 2019, the overall capital market picked up with the SSE Composite Index, the SZSE Component Index and the ChiNext Board Index rising by 22.30%, 44.08% and 43.79%, respectively. In 2019, the daily average trading amount in the Shanghai and Shenzhen stock markets reached RMB561,579 million, representing a year-on-year increase of 36.34%. The competition on commissions continued to intensify and the commission in the industry further declined. The Company's securities brokerage business proactively seized opportunities in the market to increase the introduction of customer assets and efforts to activate assets through intensifying technology application, optimizing user experience, strengthening investment consulting construction, improving professional services, to accelerate the transformation to wealth management, and good achievements were made. As of the end of the Reporting Period, client's assets under the custody of the Company amounted to RMB3.20 trillion, representing a year-on-year increase of 33.67% and a market share of 7.18%, ranking among the top in the industry; the net income from our agency trading business amounted to RMB3,023 million, representing a market share of 4.3276%, steadily ranking among the top in the industry. At the end of the period, the brokerage business had nearly 7.271 million retail customers, representing an increase of 11.04% as compared with the end of the previous year. The total number of investment advisors was 2,357, representing an increase of 27% year on year. The new securities accounts opened reached 710,800, representing an increase of 118.71% over the same period of last year. The iteration of Big Winner APP was accelerated, and more than 120 new functions and experience optimizations were launched in the year, with monthly active users reaching 1,121,100, representing a year-on-year increase of 61.13%.

#### (2) *Futures brokerage business*

The Company conducts the futures brokerage business through Shenwan Futures and Hongyuan Futures.

In 2019, Shenwan Futures took the listing of new varieties of futures and options as the starting point, constantly consolidated the foundation of brokerage business, and kept on promoting the development of innovative businesses and transformation of the Company's business structure, customer structure and income structure through product-oriented business, comprehensive financial business and risk management business. Due to its comprehensive and excellent performance in compliance operations, innovative development and serving the real economy, Shenwan Futures has been awarded the highest Class A Grade AA rating in the classified evaluation of futures companies by the CSRC for six consecutive years, and it has also been granted approximately 40 awards and honors by the financial industry, government authorities, exchanges and mainstream media etc., resulting in continuous enhancement of its position in the industry and brand awareness.

## Section IV Report of the Board (continued)

In 2019, Hongyuan Futures further strengthened its business layout, further developed its new business, and applied for qualifications for fund sales business. Breakthroughs to varying degrees were achieved in terms of basis trading business, market making business, and options business. In particular, the market making business has gradually expanded to thermal coal, silver and cotton yarn futures and won the “Gold Award for Market-Making Business of 2019” from the Shanghai Futures Exchange; for options business, the on-the-exchange or OTC quotation model and business model were further optimized with the nominal principal up by 227.85% compared to the corresponding period of last year. The brokerage business continued to maintain the growth trend of customer equity, and the institutional transformation of customer structure showed obvious effects. The daily average customer equity and total customer equity peaked at a record high; with rich asset management business varieties and gradual embodiment of investment management capabilities, product performance improved significantly; the operation of self-own funds was proactive and orderly and the rate of return on investment with self-own funds was improved through asset allocation and timing allocation. Hongyuan Futures gave play to the driving role of the investment with self-own funds for business to promote its comprehensive business development and create a cooperation circle for the brokerage business and product business. Hongyuan Futures continued to strengthen compliance operations and maintained Class A Grade A rating in the classified evaluation.

### (3) *Margin financing and securities lending business*

In 2019, the trading in the market was more active with an increase in clients' demand for margin financing and securities lending business. As at the end of 2019, the balance of margin financing and securities lending business was RMB1,019.285 billion, representing an increase of 34.87% over the end of last year.

During the Reporting Period, by fully leveraging on the position as one of the first batch of qualified brokers for securities refinancing business in the STAR Market, the Company accelerated institutional transformation of clients through capturing market trends, expanding the source of securities and vigorously introducing a private equity quantification team. As of the end of the Reporting Period, the balance of the Company's margin financing and securities lending business was RMB51,710 million, and the market share was 5.05%. In particular, the balance of financing business was RMB51,055 million, representing an increase of 20.89% over the end of the previous year; the balance of securities lending business was RMB655 million, representing an increase of 31.03% over the end of the previous year, and the maintenance margin ratio of the Company's margin financing and securities lending business was maintained at 268.72% on average.

### (4) *Stock-backed lending business*

In 2019, all participants in the market have paid more attention to the prevention of risks of stock-backed lending projects and the market size of stock-backed lending business continued to decline. The business survival risk continued to be mitigated, and the incremental pledge by the controlling shareholders of listed companies has significantly reduced.

During the Reporting Period, the Company's stock-backed lending business actively responded to change in the market environment, and further strengthened project risk management, controlled the scale and adjusted the structure to promote business through a series of measures including optimizing business systems, tightened project access, strengthening concentration management, conducting business self-inspection, and implementing post-loan management. As of the end of the Reporting Period, the Company's stock-backed lending business has a balance of RMB24,488 million, decreasing by 43.94% over the end of the previous year. The collateral coverage ratio of stock-backed lending contracts was 243.63% on average.

(5) *Sales of financial products business*

The sales of financial products of the Company includes financial products developed by ourselves and third parties, including asset management schemes, structured notes, mutual funds, private equity funds, wealth management products issued by commercial banks and other financial products.

In 2019, the sales of financial product business line of the Company devoted great efforts to both the mutual funds and private equity funds to further strengthen the development and management of our own asset management schemes and explore the potential of structured notes. While conducting market-making services with fund companies for equity-based mutual funds, we vigorously promoted private equity business, placed the focus of development on product-type customers and built a quantitative private equity business ecosystem. During the Reporting Period, the Company's total sales of our own financial products and third party products reached RMB63.899 billion and RMB46.594 billion, respectively.

### 3. Institutional Services and Trading Business

The institutional services and trading business include prime brokerage services, research and consultation, FICC sales and trading as well as equity sales and trading business. During the Reporting Period, the Company's institutional services and trading business recorded total revenue and other income of RMB17,166 million, representing a year-on-year increase of 93.66%.

(1) *Prime brokerage business*

The Company's prime brokerage services consist of trading units leasing, PB System and fund administration services.

In 2019, the Company further promoted the comprehensive financial services for institutional clients. Following the working strategy of "one company, one policy", the Company put more efforts on major customers, proactively proceeded with development of private equity clients and deepened strategic cooperation with the wealth management subsidiaries of four major banks, striving to build a whole business chain of institutional business. In respect of trading units leasing, the Company leased trading units to the entities who are not members of stock exchanges and the revenue generated from units leasing amounted to RMB422 million, representing an increase of 3.97% over the end of the previous year, and the market share of income from units leasing was 4.2034%, maintaining in the top rank in the industry; as for the PB System business,

## Section IV Report of the Board (continued)

the Company standardised the development of PB trading system to achieve full-market and full-variety coverage. As of the end of 2019, there were 487 PB System customers with a total scale of RMB114.1 billion. In terms of fund administration services, the fund operation outsourcing service of the Company passed the ISAE3402 international certification for two consecutive years, and during the Reporting Period, the Company obtained the qualification for custody of securities investment funds as administratively licensed by the CSRC. In 2019, there were 166 new private funds and custody and operation services under private asset management plan.

### (2) *Research and consultation business*

The Company carries out the research and consultation business principally through SWS Research.

In 2019, centering on the strategic direction of “specialization, platformization and globalization”, SWS Research held more than 40 quality conferences themed by “joint development of business using the platforms built through research”, and increased investment in international research, cultivated overseas research characteristics, increased overseas roadshow services and overseas joint research, to continuously improve research quality and market influence. SWS Research won the first place of “Local Gold Medal Research Team” and 23 individual research awards in the “13th Crystal Ball Awards For Chinese Sell-Side Analysts” sponsored by Securities Market Weekly magazine; the 4th place of the “The Most Influential Research Institutions”, and individual awards in 10 research fields in the “17th Best Analyst” sponsored by the New Fortune magazine agency.

### (3) *FICC sales and trading business*

In 2019, in the face of the market environment with reasonable and abundant liquidity and wide fluctuations in the bond market, the Company’s fixed income and trading business accurately grasped the market trend with the rate of return on investment 11.1 percentage points higher than the average of open-ended pure debt funds at 99.7% percentile and the profit contribution hitting a historic new high again; the Company’s investment is stable and has achieved profit for 42 consecutive months as at the end of 2019, and is featured by controllable drawdown of net value and high stability of income; the distribution of debt financing instruments of non-financial enterprises continued to maintain a leading position.

While maintaining the core competitiveness in the fixed income field, the Company has established a complete business line covering bonds, commodities and foreign exchange, and formed a cross-border, cross-market, and cross-business layout, to provide product design, trading organization, risk pricing, hedging transactions, liquidity support and other services for financial institutions and physical enterprises; it has successfully obtained the qualifications of market maker for interest rate option derivatives, credit derivatives, Bond Connect, funds listed on exchanges, etc., and continuously strengthens its comprehensive service capability of market making, to form a richer and more stable profit model.

## Section IV Report of the Board (continued)

### (4) *Equity sales and trading business*

In 2019, in respect of equity investment, the Company continued to promote the transformation of traditional proprietary trading to the strategic goal of integrated trading and collaborative services, optimized the allocation of large-scale assets, and strengthened product creation to provide comprehensive financial services to clients, resulting in a stable increase in the overall profitability. During the Reporting Period, the return on investment of equity sales and trading business exceeded the average return of A-share market index and comparable mutual funds and the proportion of income from low- and medium-risk capital intermediary business increased significantly.

Furthermore, the Company vigorously developed market-making business and obtained a number of important business qualifications including the main market maker of the Shanghai and Shenzhen 300ETF options from the Shanghai Stock Exchange, the main market maker of the Shanghai and Shenzhen 300ETF options from the Shenzhen Stock Exchange, the market maker of 300 stock index options of the Shanghai and Shenzhen from China Financial Futures Exchange and the market maker of commodity options (PTA, methanol) from Zhengzhou Commodity Exchange. During the Reporting Period, the Company completed market making for 14 mutual EFTs and all those meeting the rating standards of the Shanghai Stock Exchange and the Shenzhen Stock Exchange obtained the highest rating. Meanwhile, the Company was awarded the honorary title of “outstanding ETF liquidity service provider” for 2019 by the Shenzhen Stock Exchange.

### (5) *Derivatives business*

In 2019, the Company continued to improve its derivative services for customers. Guided by customer needs, it vigorously promoted supply-side reform of products, to continuously enrich its product lines and strengthen its customer stickiness, and has formed a “product + trading + capital intermediary” profit model. At present, the Company’s derivatives trading business has covered more than 200 institutional clients including commercial banks, securities companies, fund subsidiaries, futures subsidiaries, private equity funds, and enterprises in the real economy. According to data released by the Securities Association of China, during the Reporting Period, the Company’s market share of OTC derivatives business was 12.3%, ranking among the top five in the industry in respect of cumulative scale.

## 4. **Investment Management Business**

The investment management business of the Company consists of asset management, mutual fund management and private equity fund management. During the Reporting Period, the Company’s investment management business segment recorded total revenue and other income of RMB2,023 million, representing a year-on-year increase of 4.18%.

### (1) *Asset management business*

The Company carries out the asset management business principally through Shenwan Hongyuan Securities, SWS MU, Shenwan Futures and Hongyuan Futures.

## Section IV Report of the Board (continued)

In 2019, the Company's asset management business, focusing on professional reforms and enhancement and transformation of active management capabilities, continuously accelerated system construction, and enhanced investment research capabilities and internal coordination. The strategic support positioning and the role of basic hub became more prominent. The continuous improvement of operating results and market influence laid a solid foundation for building a new brand of "all-asset special agency, multi-strategy boutique". During the Reporting Period, in light of zero growth in the overall net income of the asset management industry, the Company's net income from asset management business achieved rapid growth, ranking 5th in the industry, up by 1 position from the previous year; the revenue structure was further optimized and the revenue from initiative management business accounted for 86%, an increase of 11 percentage points from the previous year.

In addition, the Company's asset management business and key products have been further recognized by the industry. At the press conference of the Bank of China's 2020 White Paper of Large-scale Asset Allocation, it was rated as the "Best Partner of 2019" for securities firms of asset management by the Bank of China; the "Baoying Jinli Series Collective Asset Management Plan" won the "2019 Most Popular Securities Asset Management Product by Securities Firms" at the Eastmoney Award.

### (2) *Mutual fund management business*

The Company carries out the mutual fund management business principally through its controlled subsidiary SWS MU and its invested company Fullgoal Fund.

In 2019, SWS MU achieved stable net value of funds and performance growth on the premise of effective risk control with the support of its seasoned investment research team. As of the end of the Reporting Period, the scale of assets under its management was RMB76.2 billion, representing an increase of 46% from the end of the previous year. SWS MU CSI 500 Index Selected Enhanced product and two SWS MU CSI 500 Index Enhanced products of the Company, ranked the top one and two among the same kind of CSI 500 Index Selected Enhanced products, respectively, which fully demonstrated the strong competitiveness of the Company's quantitative investment ability in the industry. At the end of the Reporting Period, the scale of mutual funds under Fullgoal Fund's management was RMB339.059 billion, representing an increase of over 70% over the end of the last year. It maintained excellent overall investment performance in various major categories of products such as active equity, quantitative index and fixed income.

### (3) *Private equity fund management business*

In 2019, favourable private equity policies were introduced. The appearance of private equity asset allocation manager, the launch of fixed investment, the first inclusion in the negative market access list, and the accelerated entry of foreign private equity better helped the standardized development of the private equity industry. The Company carries out the private equity fund management business principally through Shenwan Hongyuan Industrial Investment, Hongyuan Huifu and Shenyin & Wanguo Investment. Relying on the capital market, the Company vigorously developed the private equity fund business, strengthened cooperation with key provinces and relevant listed groups, large state-owned enterprises, etc., to comprehensively serve the development of the real economy and industrial transformation and upgrading.



## Section IV Report of the Board (continued)

In 2019, Shenwan Hongyuan Industrial Investment proactively leveraged the collaborative advantages of “principal investment + investment banking + research” to provide comprehensive financial services for key strategic customers, continued to strengthen customer channel construction and promote cross-border mergers and acquisitions, and proactively promoted collaboration among businesses including investment business and asset management business; Hongyuan Huifu further depended the business model of “development of Sichuan as a whole”, did a good job in launching and setting up relevant private equity funds, product filing, etc. and strengthened the management of subsidiaries, to ensure compliance of private equity fund business, with the focus placed on advancement of projects including establishment of bailout funds and industrial investment funds; Shenyin & Wanguo Investment fully exerted the role of private equity platform to strengthen cooperation with securities business, improved the integrated financial services business chain, vigorously strengthened cooperation with large groups, listed companies, local governments, etc. and placed the focus on the development of M&A funds, industrial funds and light capital equity funds. During the Reporting Period, the size of funds under the Company’s management increased by RMB2 billion.

### III. ANALYSIS OF FINANCIAL STATEMENTS

#### (I) Analysis of Consolidated Statements of Profit or Loss

##### 1. Composition of Revenue

Unit: RMB'000

Item	2019	2018	Change in amount	Change in percentage (%)
Fee and commission income	7,540,211	6,419,311	1,120,900	17.46
Interest income	11,026,802	11,446,166	-419,364	-3.66
Net investment gains	5,325,874	3,649,335	1,676,539	45.94
Other income and gains	9,358,654	2,594,805	6,763,849	260.67
<b>Total revenue and other income</b>	<b>33,251,541</b>	<b>24,109,617</b>	<b>9,141,924</b>	<b>37.92</b>

In 2019, the Group achieved total revenue and other income of RMB33,252 million, representing a year-on-year increase of RMB9,142 million or 37.92%, mainly attributable to an increase in fee and commission income, net investment gains and other income and gains, which included:

- (1) Fee and commission income of RMB7,540 million, representing a year-on-year increase of RMB1,121 million or 17.46%, mainly due to an increase in the fee income from the securities brokerage business;
- (2) Net interest income of RMB11,027 million, representing a year-on-year decrease of RMB419 million or 3.66%, mainly due to a decrease in the interest income from financial assets held under resale agreements, partially offset by the increase in the interest income from financial assets at fair value through other comprehensive income.

## Section IV Report of the Board (continued)

- (3) Net investment gains of RMB5,326 million, representing a year-on-year increase of RMB1,677 million or 45.94%, mainly due to an increase in the income obtained during the period when the Company holds trading financial instruments and the income from the difference of revenue between financial assets held for trading and trading price.
- (4) Other income and gains of RMB9,359 million, representing a year-on-year increase of RMB6,764 million, mainly due to an increase in income from basis trading business of the futures subsidiary. For details of other revenue and income, please refer to note 7 to the financial statements in Section X.

### 2. Composition of Expenses

Unit: RMB'000

Item	2019	2018	Change in amount	Change in percentage (%)
Fee and commission expenses	1,130,550	946,634	183,916	19.43
Interest expenses	7,807,128	8,089,087	-281,959	-3.49
Staff costs	5,991,456	5,177,943	813,513	15.71
Depreciation and amortization expenses	553,870	297,909	255,961	85.92
Tax and surcharges	145,938	130,449	15,489	11.87
Other operating expenses	10,117,526	3,833,181	6,284,345	163.95
Assets impairment loss	859,980	658,745	201,235	30.55
— credit impairment loss	720,118	617,243	102,875	16.67
— other assets impairment loss	139,862	41,502	98,360	237.00
<b>Total expenses</b>	<b>26,606,448</b>	<b>19,133,948</b>	<b>7,472,500</b>	<b>39.05</b>

In 2019, the Group had total expenses of RMB26,606 million, representing a year-on-year increase of RMB7,473 million or 39.05%, mainly attributable to an increase in staff costs and other operating expenses, which included:

- (1) Interest expenses of RMB7,807 million, representing a year-on-year decrease of RMB282 million or 3.49%;
- (2) Staff costs of RMB5,991 million, representing a year-on-year increase of RMB814 million or 15.71%, mainly due to an increase in the cost of performance-based remuneration as a result of an increase in the Company's revenue;
- (3) Other operating expenses of RMB10,118 million, representing a year-on-year increase of RMB6,284 million, mainly due to an increase in the cost of goods sold for basis trading business; for details of other operating expenses, please refer to note 12 to the financial statements in Section X;

## Section IV Report of the Board (continued)

- (4) Assets impairment losses of RMB860 million, representing a year-on-year increase of RMB201 million or 30.55%, mainly due to an increase in the impairment losses of stock-backed lending business;
- (5) Other expenses mainly included fee and commission expenses, depreciation and amortization expenses and tax and surcharges.

### (II) Analysis of Consolidated Statements of Cash Flows

As of December 31, 2019, the Group had cash and cash equivalents of RMB38,949 million, decreasing by 2.11% as compared to RMB39,787 million for the corresponding period of 2018. From January to December of 2019, there was net cash outflow of RMB1,040 million for the change of cash and cash equivalents, up by RMB13,831 million as compared to RMB12,791 million of the net cash inflow for the corresponding period of 2018. Among these, the net cash outflow used for operating activities between January and December of 2019 amounted to RMB1,004 million, down by RMB8,393 million as compared to RMB9,397 million of the net cash outflow used for the operating activities for the corresponding period of 2018, mainly due to an increase in the cash for accounts payable to brokerage clients; the net cash outflow used for investing activities between January and December of 2019 amounted to RMB7,601 million, up by RMB3,992 million as compared to RMB3,609 million of the net cash outflow used for the investing activities for the corresponding period of 2018, mainly due to an increase in the cash paid for the purchases of financial assets at fair value through other comprehensive income; and the net cash inflow from financing activities between January and December of 2019 amounted to RMB7,564 million, down by RMB18,233 million as compared to RMB25,797 million of the net cash inflow from financing activities for the corresponding period of 2018, mainly due to an increase in cash paid for the repayment of long-term bonds.

## Section IV Report of the Board (continued)

### (III) Analysis of Consolidated Statements of Financial Position

Unit: RMB'000

Item	December 31, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
<b>Non-current assets</b>						
Property and equipment	1,279,391	0.33	1,373,939	0.40	-94,548	-6.88
Right-of-use assets	793,825	0.20	—	—	793,825	N/A
Investment properties	99,724	0.03	66,683	0.02	33,041	49.55
Other intangible assets	143,715	0.04	148,749	0.04	-5,034	-3.38
Interest in associates and joint ventures	2,489,250	0.64	2,399,055	0.69	90,195	3.76
Financial assets measured at amortized cost	2,006,679	0.52	5,710,839	1.64	-3,704,160	-64.86
Financial assets at fair value through other comprehensive income	9,457,210	2.43	9,115,967	2.62	341,243	3.74
Financial assets held under resale agreements	9,335,549	2.40	20,992,802	6.04	-11,657,253	-55.53
Financial assets at fair value through profit or loss	5,203,804	1.34	3,419,715	0.98	1,784,089	52.17
Refundable deposits	8,878,241	2.29	5,830,612	1.68	3,047,629	52.27
Deferred tax assets	1,833,395	0.47	1,800,675	0.52	30,720	1.82
Other non-current assets	171,645	0.04	176,706	0.05	-5,061	-2.86
<b>Total non-current assets</b>	<b>41,692,428</b>	<b>10.73</b>	<b>51,035,742</b>	<b>14.68</b>	<b>-9,343,314</b>	<b>-18.31</b>

## Section IV Report of the Board (continued)

Unit: RMB'000

Item	December 31, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
<b>Current assets</b>						
Accounts receivable	1,968,153	0.51	1,237,590	0.36	730,563	59.03
Other receivables and prepayments	2,598,927	0.67	1,839,251	0.52	759,676	41.30
Margin accounts receivable	53,048,414	13.65	44,147,977	12.70	8,900,437	20.16
Financial assets measured at amortized cost	5,306,046	1.37	4,481,242	1.29	824,804	18.41
Financial assets at fair value through other comprehensive income	44,017,312	11.33	22,436,522	6.45	21,580,790	96.19
Financial assets held under resale agreements	29,915,390	7.70	45,275,398	13.02	-15,360,008	-33.93
Financial assets at fair value through profit or loss	110,024,423	28.32	90,850,184	26.13	19,174,239	21.11
Derivative financial assets	481,835	0.12	453,915	0.13	27,920	6.15
Clearing settlement funds	3,230,861	0.83	3,095,507	0.89	135,354	4.37
Cash held on behalf of brokerage clients	71,197,312	18.32	57,521,637	16.54	13,675,675	23.77
Cash and bank balances	25,056,167	6.45	25,350,070	7.29	-293,903	-1.16
<b>Total current assets</b>	<b>346,844,840</b>	<b>89.27</b>	296,689,293	85.32	50,155,547	16.91
<b>Total assets</b>	<b>388,537,268</b>	<b>100.00</b>	347,725,035	100.00	40,812,233	11.74

## Section IV Report of the Board (continued)

Unit: RMB'000

Item	December 31, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
<b>Current liabilities</b>						
Loans and borrowings	1,461,734	0.48	718,871	0.26	742,863	103.34
Short-term debt instruments issued	17,065,153	5.62	13,568,269	4.91	3,496,884	25.77
Placements from other financial institutions	10,315,074	3.40	11,694,003	4.23	-1,378,929	-11.79
Financial liabilities at fair value through profit or loss	383,170	0.13	2,787,870	1.01	-2,404,700	-86.26
Accounts payable to brokerage clients	77,053,335	25.37	60,275,347	21.80	16,777,988	27.84
Employee benefits payable	1,650,821	0.54	1,450,173	0.52	200,648	13.84
Other payables and accruals	15,044,688	4.95	13,396,280	4.84	1,648,408	12.30
Current tax liabilities	695,722	0.23	778,704	0.28	-82,982	-10.66
Financial assets sold under repurchase agreements	83,943,834	27.64	75,062,474	27.14	8,881,360	11.83
Lease liabilities	286,190	0.09	—	—	286,190	N/A
Derivative financial liabilities	614,656	0.20	456,300	0.17	158,356	34.70
Contract liabilities	115,369	0.04	86,750	0.03	28,619	32.99
Long-term bonds due within one year	21,549,900	7.10	23,940,520	8.66	-2,390,620	-9.99
<b>Total current liabilities</b>	<b>230,179,646</b>	<b>75.79</b>	<b>204,215,561</b>	<b>73.85</b>	<b>25,982,085</b>	<b>12.71</b>

## Section IV Report of the Board (continued)

Unit: RMB'000

Item	December 31, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
<b>Non-current liabilities</b>						
Loans and borrowings	—	—	650,800	0.24	-650,800	-100.00
Placements from other financial institutions	636,000	0.21	—	—	636,000	N/A
Long-term bonds	70,185,304	23.11	65,567,816	23.71	4,617,488	7.04
Non-current employee benefits payable	2,025,967	0.67	1,287,638	0.47	738,329	57.34
Deferred tax liabilities	2,558	—	242,110	0.09	-239,552	-98.94
Financial assets sold under repurchase agreements	—	—	4,300,000	1.55	-4,300,000	-100.00
Lease liabilities	493,541	0.16	—	—	493,541	N/A
Financial liabilities at fair value through profit or loss	1,000	—	44,017	0.02	-43,017	-97.73
Other non-current liabilities	181,845	0.06	221,164	0.07	-39,319	-17.78
<b>Total non-current liabilities</b>	<b>73,526,215</b>	<b>24.21</b>	72,313,545	26.15	1,212,670	1.68
<b>Total liabilities</b>	<b>303,705,861</b>	<b>100.00</b>	276,529,106	100.00	27,176,755	9.83
Share capital	25,039,945	29.52	22,535,945	31.65	2,504,000	11.11
Reserves	34,702,070	40.90	26,721,215	37.53	7,980,855	29.87
Retained profits	23,464,175	27.66	20,142,165	28.30	3,322,010	16.49
<b>Total equity attributable to shareholders of the Company</b>	<b>83,206,190</b>	<b>98.08</b>	69,399,325	97.48	13,806,865	19.89
Non-controlling interests	1,625,217	1.92	1,796,604	2.52	-171,387	-9.54
<b>Total equity</b>	<b>84,831,407</b>	<b>100.00</b>	71,195,929	100.00	13,635,478	19.15

## Section IV Report of the Board (continued)

- (1) As of December 31, 2019, the Group had total non-current assets of RMB41,692 million, representing a decrease of RMB9,343 million from the beginning of the year, mainly due to a decrease in financial assets held under resale agreements of RMB11,657 million from the beginning of the year, a decrease in financial assets measured at amortized cost of RMB3,704 million from the beginning of the year, an increase in refundable deposits of RMB3,048 million from the beginning of the year and an increase in financial assets at fair value through profit or loss of RMB1,784 million from the beginning of the year. As of December 31, 2019, the Group had total non-current liabilities of RMB73,526 million, representing an increase of RMB1,213 million from the beginning of the year, mainly due to an increase in long-term bonds of RMB4,617 million from the beginning of the year, a decrease in financial assets sold under repurchase agreements of RMB4,300 million from the beginning of the year and an increase in non-current employee benefits payable of RMB738 million from the beginning of the year.
- (2) As of December 31, 2019, the Group had total current assets of RMB346,845 million, representing an increase of RMB50,156 million from the beginning of the year, mainly due to an increase in financial assets at fair value through other comprehensive income of RMB21,581 million from the beginning of the year, an increase in financial assets at fair value through profit or loss of RMB19,174 million from the beginning of the year, an increase in cash held on behalf of brokerage clients of RMB13,676 million from the beginning of the year, a decrease in financial assets held under resale agreements of RMB15,360 million from the beginning of the year and an increase in margin accounts receivable of RMB8,900 million from the beginning of the year. As of December 31, 2019, the Group had total current liabilities of RMB230,179 million, representing an increase of RMB25,964 million from the beginning of the year, mainly due to an increase in accounts payable to brokerage clients of RMB16,778 million from the beginning of the year and an increase in financial assets sold under repurchase agreements of RMB8,881 million from the beginning of the year.

### **(IV) Changes in the Scope of Consolidation of Financial Statements**

In 2019, there were no material changes in the scope of consolidation of the Group.

### **(V) Changes in Significant Accounting Policies and Accounting Estimates**

During the Reporting Period, except for International Financial Reporting Standard 16, the Company's accounting policies and accounting estimates did not changed. For details, please refer to Note "2(5) Changes in significant accounting policies" to Section X financial statements. There was no significant accounting errors requiring rectification occurred in the Company.

### **(VI) Restricted Asset Rights as of the End of the Reporting Period**

1. For assets with restricted ownership or use rights as of the end of the Reporting Period, please refer to Note 18, 25, 27, 33 and 37 to Section X financial statements.
2. As at the end of the Reporting Period, the Company did not have pledge of material assets.



#### IV. ANALYSIS OF FINANCING INSTRUMENTS AND STRUCTURE OF LONG- AND SHORT-TERM LIABILITIES

##### 1. Financing channels of the Company

The Company's major financing channels include interbank lending, bond repurchase, structured notes, corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, margin loans receivable backed repurchase agreement, asset-backed securities, refinancing, long- and short-term borrowings and equity financing. In accordance with relevant laws and regulations, the Company may utilize financing of different terms based on its own funding needs to support its business development.

##### 2. Analysis of the structure of long- and short-term liabilities of the Company

Unit: RMB'000

Item	End of 2019	End of 2018
Loans and borrowings	1,461,734	1,369,671
Short-term debt instruments issued	17,065,153	13,568,269
Placements from other financial institutions	10,951,074	11,694,003
Long-term bonds (including long-term bonds due within one year)	91,735,204	89,508,336
<b>Total</b>	<b>121,213,165</b>	<b>116,140,279</b>

In addition to borrowings and debt financing instruments, the Company also raised funds through repurchase in stock exchanges, inter-bank market and OTC market. The balance of financial assets sold under repurchase agreements at the end of the Reporting Period was RMB83,944 million, of which, RMB708.21 million had a financing period of more than one year while RMB1,343.36 million less than one year, accounting for 34.52% and 65.48% of the aforesaid debt, respectively. As of the end of the Reporting Period, the Company had no outstanding debts overdue, and it had sound overall solvency and its liquidity risks were controllable.

##### 3. Liquidity management policies and measures of the Company

The Company has established a comprehensive risk management system and liquidity risk management mechanism based on the management goal of "strengthening the self-owned funds management, safeguarding the security of self-owned funds, improving the efficiency of using self-owned funds and controlling the risk of using self-owned funds". The Company has also continuously improved its liquidity reserve management system and focused on the matching of assets and liabilities in terms of scale, duration and structure to enhance the diversity of financing channels and conducted emergency drills for liquidity risk, effectively preventing liquidity risks. During the Reporting Period, the Company maintained sufficient liquidity reserve, and the regulatory indicators such as liquidity coverage ratio and net stable funding ratio were in compliance with regulatory standards.

## Section IV Report of the Board (continued)

### 4. Analysis of financing capabilities of the Company

The Company has formed an integrated financing system comprising various financing methods, such as interbank lending in the interbank market, bond repurchases in the interbank market and exchange market, issuance of corporate bonds, issuance of subordinated bonds, issuance of asset-backed securities and margin loans receivable backed repurchase agreement, placements from China Securities Finance Corporation Limited and issuance of structured notes. The Company operates in a compliant manner with a good reputation and credit record, and it also maintains good cooperative relations with commercial banks and has sufficient bank credit limits and strong profitability and solvency. Therefore, the Company has robust short-term and long-term financing capabilities.

## V. INVESTMENTS

### (I) Long-term equity investment

Unit: RMB'000

Investment during the Reporting Period	Investment in the same period of the previous year	Change (%)
2,489,250	2,399,055	3.76

### (II) Material equity investment acquired during the Reporting Period

No material equity investments were acquired by the Company during the Reporting Period.

### (III) Ongoing material non-equity investment during the Reporting Period

No material non-equity investments by the Company were in progress during the Reporting Period.

## Section IV Report of the Board (continued)

### (IV) Investments in Financial Assets

#### 1. Top Investments in securities

Unit: RMB'0,000

Security type	Security code	Security abbreviation	Initial investment cost	Accounting measurement model	Beginning book value	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Current purchase amount	Current sales amount	Profit and loss during the Reporting Period	Closing book value	Accounting item	Sources of funds
Wealth management account	HH0001	Income Swap Product No. 1	639,000.00	Fair value	624,152.12	—	31,121.47	—	—	40,725.37	655,273.59	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	117125	19 Zhaoshang EB	239,000.00	Fair value	—	18,215.35	—	239,000.00	—	18,407.86	257,407.86	Financial assets at fair value through profit or loss	Self-owned funds
Monetary fund	310339	SWS MU Currency B	151,408.70	Fair value	55,581.56	-1,095.48	—	101,262.61	—	1,262.61	254,343.68	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	147695	18 Hebei 26	201,583.37	Fair value	203,475.62	2,465.38	—	20,316.53	21,733.18	10,091.06	207,165.88	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	010007	01 Treasury Bonds 7	3,081.43	Fair value	3,088.50	120.68	—	194,287.94	15,975.44	1,617.68	184,679.52	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	147525	18 Shandong 15	120,199.32	Fair value	126,985.94	682.09	208.27	3,029.04	8,665.53	5,349.28	123,608.18	Financial assets at fair value through profit or loss/Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	147096	17 Jiangsu 25	—	Fair value	—	-3,430.58	—	119,430.58	—	-3,036.52	116,748.15	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	1805101	18 Shandong Bonds 07	—	Fair value	—	82.50	—	102,499.00	—	92.79	104,584.80	Financial assets at fair value through profit or loss	Self-owned funds
Private equity fund	N/A	Sichuan Capital Market Bailout Development Securities Investment Fund Partnership (Limited Partnership)	100,000.00	Fair value	—	—	—	100,000.00	—	—	100,000.00	Financial assets at fair value through profit or loss	Self-owned funds
Private equity fund	N/A	Chengdu Shenwan Hongyuan Chuantou Credit Investment Equity Investment Fund Partnership (Limited Partnership)	99,800.00	Cost measurement	—	—	—	99,800.00	—	5,684.92	99,757.63	Financial assets measured at amortized cost	Self-owned funds
Other securities investments held at the end of the period			12,122,093.30	—	12,588,163.05	-18,094.45	102,822.49	165,046,229.94	162,112,478.68	682,265.88	15,497,978.05	—	—
<b>Total</b>			<b>13,676,166.12</b>	<b>—</b>	<b>13,601,446.79</b>	<b>-1,054.51</b>	<b>134,152.23</b>	<b>166,025,855.64</b>	<b>162,158,852.83</b>	<b>762,460.93</b>	<b>17,601,547.34</b>	<b>—</b>	<b>—</b>

- Notes: 1. This table includes financial assets including domestic and overseas shares, funds, bonds and trust products measured at fair value and measured at amortized cost held during the Reporting Period.
2. This table is sorted by the ratio of the book value at the end of the period to the total securities investment of the Company at the end of the period and only contains the top ten securities held by the Company at the end of the period.
3. Other securities investments refer to investments in other securities other than the top ten securities.

## Section IV Report of the Board (continued)

### 2. Investments in derivatives

#### (1) *Investments in derivatives*

Risk analysis and description of control measures on derivative positions during the Reporting Period (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks)

The subsidiaries of the Company have obtained qualifications to conduct relevant business. Proprietary business on derivative products mainly involves in proprietary businesses such as arbitrage, hedging and speculation of stock index futures and treasury bond futures and broker OTC business. During the Reporting Period, the investment business in derivative products undertaken by the Company fully complied with the requirements of the CSRC, the Securities Association of China and China Financial Futures Exchange. The Company has not breached any law or regulation during the standard operation and the risks are under control. In order to ensure standard operation of the proprietary business on derivatives and avoid business risks, the Company adopted rules and regulations such as the administration measures on relevant business as standards, followed business plans and commenced the business through analyzing and controlling market risks, liquidity risks, credit risks, operational risks and legal risks.

## Section IV Report of the Board (continued)

The change of the market price of derivatives invested or the fair value of products during the Reporting Period. Specific usage and settings of relevant assumptions and parameters shall be disclosed when analyzing the fair value of derivatives

As of the end of the Reporting Period, the gain or losses on the fair value change of treasury bond futures contract held was RMB-22.5691 million; the gain or losses on the fair value change of interest rate swap was RMB91.2046 million; the gain or losses on the fair value change of stock index futures was RMB4.1396 million; the gain or losses on the fair value change of precious metal futures was RMB-3.8396 million and the fair value change of commodity futures was RMB6.9769 million.

Derivative financial instruments were initially recognized at fair value as of the execution date of derivatives transaction contract and subsequently measured at its fair value. Derivative financial instruments are recognized as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value change of derivative financial instruments was directly credited into profit or loss. The fair value of ordinary derivative financial instruments was measured based on the valuation models generally adopted in the market. The data of valuation models shall use observable market data wherever possible. The fair value of the complex structured derivative financial instruments was mainly sourced from quotations of dealers.

Description on whether the accounting policies and principles of audit on derivatives of the Company have any significant changes when compared with the previous reporting period

No material changes.

## Section IV Report of the Board (continued)

Independent directors' opinions on the Company's derivative investment and risk control

The subsidiaries of the Company have obtained relevant business qualifications and are eligible to commence relevant businesses. As of the end of the Reporting Period, the value of interest rate derivative instrument contract held was RMB85,964.7485 million, representing 103.32% of the net assets of the Company as of the end of the Reporting Period; the value of equity derivative instrument contract held was RMB81,923.5348 million, representing 98.46% of the net assets of the Company as of the end of the Reporting Period; the value of commodity derivative instrument contract held was RMB10,866.1479 million, representing 13.06% of the net assets of the Company as of the end of the Reporting Period. The risks are under control and the operation of the subsidiaries are also in compliance with requirements of relevant regulatory indicators of the regulatory department.

Such businesses are not detrimental to the interests of the Company and its shareholders as a whole.

## Section IV Report of the Board (continued)

### (2) Positions of derivatives investments at the end of the Reporting Period

Unit: RMB'0,000

Name of derivative investment operator	Related party relationship	Related party transaction or not	Derivative investment type	Initial investment amount of derivative investment	Effective date	Expire date	Investment amount at the beginning of the Reporting Period	Purchase amount during the Reporting Period	Amount sold during the Reporting Period	Investment amount at the end of the Reporting Period	The proportion of investment amount at the end of the Reporting Period to net assets of the Company at the end of the Reporting Period	Actual profit and loss amount during the Reporting Period
Open market	N/A	No	Interest rate derivative instrument	6,112,202.60	2019/1/1	2023/6/29	6,112,202.60	52,274,210.13	49,789,937.88	8,596,474.85	103.32%	757.12
Banks, private equity funds, open market	N/A	No	Equity derivative instrument	2,101,114.72	2019/1/1	2021/12/6	2,101,114.72	9,583,376.77	3,492,138.01	8,192,353.48	98.46%	-4,135.65
Open market, banks, trading companies, etc.	N/A	No	Commodity derivative instrument	273,757.87	2019/1/1	2020/12/18	273,757.87	3,443,703.85	2,630,846.93	1,086,614.79	13.06%	-15,661.01
<b>Total</b>				8,487,075.19	—	—	8,487,075.19	65,301,290.75	55,912,922.82	17,875,443.12	214.84%	-19,039.54

### (V) Use of Proceeds from the Initial Public Offering of the H Shares on the Hong Kong Stock Exchange

In order to meet the Company's business development needs and further enhance its corporate governance and core competitiveness, the Company issued H Shares and such H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on April 26, 2019, as approved by the Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke [2019] No. 393) (《關於核准申萬宏源集團股份有限公司發行境外上市外資股的批覆》(證監許可[2019]393號)) issued by the CSRC in March 2019 and by the Hong Kong Stock Exchange. The total number of the H Shares issued under the public offering and the international offering was 2,504,000,000 shares, the offer price was HK\$3.63 per share. The total amount of proceeds was HK\$9,088,746,465.99. The closing price of H Shares on the first listing day (i.e. April 26, 2019) was HK\$3.20 per share.

According to the H Share prospectus, approximately 50% of the net proceeds from issuance of the H Shares will be used for the development of securities businesses, approximately 30% for principal investments and approximately 20% for further development of international business. As of December 31, 2019, the use of proceeds raised by issuance of the H Shares is as follows: the Company made an exchange settlement of HK\$7,023,200,000.00 (equivalent to RMB6,163,153,360.00) and the outstanding amount of exchange settlement was HK\$1,755,800,000.00. According to the intended use of approximately 50% of the net proceeds from issuance of H Shares for the development of securities businesses, the relevant matter on injecting RMB4 billion into the registered capital of its securities subsidiary, Shenwan Hongyuan Securities, was considered and approved at the 41st meeting of the fourth session of the Board of Directors of the

## Section IV Report of the Board (continued)

Company. Upon completion of such capital increase, the registered capital of Shenwan Hongyuan Securities was increased from RMB43 billion to RMB47 billion. During the Reporting Period, the relevant procedures for industrial and commercial registration of changes have been completed. At the 45th meeting of the fourth session of the Board of Directors of the Company, it was considered and approved to increase the registered capital of Shenwan Hongyuan Securities Co., Ltd. by the Company with the proceeds raised overseas in an amount of no more than RMB1.6 billion (upon completion of capital increase, Shenwan Hongyuan Securities conducted capital increase to Shenwan Hongyuan (International) Holdings Limited accordingly), and Shenwan Hongyuan Securities was approved to amend the relevant articles on registered capital in the Articles of Association of Shenwan Hongyuan Securities Co., Ltd. depending on the completion of the capital increase and was authorised to proceed with the relevant amendments to the articles of association, relevant procedures for industrial and commercial registration of changes in registered capital, application to the regulatory authorities for approval or filing, etc. The use of proceeds under the Company's H Share proceeds plan was consistent with the disclosures in the prospectus during the Reporting Period, with no changes. The Company will continue to use the proceeds raised from the issuance of H Shares in accordance with its development strategy, the market conditions and H Share proceeds utilization plan. The plan on use of proceeds from offering of H Shares is set out in the table below:

Use	Amount used as at 31 December 2019 (RMB million)	Balance as at 31 December 2019 (RMB million)	Expected time for use of the remaining proceeds from the initial public offering (note)	Business developed
<b>(1) Securities business:</b>				
(i) development of enterprise finance business to satisfy the financing needs of M&A clients, and to provide one-stop investment banking service solutions for enterprise clients	400	0.00	—	Mainly used for investment banking business
(ii) development of personal finance business to satisfy the increasing wealth management needs of clients	2,000	0.00	—	Mainly used for credit business, institutional business, wealth management, etc.
(iii) development of institutional services and trading business to satisfy the comprehensive financial services needs of clients	1,000	0.00	—	Mainly used for securities investment business, financial derivatives business, etc.
(iv) development of investment management business to continuously improve market brand	400	0.00	—	Mainly used for asset management business



## Section IV Report of the Board (continued)

Use	Amount used as at 31 December 2019 (RMB million)	Balance as at 31 December 2019 (RMB million)	Expected time for use of the remaining proceeds from the initial public offering (note)	Business developed
(v) investing in financial technology to develop data mining, improve client experience, strengthen risk control and enhance operation efficiency	200	0.00	—	Mainly used for fintech business
<b>(2) Principal investments</b>				
focusing on debt investment to satisfy the financing needs of high-quality corporate clients and support the transformation and development of the economy	440	660	Second quarter of 2020	Mainly used to carry out debt investment business
making direct equity investment, investing in third party private equity funds as limited partners and injecting capital into our investment subsidiaries	1,000	63	Second quarter of 2020	Mainly used for direct equity investment and third-party private equity business
<b>(3) Development of international businesses</b>				
(i) providing capital for our overseas subsidiaries	— <sup>Note</sup>	— <sup>Note</sup>	Relevant approval procedures are in progress	Mainly used for development of international businesses
(ii) forming cross-border funds, cooperating with overseas institutions to develop cross-border investment management business, creating cross-border products and allocate proprietary cross-border products, etc.				
<b>Total</b>	<b>5,440</b>	<b>723</b>		

Note: The balance of HK\$1,756 million is used for further development of international businesses, and Shenwan Hongyuan Securities proposes to make a capital increase to Shenwan Hongyuan (International) Holdings Limited, which is subject to approval.

## Section IV Report of the Board (continued)

### VI. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTERESTS

During the Reporting Period, the Company had no material disposal of any assets and equity interests.

### VII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

#### (I) Major subsidiaries

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Hongyuan Securities Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting service, margin financing and securities lending, agency sale of financial products, securities assets management, securities underwriting and sponsoring and securities proprietary business	47,000,000,000.00	353,506,226,146.79	77,378,550,715.69	5,662,655,564.56
Shenwan Hongyuan Industrial Investment Management Company Limited	Wholly-owned subsidiary	Investment, assets management and investment consulting service. (For the special projects subject to approval according to law, they can be carried out only after approval from relevant departments)	200,000,000.00	278,997,129.99	174,817,936.83	-3,755,494.72
Hongyuan Huizhi Investment Co., Ltd.	Wholly-owned subsidiary	Investment, assets management, investment management, corporate management consulting service and investment consulting service	2,000,000,000.00	4,693,559,362.54	2,259,208,340.28	164,017,063.66
Hongyuan Futures Co., Ltd.	Wholly-owned subsidiary	Commodity futures brokerage, financial futures brokerage and futures investment consulting service	1,000,000,000.00	9,018,550,029.47	1,248,490,085.78	81,053,559.45
Hongyuan Huifu Capital Co., Ltd.	Wholly-owned subsidiary	Entrepreneurship investment, entrepreneurship investment consulting service, provision of entrepreneurial management service for start-up enterprises and participation in setting up entrepreneurial investment enterprises and entrepreneurial investment management advisory institutions	500,000,000.00	1,089,018,028.13	565,520,183.20	-7,173,488.31
Shenyin & Wanguo Investment Co., Ltd.	Wholly-owned subsidiary	Private equity fund	500,000,000.00	790,880,195.82	606,884,214.75	21,259,066.34
Shenyin & Wanguo Alternative Investment Co., Ltd.	Wholly-owned subsidiary	Investment management, consulting service, advisory services	2,000,000,000.00	2,207,226,474.69	2,196,754,806.16	-120,129,147.91
SWS MU Fund Management Co., Ltd.	Controlling subsidiary	Fund management, initiating the establishment of funds and other businesses approved by the CSRC	150,000,000.00	1,030,514,181.00	879,931,196.00	63,195,867.00
SWS Research Co., Ltd.	Controlling subsidiary	Investment consulting business	20,000,000.00	160,901,302.22	78,639,917.14	-462,059.92

## Section IV Report of the Board (continued)

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Hongyuan (International) Holdings Limited	Wholly-owned subsidiary	Investment holdings	HK\$2,253,398,812.18	HK\$10,595,202,545.00	HK\$4,380,158,564.00	HK\$144,638,638.17
Shenwan Futures Co., Ltd.	Controlling subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consulting service, assets management and fund sales	1,119,371,400.00	14,190,941,403.06	2,566,010,643.60	186,733,787.96
Shenwan Hongyuan Securities (Western) Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting, margin financing and securities lending, agency sales of financial products, agency sales of securities investment funds, provision of intermediate introduction business for futures companies, securities proprietary business, etc.	4,700,000,000.00	13,594,053,206.86	7,261,995,436.44	409,674,982.12
Shenwan Hongyuan Financing Services Co., Ltd.	Wholly-owned subsidiary	Securities underwriting and sponsoring, financial advisory in relation to securities transactions and securities investment activities, etc.	1,000,000,000.00	1,906,999,984.25	1,505,367,157.31	112,861,561.96

### (II) Investees

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Fullgoal Fund Management Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Fund raising, securities investment, fund management, fund sales, specific customer asset management	520,000,000.00	5,655,703,571.71	3,944,684,355.98	791,356,002.37
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership	Limited partnership	Equity investment, industrial investment and related investment consulting and management services (for the projects subject to approval according to law, they can be carried out only after approval by relevant departments)	1,510,000,000.00	1,662,342,456.60	1,630,822,884.17	30,917,122.11

## VIII. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, BRANCH COMPANIES AND SECURITIES BRANCHES DURING THE REPORTING PERIOD

### 1. Acquisition and disposal of subsidiaries and branch companies during the Reporting Period

During the Reporting Period, the Company did not acquire or dispose any subsidiaries or branch companies.

### 2. During the Reporting Period, the establishment and cancellation of the branch companies and securities branches by Shenwan Hongyuan Securities, a subsidiary of the Company, are as follows:

- (1) During the Reporting Period, Shenwan Hongyuan Securities established Guangzhou Branch of Shenwan Hongyuan Financing Services Co., Ltd.

## Section IV Report of the Board (continued)

- (2) During the Reporting Period, Shenwan Hongyuan Securities established 3 securities branches: Guangzhou Zengcheng Xintang Fenghuang North Road Securities Branch (廣州增城新塘鳳凰北路營業部), Changsha Xiangjiang New District Chazishan Road Securities Branch (長沙湘江新區茶子山路營業部), and Zhangjiagang Renmin East Road Securities Branch (張家港人民東路營業部).
- (3) During the Reporting Period, Shenwan Hongyuan Securities closed down 2 securities branches: Yancheng Yandu West Ring Middle Road Securities Branch (鹽城鹽都西環中路證券營業部) and Hangzhou Wenyi West Road Securities Branch (杭州文一西路證券營業部). In addition, 6 securities branches including Sanmen Zhaohui Road Securities Branch (三門朝暉路證券營業部), Tongxiang Puyuan Town Gongmao Avenue Securities Branch (桐鄉濮院鎮工貿大道證券營業部), Songyuan Wulan Street Securities Branch (松原烏蘭大街證券營業部), Guilin Zhongshan South Road Securities Branch (桂林中山南路證券營業部) as well as Karamay Youyi Road South Securities Branch (克拉瑪依友誼路南證券營業部) and Korla Limin Road Securities Branch (庫爾勒利民路證券營業部) of Shenwan Hongyuan Securities (Western) were in the progress of cancellation.

(For details of branch companies and securities branches, please refer to “Section V Significant Events” “25. Organisations of the Company” in this annual report.)

### 3. The structured entities under control of the Company

The Company manages or invests in a number of structured entities, mainly including funds, wealth management products of banks, asset management schemes and trust schemes. In order to assess whether the Company has control over the structured entities, it mainly considers the its extent of decision making and participation in establishing relevant structured entities, the aggregated economic interest (including the gain from holding a direct investment and expected remuneration) set out in the contractual arrangement, as well as the scope of decision making authority over the structured entities. If the Company determined that it has power over, has exposure to variable returns from its involvement with, and has ability to use its power to affect the amount of its returns from the structured entities, it will include the structured entities in the consolidated financial statement as the Company has control over the structured entities.

As at December 31, 2019 and December 31, 2018, the net assets of the consolidated asset management schemes are RMB20,542,691 thousand and RMB13,641,596 thousand respectively. As at December 31, 2019, the interests of the Company and its subsidiaries in the abovementioned structured entities as reflected in their respectively balance sheets included Financial assets at fair value through profit or loss of RMB8,934,289 thousand and Financial assets measured at amortized cost of RMB340,440 thousand. As at December 31, 2018, the interests of the Company and its subsidiaries in the abovementioned structured entities as reflected in their respectively balance sheets included Financial assets at fair value through profit or loss of RMB1,018,593 thousand and Financial assets measured at amortized cost of RMB440,590 thousand. As of December 31, 2019 and December 31, 2018, the Company considered that the above structured entities were controlled by the Group, and included them into its consolidated financial statements.

### IX. FUTURE DEVELOPMENT PROSPECTS

#### (I) Industry landscape and trends

##### 1. More prominent role of the capital market

It was stressed at the Central Economic Working Conference that it's required to further implement a proactive fiscal policy and a prudent monetary policy, accelerate the reform of the financial system, improve the basic system of the capital market, the quality of listed companies and the exit mechanism, steadily advance the ChiNext and NEEQ reforms, and strengthen the requirements on the reform and development of the capital market. As the Chinese economy enters a new stage of high-quality development, the role of the capital market in optimizing resource allocation and serving the development of the real economy will be further highlighted. With the continuous launch of various measures to open the financial industry to the outside world, the capital market will have a huge room for expansion.

##### 2. Further enhanced concentration in the securities industry

In the context of the continuous improvement of the construction of a multi-level capital market system and the acceleration of the industry's opening to the outside world, competition in the securities industry is becoming increasingly fierce, and the development of securities institutions is increasingly dependent on the improvement of their comprehensive strength. In this context, large securities firms have gained greater competitive advantages by virtue of their strong capital strength, comprehensive business layout, leading innovation capabilities and comprehensive risk control capabilities. The survival pressure of small and medium-sized securities firms will continue to increase and industry concentration will accelerate. As the head effects of the top ten securities firms are becoming increasingly significant, the market shares such as operating income and net profit will further increase.

#### (II) Development strategy of the Company

The Company's strategic goal is to become a financial service provider which relies on the capital market, focuses on securities businesses, and is featured by "principal investment + investment banking".

The group company forms assets and realizes resource assetization through investment and diversified financial layout to fully support and serve the development of securities business; securities companies achieve asset securitization and securities transaction by improving product creation, service and transaction capabilities. The Company propels investment banking with investment, drives investment with investment banking, and connects buyers with sellers and investment with financing through products, to achieve effective connection of funds and assets and eventually become a financial service provider that serves the needs of the real economy and meets the needs of customers for comprehensive services.

#### (III) Operation plan

In 2020, the Company will closely follow the goal of creating a first-class investment holding group and a leading broker, adhere to the new development concept, and follow the general principal of "consolidating the management foundation, achieving key breakthroughs, and comprehensively improving the quality of development". Relying on the capital market, all works will be fully implemented focusing on "Principal Investment + Investment Banking".

## Section IV Report of the Board (continued)

The Company will study and formulate the strategy for a new round of development, which will clearly define the strategic direction, implementation path and key measures of creating a first-class investment holding group and a leading broker, to guide development with strategy. Focusing on key regions, key industries, strategic customers and major customers, the Company will increase the synergy between investment business and securities business to enhance comprehensive financial service capabilities, and accelerate the transformation and upgrade of investment business, to create significant growth and profit support points for the company. In addition, it will accelerate the improvement of asset pricing, product creation and risk management capabilities, and promote the transformation of securities business to wealth management and institutional trading services, to create value-based and transactional investment banking. The Company will also strengthen the top-level design, advance the reform of systems and mechanisms, and promote the building of talent teams and capacities, to stimulate the endogenous power of the Company's transformation and development and comprehensively enhance the Company's market competitiveness. Moreover, it will improve the internal control and risk management system, to comprehensively strengthen risk prevention and control and ensure the sustainable and healthy development of the Company. The company will deeply analyze the profound changes brought about by the new COVID-19 outbreak to the current development environment, have a general understanding of the overall situation in a scientific way to actively respond to the shock, and adhere to "strong efforts on both aspects" of epidemic prevention and operation, to resolutely win the fight against the epidemic disease.

### (IV) Potential risks and countermeasures

According to the analysis on the macroeconomic situation, industry development trend, regulatory environment and the Company's own conditions, the Company's major risk factors are mainly market risk, credit risk, liquidity risk, operational risk, policy risk, legal compliance risk, and product/business innovation risk. The outbreak of the COVID-19 in early 2020 had a direct or indirect impact on the global economic situation and capital market, and business operations faced greater challenges. The Company will continue to pay close attention to, monitor, evaluate and analyze the impact of the epidemic, resolutely implement the decisions and deployments by national and financial regulators, and take effective measures to actively respond to changes in the operating environment.

#### 1. Market risk

The Company generally has a medium-plus tolerance for market risk. The market risk exposure is mainly concentrated in the proprietary investment business, assets management business with self-owned funds and other businesses.

For market risks, the Company has established a multi-layer risk control index system of "risk appetite-risk tolerance-risk limit". The Board of Directors has set its risk tolerance, the size limit for large-scale asset business and the loss limit for market risk. The management has refined and formulated the implementation plan in respect of the above risk tolerance. The Company's risk management department measures and monitors market risk limit-related indicators on a daily basis, and conducts a comprehensive assessment of the Company's overall market risk. The Company uses methods including VaR and stress testing to analyse and assess market risks and regularly tests the effectiveness of the VaR model. During the Reporting Period, all investment businesses had good performance. At the end of the Reporting Period, the VaR (95% for one day) of the proprietary investment business of Shenwan Hongyuan Securities was RMB177 million.

## Section IV Report of the Board (continued)

In 2020, there will still be uncertainty in the economic situation at home and abroad, interest rates and exchange rates of major economies and securities market, and the Company's market risk management will face greater challenges. In response to this, the countermeasures taken and to be taken by the Company include: (1) formulating a clear corporate risk appetite and risk tolerance transmission mechanism, and strictly implementing the risk tolerance requirements of proprietary investments, assets management with self-owned funds and other businesses; (2) establishing a quantitative risk indicator assessment system, including risk measurement indicators such as VaR, beta, volatility, interest rate basis point value, duration and investment concentration, and utilizing a combination of various methods or tools such as stress test and sensitivity analysis for measurement and assessment; (3) conducting dynamic monitoring and graded pre-warning of risk control indicators and taking effective countermeasures on a timely basis; (4) actively expanding OTC derivatives trading, strategic trading and other businesses, and utilizing the derivative financial instruments such as stock index futures, commodity futures, interest rate swaps and options for risk hedging; (5) prior to the launch of major investment projects, strictly carrying out the project feasibility analysis, and having the risk control department issue risk assessment reports independently; and (6) Strengthen the timely research, analysis and forecast of the market environment, and adjusting the response strategies in a timely manner.

### 2. Credit risk

The Company generally has a medium tolerance for credit risk. Credit risk exposure mainly existed in the areas of financing business (margin financing and securities lending, stock repurchases and stock pledged repurchase business), fixed-income proprietary business, OTC derivatives trading business and non-standard investment.

Financing business: the Company actively adjusted and scaled back its stock pledged business. The scale as at the end of 2019 dropped by 43.94% as compared with the end of 2018. The credit risk exposure was contracted. As a result, the main regulatory indicators and tolerance indicators of our financing business satisfied the prescribed standards.

Fixed-income proprietary business: the credit rating and the bond issuers' rating of the fixed income proprietary bond investment carried out by the Company met the internal risk limit indicators. The Company prevented the bond default risk by continuously tracking the corporate credit rating and debt rating and strengthening its risk monitoring capability.

OTC derivatives trading business: The Company controlled trading counterparties' credit risk exposure through implementation of internal credit rating of counterparties and access management, setting credit lines, control of limits and concentration, and other measures.

Non-standard investment business: The Company proactively obtained first-hand information through earnest project due diligence, well conducted material review and data calculation, carefully evaluated various risk factors in strict accordance with project grading and evaluation mechanism, and strictly adopted access standards and other measures to prevent credit default risks.

## Section IV Report of the Board (continued)

In 2020, with the increasing downward pressure on the macro-economy and the direct and indirect impact of the COVID-19 on market participants, the credit risk will continue to accumulate and be exposed. In this regard, the countermeasures taken and to be taken by the Company include: (1) establishing the Company's internal rating system to achieve comprehensive coverage of domestic and overseas subsidiaries and unified rating and application within the Group. (2) implementing the unified same customer management and control mechanism for the entire group with the actual controller as the main entity. (3) monitoring negative market sentiment information across the market and applying the monitoring results to credit risk management practices such as updating of rating results, adjustment of credit lines, and restrictions on access to negative list. (4) further strengthening refined management of financing business, improving the risk assessment and analysis of financing entities and collaterals, strengthening the project duration management, and continuously optimizing the credit risk management system, to improve the capability of credit risk management and control; (5) strictly setting the threshold criteria such as debt rating and corporate credit rating for the bond proprietary business, and conducting the pre-verification of the transaction method, the credit grade and type of bonds, the size of single bond and trading concentration. (6) improving the establishment of the OTC derivatives business system, setting the rating and threshold criteria for trading counterparties and improving the risk limit indicators and pre-approval criteria. (7) strengthening the review and duration management of asset securitization and non-standard projects, closely tracking project status and taking countermeasures on a timely basis when identifying potential risks. (8) for the projects with credit default, establishing a risk project disposal team to closely monitor its development, and actively studying and formulating countermeasures to manage such risk properly, so as to ensure that the credit risk is under control.

### 3. Liquidity risk

The Company generally has a medium-minus tolerance for liquidity risk. For the liquidity risk, on the one hand, the Company continuously improved its liquidity reserve management system, strengthened the total amount and structure management of high-quality liquidity assets and had relatively sufficient liquidity reserve; on the other hand, taking into consideration the macro market environment, the Company reasonably adjusted the proportion of assets with various maturity periods, balanced the distribution of debt maturities, increased the diversity of financing channels, optimized the structure of liability maturities and carried out the liquidity risk emergency plan drills, thus effectively preventing the occurrence of liquidity risk. During the Reporting Period, two liquidity regulatory indicators of Shenwan Hongyuan Securities, namely the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), met the regulatory standards.

In 2020, the central bank's prudent monetary policy may be further implemented and for liquidity risk management, the Company will practically take countermeasures in accordance with macro policies and the economic situation. The countermeasures taken and to be taken by the Company include: (1) making comprehensive capital planning, maintaining sufficient liquidity reserve and steadily carrying out operating activities. (2) actively expanding the scope of cooperative financial institutions, improving liquidity management system and enhancing the management capabilities of quality liquidity assets and debt financing. (3) strengthening the dynamic monitoring of liquidity risk status, continuously tracking and evaluating the information including liquidity regulatory indicators, cash flow gap, liquidity reserve



## Section IV Report of the Board (continued)

and corporate financing capability, and carrying out liquidity risk pre-warning work. (4) increasing the frequency of stress test of liquidity risk, improving and optimizing situation setting, and improving the capability to measure and deal with liquidity impact. (5) improving the Company's capabilities to report and handle liquidity risk emergency and respond to liquidity crisis by conducting liquidity risk emergency drills.

### 4. Operational risk

The Company generally has a medium-minus tolerance for operational risk. Operational risk exists in the Company's various business processes and operation management, mainly due to factors such as personnel errors, system defects, imperfect procedures or external events, and customer complaints and claims triggered by individual incidents. Upon the occurrence of the risk events, the Company actively took countermeasures and endeavored to defuse the risk, well ensuring the normal business operation of the Company. At the same time, the Company adopted the measures including optimization of business processes, improvement of system defects, business training and enhancement of review management, to prevent the reoccurrence of similar risk incidents.

In 2020, with the further integration of the Company's core trading system, the continuous introduction of new regulatory policies and the increasing complexity of business models, the Company's operational risk management will still face great challenges. In this regard, the countermeasures taken and to be taken by the Company include: (1) continuing to improve the three defence lines of "business control, risk monitoring and internal audit", and continuously strengthening the capability of each risk management defence line. (2) continuing to carry out operational risk assessment, effectively identifying the operational risks in each unit's own business management, and discovering hidden risks on a timely basis and developing prevention and control measures, to continuously improve operational risk management. (3) strengthening the analysis of the causes of operational risk events, and formulating the effective rectification plans to avoid the reoccurrence of risk events. (4) strengthening business knowledge training for employees and publicity of typical risk cases, to constantly improve their business capabilities and risk management awareness. (5) intensifying the assessment and prevention of information system upgrade and integration risks and properly conducting daily monitoring of information systems, while strengthening system upgrading test and effectiveness verification to avoid the operational risk events caused by inadequate system upgrading test.

### 5. Policy risk

The Company's overall operations and development plans for businesses are greatly affected by external policies. On the one hand, changes in national macro policies and interest rate policies will affect the trend of the securities market, which will lead a direct and important influences on the operations and business development of securities operating institutions; on the other hand, securities regulators continue to strengthen financial supervision and supervision system construction. In recent years, a series of laws and regulations have been promulgated for key risk areas including stock pledge and repurchase, bond investment transactions, private equity funds and OTC options, as well as asset management business and investment banking business. While regulating the development of relevant businesses, such policies also brought greater pressure on the implementation of rectification and reform of securities operating institutions in the short term.

## Section IV Report of the Board (continued)

The Company has taken and proposes to adopt a series of measures to reduce the impact of policy risks on business operations and business development plans, including but not limited to: strengthening analysis and research on macro policies, interest rates, etc., and taking proactive measures to adjust the compliance and risk control policies and business strategies in due course, seizing favorable policy opportunities; closely monitoring regulatory policies and industry trends, monitoring regulatory focuses and trends in a timely manner, and revising and improving internal management systems; strengthening communication and liaison with regulatory authorities, and formulating practicable rectification plans and promoting and implementing the same to avoid adverse effects caused by hard measures for rectification and correction.

### **6. Legal compliance risk**

The Company generally has a low tolerance for legal compliance risk. In 2019, on the one hand, the Company actively monitored regulatory developments, conscientiously implemented various regulatory requirements, improved the legal compliance system and mechanism, and strengthened the construction of legal compliance culture; on the other hand, it strengthened legal compliance review and earnestly carried out such legal compliance work including anti-money laundering, Chinese wall, management of conflict of interest, management of connected transaction, compliance monitoring, litigation and arbitration, intensified supervision and inspection of key business areas, subsidiaries and branches, and urged the implementation of rectification. During the Reporting Period, the legal compliance risk was generally controllable.

The new Securities Law was officially promulgated, and the CSRC made a clear plan on the construction of industry culture. The reform, innovation and opening-up of the securities industry will be further deepened, and legal compliance management will face greater challenges. In response to changes in the policy situation and in light of the practical situation of the Company, the Company will, on the basis of conscientiously organising the day-to-day work of legal compliance, follow the CSRC's overall deployment for construction of the industry culture to further strengthen the construction of the Company's legal compliance culture and continue to improve the Company's group management system and mechanism of legal compliance, and proceed with the analysis, interpretation and implementation of new regulatory requirements including the Securities Law, to reinforce supervision, inspection and legal compliance risk prevention and control and ensure the Company's sustainable operation in accordance with laws and regulations.

### **7. Product/business innovation risk**

With the deepening of financial reforms and the continuous launch of financial innovation businesses, the product/business innovation risk became more apparent as innovations in the capital market accelerated. The innovative businesses are totally new and unique. The Company should obtain a comprehensive understanding and improve business processes, strengthen risk management and professional staffing, and take into consideration both business development and risk control, so as to ensure that the innovation risk is within a tolerable range.

In this regard, the countermeasures taken and to be taken by the Company include: (1) the Company set up an investment management committee and Shenwan Hongyuan Securities established a new product and innovation business committee, and formulated the relevant work rules to regulate the verification of the Company's innovative businesses and coordinate the operation of cross-line innovative businesses. (2) All innovative businesses need to be equipped with corresponding rules, systems and personnel, and can be carried out only after being reviewed and approved by the relevant committee. (3) The Company added the risk monitoring and pre-warning of innovative businesses to the daily risk management work, and dynamically adjusted the control threshold based on business operation situation.

### 8. Exchange rate risk

The Company has a subsidiary in Hong Kong which holds assets with Hong Kong dollars as the settlement currency and has a risk limit for foreign exchange exposure. At the end of the period, the proportion of net foreign currency risk exposure to total business exposure was low. In addition, the remaining proceeds from the Company's issuance of H Shares amounts to HK\$1.756 billion, which is proposed to be used for the development of international business. The Company will make a capital increase to Shenwan Hongyuan (International) Holdings Limited through Shenwan Hongyuan Securities, which is currently in the process of approval. Apart from the above, most of the Company's assets, liabilities, revenue, costs and expenses are expressed in Renminbi. Foreign currency assets, liabilities and income account for a relatively small proportion. Net foreign currency exposures are relatively low in the Group and the exchange rate risk that the Company is faced is not great. In the future, with the advancement of the Company's international business layout and RMB internationalization, the Company will further strengthen the study on exchange rate, and take reasonable and effective measures to hedge and control exchange rate risks in a timely manner.

## X. THE ESTABLISHMENT OF DYNAMIC RISK CONTROL INDICATORS MONITORING AND COMPLEMENT MECHANISM BY SHENWAN HONGYUAN SECURITIES, A SUBSIDIARY OF THE COMPANY

### (I) Dynamic risk control indicators monitoring mechanism

The Company has always attached great importance to the construction of a dynamic risk control indicators monitoring mechanism. The risk management department of Shenwan Hongyuan Securities and its subsidiaries has developed and established their own risk management system which is independent of other business departments based on the requirements of the Administrative Measures for Risk Control Indicators of Securities Companies. Such system is able to dynamically supervise risk control indicators with net capital and liquidity as key indicators, together with other business risk control indicators.

## Section IV Report of the Board (continued)

On the basis that each department, branch and subsidiary of the company identifies, assesses and monitors the indicators applicable to their respective business, the risk management department conducts an independent review through the risk management system, issues a warning against situations violating the alert level, and urges the relevant department to respond to the risk. In addition, for innovative businesses which continually issue new products, the company timely diversifies and improves the functions of the risk management system, combining in-house development with advanced experience of other professional risk management system providers available on the market.

During the Reporting Period, other than the two concentration risk control indicators, i.e. the “proportion of the holding size of a non-equity security to its total size” and the “proportion of the holding size of an equity security to its total size”, which passively exceeded regulatory standards and alert standards due to net redemption of products, other risk control indicators with a focus on net capital and liquidity were in compliance with regulatory requirements. For the abovementioned incompliance with regulatory standards and alert standards, Shenwan Hongyuan Securities has reported to the regulatory authorities in a timely manner and taken treatment measures.

### (II) Establishment of capital replenishment mechanism

Shenwan Hongyuan Securities has established a net capital replenishment mechanism. When risk control indicators of the company including net capital trigger the alert standards, the company then replenishes net capital by reducing the type and scale of proprietary investment products with high risks, adjusting business operation plans, issuing subordinated debts, raising funds, and similar measures. In recent years, the capital adequacy level of Shenwan Hongyuan Securities has been in line with business development, and the net capital risk control indicators have continued to meet the requirements of regulatory authorities.

### (III) Stress test of risk control indicators

The Company has established a stress test mechanism for risk control indicators. According to the relevant requirements of the Guidelines on Securities Companies' Stress Tests, Shenwan Hongyuan Securities conducts annually a comprehensive stress test based on market environment changes and business development. When making cash dividend distributions and carrying out various major businesses, it also performs stress tests, measures its general risk tolerance and formulates measures to ensure a healthy, sustainable and stable development.

## XI. IMPLEMENTATION OF COMPREHENSIVE RISK MANAGEMENT BY SHENWAN HONGYUAN SECURITIES, A SUBSIDIARY OF THE COMPANY

Shenwan Hongyuan Securities always adheres to the concept of “standardized operation and stable development”, and continuously optimizes and improves the risk management system at group level with high penetration “involving all staff in all aspects throughout the entire business process and with full coverage”. It has built a multi-level risk management organization and a full-coverage risk management system, and adopted effective risk management and control measures. As a result, the risk control capabilities are continuously enhanced and various risks in business management are better controlled as a whole.

- (I) In terms of the risk management organization structure, Shenwan Hongyuan Securities has established a risk management organization structure comprising the board of directors, the compliance management and risk control committee, the board of supervisors, the management and risk management committee, the risk management department and other functional management departments, as well as business departments, branches and subsidiaries to guarantee the effective operation of the risk management system.

## Section IV Report of the Board (continued)

- (II) In terms of risk management systems and policies, Shenwan Hongyuan Securities has established a risk management system with the Risk Management System as the basic system with various professional risk management measures and business-level operating procedures and specific risk management systems as supporting rules to regulate risk management. At the same time, Shenwan Hongyuan Securities has determined risk appetite and clarified the basic attitude to risk and return and the total amount of risk it is willing to accept after giving comprehensive consideration to internal and external factors including strategic objectives of development, external market environment, risk tolerance, and shareholder return requirements. Based on this, Shenwan Hongyuan Securities has formulated the risk tolerance and its implementation plan based on the actual situation, and established a key risk limit indicators system. Relevant systems and policies have been effectively implemented.
- (III) In terms of risk management and control measures, a comprehensive risk identification and analysis system has been established, and qualitative and quantitative methods have been used to analyze and evaluate the company's risks. For internal and external major risk information that may affect the realization of business objectives, scientific and reasonable measurement models or evaluation methods are adopted for prudent assessment; the company has established a clear risk control indicators system, which effectively covers various business types and professional risk types, and realized dynamic monitoring and early warning of various business risk indicators and regulatory indicators through a risk management system; it has established a risk response strategy that is commensurate with risk appetite and a complete internal and external response mechanism, to basically and effectively control various types of risks. In addition, the company has established a smooth risk information communication mechanism to ensure transmission and feedback of relevant information in a timely, accurate, and complete manner.

### XII. COMPLIANCE RISK CONTROL AND INVESTMENT IN INFORMATION TECHNOLOGY OF SHENWAN HONGYUAN SECURITIES, A SUBSIDIARY OF THE COMPANY

Shenwan Hongyuan Securities attaches great importance to compliance and risk control, and has established a comprehensive internal control mechanism covering all employees and the whole business process and a full-coverage risk management systems to ensure the legal compliance of its business operations. The Company's investment in compliance risk control mainly includes (based on the pilot statistical standards of investment in compliance risk control for securities companies' consolidated supervision, i.e. the standards for parent company): compensation for compliance risk control personnel, operating expenses of compliance risk control and investment in the construction of compliance risk control related system. In 2019, the Company's total investment in compliance risk control was RMB279.34 million, representing an increase of 8.47% over the last year.

Shenwan Hongyuan Securities attaches great importance to information technology innovation, continuously optimises information systems, and increases investment in information technology in order to provide secure, stable and personalized services to ensure and support business development. The company's investment in information technology mainly includes (according to the statistics based on the indicators of investment in construction of information system for securities companies): depreciation and amortization costs of IT investment in fixed assets and intangible assets, IT daily operating costs, computer room rental costs, IT circuit lease costs, IT independent research and development costs and investment in IT staff. In 2019, the company's total investment in information technology was RMB562.7463 million, representing an increase of 13.21% over the last year.

## Section IV Report of the Board (continued)

### XIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND FULFILLMENT OF SOCIAL RESPONSIBILITIES

For the fulfillment of social responsibilities by the Company, please refer to the “Social Responsibility” in Section V “Significant Events” of this report. In terms of environmental policies and performance, the Company has complied with the “comply or explain provision” set out in the Environmental, Social and Governance Reporting Guide in this year. For details, please refer to the “2019 Social Responsibility Report of Shenwan Hongyuan Group Co., Ltd.” published by the Company.

For corporate governance, please refer to Section VIII “Corporate Governance” of this report. The Company has fully complied with all provisions of the Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules.

### XIV. PERMITTED INDEMNITY PROVISION

Appropriate insurance policy arrangements have been made by the Company in respect of the responsibilities of the Directors and members of the senior management to cover possible legal liabilities owed to third parties arising from corporate activities that may be faced by the Directors and members of the senior management.

### XV. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the service contracts, neither the Company nor its subsidiaries has entered into any significant transactions, arrangements or contracts in which the Directors or Supervisors of the Company or their connected entities had or continue to have, directly or indirectly, a material interest during the Reporting Period.

### XVI. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

None of the Directors has any interest in any business that competes or may compete with the Company’s business, directly or indirectly.

### XVII. MAJOR CUSTOMERS AND SUPPLIERS

The Company has built a business system including enterprise finance, personal finance, institutional services and trading and investment management business, to provide comprehensive financial services to corporate customers, professional institutional customers, individuals and non-professional institutional customers. In 2019, the income attributable to the Group’s five largest customers accounted for 4.15% of the total revenue and other income, and the five largest customers are non-related parties.

Due to the nature of business, the Company has no major suppliers.

### XVIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

For details of the composition of the Directors, Supervisors and senior management of the Company, its changes and biographies during the Reporting Period and as at the date of this report, please refer to Section VII “Particulars of Directors, Supervisors, Senior Management and Employees” in this report.

### XIX. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On January 20, 2020, the Company completed the procedures for industrial and commercial registration of change of the legal representative. Following the change, the existing legal representative is Xu Zhibin.

Save as disclosed in this report, there was no any significant subsequent event in the period from January 1, 2020 to the date of this report.

### XX. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As a public company listed in the Mainland China and Hong Kong, the Company has formulated and continuously improved various rules and regulations to standardise operations in strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies, and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules and other laws, regulations, and requirements of regulatory documents of the domestic and overseas places of listing and the Company's Articles of Association, and is committed to continuously maintaining and improving the Company's good market image. During the Reporting Period, the Company was not subject to penalty or public condemnation. For relevant information of the Company's subsidiaries, please refer to "XXIV. Other significant matters of the subsidiaries of the Company" in "Significant Events" of this report.

### XXI. RELATIONSHIP WITH EMPLOYEES, CLIENTS, SUPPLIERS AND PERSONS WHO ARE MATERIALLY RELATED

For details of employee compensation and training program of the Company, please refer to "Remuneration Policy" and "Training Program" under "Staff of the Company" in "Particulars of Directors, Supervisors, Senior Management and Employees" of this report. For the relationship between the Company and securities brokers, please refer to "Information about Customer Solicitation and Customer Service of Commission Brokers of Shenwan Hongyuan Securities, a Subsidiary of the Company" under "Other significant matters of the subsidiaries of the Company" in "Significant Events" of this report. For the relationship between the Company and major customers and suppliers, please refer to the "Major customers and suppliers" under the "Report of the Directors" of this report.

### XXII. DONATIONS

The Company proactively fulfills its social responsibilities. In 2019, the amount of investment in charitable advertising, disaster relief donations, education grants, charitable donations, and other public welfare aspects was RMB48.4295 million.

### XXIII. ISSUANCE OF SHARES AND BONDS

For the issuance of shares during the Reporting Period, please refer to "II. Issuance and listing of securities" under Section VI "Changes in Shares and Shareholders" of this report.

For the issuance of corporate bonds, subordinated bonds, short-term corporate bonds and short-term financing bills by the Company, please refer to Section IX "Corporate Bonds" and "(I) Bonds of Shenwan Hongyuan Securities, a subsidiary of the Company" under "XXIV. Other significant matters of the subsidiaries of the Company" in Section V "Significant Events" of this report.

### XXIV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2019 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section V "Significant Events" in this report.

By order of the Board of Directors  
Chu Xiaoming  
*Chairman*  
March 27, 2020

## Section V Significant Events

### I. PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

#### (I) Profit Distribution Policy of Ordinary Shares during the Reporting Period

The Articles of Association classifies the Company's profit distribution policy as follows:

"Article 227 For the distribution of profits, the Company shall pay attention to the reasonable return of investors and give consideration to the sustainable growth of the Company. On the basis of profitable operation by the Company and monitoring maintained on net capital required by business development of the Company, the profit distribution policy of the Company shall maintain a certain level of continuity and stability.

The Company may distribute dividends in cash, stock or by the combination of cash and stock. When the Company has no material investment plans or material cash expenditures, provided the funds requirements for normal operation of the Company has been satisfied, the dividend distribution policy of cash dividend payment shall be adopted by the Company in preference. In any three consecutive years, the aggregate profits distributed by the Company in cash shall not be less than 30% of the annual distributable profits for such three years. Subject to the satisfaction by the Company of the percentage of the above cash dividend distribution, the Company may distribute profits by issuing bonus shares.

The Company generally makes annual profit distribution. The Board of Directors of the Company may recommend the Company to pay cash interim dividend distribution based on the business operation performance of the Company.

The Board of the Company shall take into comprehensive consideration of factors such as industry characteristics, the Company's phase of the development stage, its own business operation mode, profitability level, as well as any potential substantial capital expenditure arrangement, and formulate specific cash dividend distribution policy applicable to the following situations:

- (I) Where the Company is in a maturity phase of the development stage with no substantial capital expenditure arrangements, the cash dividend distributed shall not be less than 80% of the total profits distributed when carrying out profits distribution;
- (II) Where the Company is in a maturity phase of the development stage with substantial capital expenditure arrangements, the cash dividend distributed shall not be less than 40% of the total profits distributed when carrying out profits distribution;
- (III) Where the Company is in a growth phase of the development stage with substantial capital expenditure arrangements, the cash dividend distributed shall not be less than 20% of the total profits distributed when carrying out profits distribution;

Where the phase of the development stage of the Company is difficult to define but Company has substantial capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.



## Section V Significant Events (continued)

Article 228 Where the Company needs to adjust its existing profit distribution policy in light of business operations, investment plans and the requirement of long-term development of the Company, the adjusted profit distribution policy shall not violate relevant requirements of the CSRC and the Shenzhen Stock Exchanges. The proposal on the adjustment to the profit distribution policy shall be deliberated by the Board of Directors before it is submitted to the general meeting for consideration.

When the Company formulates its cash dividend distribution plan, the Board of Directors shall carefully study the matters concerning the Company's cash dividend distribution, including intervals, conditions, the minimum payout ratio, conditions for adjustment and the decision-making procedures. Independent non-executive directors shall express their specific opinion thereon. Before any specific cash dividend distribution plan is deliberated at a general meeting for consideration, the Company shall sufficiently listen to the comments from the minority shareholders.

Article 229 A profit distribution plan of the Company shall be in compliance with the relevant regulations, with a view to long-term and sustainable growth. Such factors as the comprehensive analysis of the operation and development of the Company, industrial development trends, the intention of the shareholders the costs of social funds and the external environment for financing shall also be taken into consideration.

The Board of the Directors of the Company shall explain its proposed applications for the retained undistributed profits in any profit distribution plan.

The undistributed profits retained by the Company shall be mainly used for replenishing working capital of the Company so as to improve the net capital level of the Company. Where the Board of Directors of the Company develops no profit distribution plan, it shall make disclosure in periodic reports to explain the reasons and purposes of undistributed profits retained by the Company, together with independent opinions from the independent non-executive directors. Any proposal for profit distribution of the Company shall be submitted to a general meeting for approval after it has been considered and adopted by the Board of Directors, with the independent non-executive directors expressing independent opinions.

Article 230 Where the Company needs to adjust its profit distribution policy due to significant changes in the external operating environment and business operations of the Company, the adjusted profit distribution policy shall not violate any laws, regulations and regulatory rules in order to protect the rights and interests of the shareholders.

Any proposals concerning any adjustment to the profit distribution policy shall require discussion and negotiation in detail, and active communication with the shareholders (especially the minority shareholders) through various channels to collect opinions and requests from the minority shareholders. The proposal shall be submitted to a general meeting for approval after it has been considered and adopted by the Board of Directors, with the independent non-executive directors expressing independent opinions, and the proposal shall be adopted by the shareholders present at the general meeting representing more than two thirds of the voting rights."

## Section V Significant Events (continued)

### Specific Particulars of Cash Dividend Policy

1.	Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the Shareholders' General Meeting:	Yes
2.	Whether the standard and proportion of dividend distribution were definite and clear:	Yes
3.	Whether the relevant decision-making procedure and mechanism were well-established:	Yes
4.	Whether the independent non-executive directors performed their duties and responsibilities and played their roles properly:	Yes
5.	Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:	Yes
6.	If the cash dividend policy underwent any adjustments or changes, whether the conditions and procedures were compliant and transparent:	Yes

### (II) Dividend Distribution Plan (Proposal) of Ordinary Shares, Conversion Plan (Proposal) of Capital Reserves into Share Capital and Cash Dividends for Ordinary Shares in the Latest Three Years

#### 1. Dividend Distribution Plan (Proposal) of Ordinary Shares and Conversion Plan (Proposal) of Capital Reserves into Share Capital of the Company in the Latest Three Years (including the Reporting Period):

Year	Dividend Distribution Plan (Proposal) of Ordinary Shares and Conversion Plan (Proposal) of Capital Reserves into Share Capital
Proposal for 2019	<p>1. Based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,003,195,564.80. The retained profits of the Company of RMB1,217,347,642.66 following the cash dividend distribution will be carried forward to the next year.</p> <p>2. Cash dividend is denominated and declared in RMB and paid to A shareholders in RMB and to H shareholders in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China five business days prior to the 2019 annual general meeting of the Company.</p>
Plan for 2018	A cash dividend of RMB0.50 (tax inclusive) for every 10 shares.
Plan for 2017	A cash dividend of RMB0.50 (tax inclusive) was distributed for every 10 shares.

## Section V Significant Events (continued)

### 2. Cash Dividends for Ordinary Shares of the Company in the Latest Three Years (including the Reporting Period)

Unit: RMB

Year of Dividend	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of the Company in the Consolidated Statements of the Year of Dividend	Percentage of Net Profit Attributable to Shareholders of the Listed Company in the Consolidated Statements (%)	Amount of Cash Dividends Otherwise Distributed	Percentage of Cash Dividends Otherwise Distributed
Proposal for 2019	2,003,195,564.80	5,735,412,391.33	34.93	—	—
Plan for 2018	1,126,797,228.00	4,160,188,689.17	27.09	—	—
Plan for 2017	1,126,797,228.00	4,599,683,411.82	24.50	—	—

### (III) Tax Concession

#### 1. Shareholders of A Shares

In accordance with the “Notice on Relevant Issues of Implementation of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the “Notice on Relevant Issues of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2015] No.101) (《關於上市公司股息紅利差別個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued by the Ministry of Finance, the State Taxation Administration and the CSRC, for dividends and bonus of individual investors obtained from listed companies from the date when individual investors obtain shares of the Company to the equity registration date, if shareholding period is more than one year, personal income tax will be exempted; if shareholding period is not more than one year (including one year), the listed company will not withhold and remit personal income tax and the tax payable amount will be calculated by the shareholding period when individual investors transfer their shares. As for shareholders of resident enterprises, income tax of cash bonus will be paid by themselves. Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (Guo Shui Han [2009] No. 47) (《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》(國稅函[2009]47號)). If QFII shareholders are entitled to tax convention (arrangement) treatment regarding dividends and bonus obtained by them, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

## Section V Significant Events (continued)

In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) (《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), as for dividends and bonus of Hong Kong market investors (including enterprise and individual) by investing A shares listed on SZSE, differentiated taxation policy by shareholding period will not be implemented before Hong Kong Securities Clearing Company Limited complies with conditions to provide detailed data including identities of investors and shareholding time for China Securities Depository and Clearing Corporation Limited, and the listed company will withhold income tax at the tax rate of 10% and go through deduction declaration with the competent taxation authority. As for Hong Kong investors who are tax residents of other countries and whose dividends income tax rate specified in tax convention signed by their countries and China is lower than 10%, enterprises or individuals can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

### 2. Shareholders of H Shares

In accordance with provisions of the “Notice of the State Administration of Taxation on Personal Income Tax Collection Issues after the Document with the Number of Guo Shui Fa [1993] No. 045 has been Abolished” (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), withholding and remitting obligor will withhold and remit personal income tax as per item of “interest, dividends and bonus income” for dividends and bonus income of overseas resident individual shareholders from domestic non-foreign-funded enterprise by issuing shares in Hong Kong. When domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with tax convention signed by China and the country stated in the residential identity and tax arrangement of Mainland China and Hong Kong (Macau). In general, tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign-funded enterprise that has issued shares in Hong Kong distributes dividends and bonus, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) as for residents of country under the convention whose tax rate is less than 10%, withholding and remitting obligor can handle application for enjoying relevant convention treatment and excessive tax will be refunded with approval of competent taxation authority; (2) as for residents of country under the convention whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual tax rate under the convention when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents of country without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

## Section V Significant Events (continued)

In accordance with provisions of the “Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H-shares and Withhold and Remit Enterprise Income Tax” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, when PRC resident enterprises distribute dividends of 2008 and future years to overseas non-resident enterprise shareholders of H-shares, they will withhold and remit enterprise income tax at the tax rate of 10%.

In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) (《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies will withhold personal income tax at the tax rate of 20% for dividend and bonus of individual investors in the PRC who invest in H-shares listed on the Hong Kong Stock Exchange via Shenzhen-Hong Kong Stock Connect. Personal income tax will be collected in accordance with the above provisions for dividends and bonus income of the securities investment fund in the PRC which invests in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect. H-share companies will not withdraw dividend and bonus income tax for dividends and bonus of enterprise investors in the PRC who invest in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect and income tax will be paid by enterprises themselves. Dividends and bonus income obtained by resident enterprises in the PRC as they have continuously held H-shares for 12 months will be exempted from enterprise income tax according to laws.

In accordance with current convention of the Hong Kong Inland Revenue Department, taxes will not be paid for dividends paid by the Company in Hong Kong.

Shareholders of the Company will pay relevant taxes and/or enjoy tax concession in accordance with the above provisions.

## Section V Significant Events (continued)

### II. PROFIT DISTRIBUTION PLAN AND PLAN FOR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL DURING THE REPORTING PERIOD

Number of bonus shares for every 10 shares (share)	—
Amount of dividend for every 10 shares (RMB) (tax inclusive)	0.80
Number of share converted for every 10 shares (share)	—
Basis of the shares for the distribution proposal (share)	25,039,944,560
Total amount of cash dividends (RMB) (tax inclusive)	2,003,195,564.80
Distributable profit (RMB)	3,220,543,207.46
Percentage of cash dividends in total amount of profit distribution	100%

#### Cash Dividends

The profit distribution proposal of the Company for 2019 is as follows:

1. Based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,003,195,564.80. The retained profits of the Company of RMB1,217,347,642.66 following the cash dividend distribution will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to A shareholders in RMB and to H shareholders in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China five business days prior to the 2019 annual general meeting of the Company.

After the proposal is considered and approved at the general meeting, the Company will distribute cash dividend within two months after the date of convening the general meeting, and expects to pay the cash dividends by no later than August 31, 2020 (Monday).

#### Explanations on Details of the Proposal for Profit Distribution or Conversion of Capital Reserve into Share Capital

As audited and confirmed by KPMG Huazhen LLP, as of December 31, 2019, Shenwan Hongyuan Group Co., Ltd. realised a consolidated net profit attributable to shareholders of the Company of RMB5,735,412,391.33. The balance of the audited undistributed profit of the parent company at the beginning of 2019 was RMB2,492,945,028.49, plus the net profit attributable to the parent company of RMB2,060,439,341.07 for 2019; after deducting the cash dividend of RMB1,126,797,228.00 in 2019; after deducting the statutory surplus reserve of RMB206,043,934.10 at 10% of the net profit realized in 2019 according to the Company Law and the Articles of Association. The balance of profit available for distribution of the parent company of the Group at the end of 2019 was RMB3,220,543,207.46. The profit distribution proposal of the Company for 2019 is as follows:

1. Based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,003,195,564.80. The retained profits of the Company of RMB1,217,347,642.66 following the cash dividend distribution will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to A shareholders in RMB and to H shareholders in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China five business days prior to the 2019 annual general meeting of the Company.

## Section V Significant Events (continued)

### III. RESERVES AND RESERVES OF DISTRIBUTABLE PROFIT

For the changes in reserves and reserves of distributable profit, please refer to the “Consolidated Statement of Changes in Equity” of financial statements and Note 52 to the consolidated financial statements in this report.

### IV. IMPLEMENTATION OF COMMITMENTS

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Refinancing	Xinjiang Financial Investment Co., Ltd.	In accordance with the relevant provisions of the Administrative Measures for the Issuance of Securities by Listed Companies and the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies, the 619,834,710 shares subscribed and acquired by Shenwan Hongyuan Group shall be voluntarily locked up for 12 months since the end of the issuance, which means that such shares under the non-public issuance shall not be traded or transferred within 12 months from the date of listing. During the lock-up period, any shares resulting from the shares under this issuance (including but not limited to shares held by way of share split and bonus issue) shall not be transferred or listed for trading. In addition, during the lock-up period, the client and partner shall not transfer their product shares or withdraw from the partnership.	2018-01-30	2019-01-29	Performance completed
Refinancing	Sichuan Development Holding Co., Ltd.	In accordance with the relevant provisions of the Administrative Measures for the Issuance of Securities by Listed Companies and the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies, the 1,124,543,633 shares subscribed and acquired by Shenwan Hongyuan Group shall be voluntarily locked up for 12 months since the end of the issuance, which means that such shares under the non-public issuance shall not be traded or transferred within 12 months from the date of listing. During the lock-up period, any shares resulting from the shares under this issuance (including but not limited to shares held by way of share split and bonus issue) shall not be transferred or listed for trading. In addition, during the lock-up period, the client and partner shall not transfer their product shares or withdraw from the partnership.	2018-01-30	2019-01-29	Performance completed

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Refinancing	China Life Asset Management Company Limited	In accordance with the relevant provisions of the Administrative Measures for the Issuance of Securities by Listed Companies and the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies, the 495,867,768 shares subscribed and acquired by Shenwan Hongyuan Group shall be voluntarily locked up for 12 months since the end of the issuance, which means that such shares under the non-public issuance shall not be traded or transferred within 12 months from the date of listing. During the lock-up period, any shares resulting from the shares under this issuance (including but not limited to shares held by way of share split and bonus issue) shall not be transferred or listed for trading. In addition, during the lock-up period, the client and partner shall not transfer their product shares or withdraw from the partnership.	2018-01-30	2019-01-29	Performance completed
Refinancing	Taiping Asset Management Co., Ltd.	In accordance with the relevant provisions of the Administrative Measures for the Issuance of Securities by Listed Companies and the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies, the 239,092,731 shares subscribed and acquired by Shenwan Hongyuan Group shall be voluntarily locked up for 12 months since the end of the issuance, which means that such shares under the non-public issuance shall not be traded or transferred within 12 months from the date of listing. During the lock-up period, any shares resulting from the shares under this issuance (including but not limited to shares held by way of share split and bonus issue) shall not be transferred or listed for trading. In addition, during the lock-up period, the client and partner shall not transfer their product shares or withdraw from the partnership.	2018-01-30	2019-01-29	Performance completed



## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Refinancing	Directors, senior management	<p>The Directors and senior management make the following commitments for effective implementation of the measures to make up for returns in accordance with the relevant requirements of the CSRC:</p> <p>I. they will not direct benefits to other entities or individuals without consideration or on unfair terms, nor will they compromise the interests of the Company in any other manner;</p> <p>II. they will act to restrain duty-related spending;</p> <p>III. they will not appropriate assets of the Company for investments and spending not related to the performance of their duties;</p> <p>IV. the remuneration system formulated by the Board of Directors or the Remuneration and Nomination Committee will be correlated to the implementation of the Company's measures to make up for returns;</p> <p>V. in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme will be correlated to the implementation of the Company's measures to make up for returns.</p>	2017-05-19	During the tenure of the Director and senior management of the Company	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Initial public offering	China Jianyin Investment Ltd.	<p>Letter of Commitment on Avoiding Horizontal Competition</p> <p>China Jianyin Investment Ltd., made a commitment on July 22, 2017: The company, China Jianyin Investment Ltd., currently holds 60.02% of the shares of Hongyuan Securities Co., Ltd. ("Hongyuan Securities"), and may be deemed as the related party of the controlling shareholder or its actual controller of the surviving company (the "Surviving Company", including subsidiaries, branches and branches of subsidiaries) after the completion of the material asset restructuring (the "Restructuring") of Hongyuan Securities and Shenyin &amp; Wanguo Securities Co. Ltd. ("Shenyin &amp; Wanguo"), during which the company makes the following irrevocable commitments to the Surviving Company:</p> <p>(I) According to the spirit of the meeting of the State Council, as a platform for restructuring of securities companies, the company has undertaken the restructuring of a number of securities companies. Therefore, in addition to holding shares in Hongyuan Securities, it also holds shares in a number of securities companies. The company undertakes that no new strategic equity investment in securities companies will be made in the future, except for tasks assigned by the government or regulatory authorities.</p> <p>(II) After the completion of the Restructuring, the company will not use its holding position in the Surviving Company to damage the interests of the Surviving Company and other shareholders.</p> <p>The company understands that the Surviving Company may rely on the confirmations and commitments made in this commitment. The company undertakes that if the company becomes aware of any information that would cause people to doubt the authenticity, accuracy and completeness of the information provided in this confirmation letter, the company will immediately notify the Surviving Company in writing of such information.</p>	2015-01-26	During the tenure of controlling shareholder	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Initial public offering	China Jianyin Investment Ltd.	<p>Letter of Commitment on Reduction and Regulation of Related Party Transactions</p> <p>The company, China Jianyin Investment Ltd., currently holds 60.02% of the shares of Hongyuan Securities Co., Ltd. ("Hongyuan Securities"), and may be deemed as the related party of the controlling shareholder or its actual controller of the surviving company after the completion of the material asset restructuring of Hongyuan Securities and Shenyin &amp; Wanguo Securities Co. Ltd. ("Shenyin &amp; Wanguo" or the "Surviving Company").</p> <p>The company makes the following irrevocable commitments to the Surviving Company:</p> <p>(I) The company will regulate and do its utmost to reduce related party transactions with the Surviving Company and the companies controlled by it. If an unavoidable related party transaction occurs with the Surviving Company and the companies controlled by it, it will enter into a standard agreement on related party transaction with the Surviving Company according to law, and perform the approval procedures in accordance with the relevant laws, regulations, rules, other normative documents and the articles of association; the price of the related party transaction shall be determined based on the price of the same or similar transactions with independent third parties without related party relationships, to ensure that the price of the related party transaction is fair; the company guarantees to discharge the information disclosure obligations of related party transaction in accordance with the relevant laws, regulations and the articles of association; the company guarantees that it will not use related party transaction to illegally transfer the funds and profits of the Surviving Company, or use related party transaction to damage the interests of the Surviving Company and non-related shareholders.</p> <p>(II) The company and other companies controlled by the company will not require the Surviving Company to grant more favorable terms than those granted to independent third parties in any market fair transaction.</p>	2015-01-26	During the tenure of controlling shareholder	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
		<p>(III) The company guarantees that it will attend the shareholders' meetings, exercise corresponding rights equally, assume corresponding obligations, that it will not use the status of controlling shareholder to obtain improper benefits, and that it guarantees not to harm the legal interests of other shareholders (especially minority shareholders) of the company in accordance with the Surviving Company's articles of association. The company undertakes to perform its obligation to abstain from voting when voting on related party transactions involving the company and other companies controlled by the company at the shareholders' meeting of the Surviving Company.</p>			
		<p>(IV) The company will faithfully fulfill the above commitments and bear corresponding legal liabilities. If the breach of the above commitments causes losses to the Surviving Company and other shareholders, all losses will be borne by the company.</p>			
		<p>(V) The undertaking party guarantees the right to sign this letter of commitment, and once this letter of commitment is formally signed, it constitutes an effective, legal and binding responsibility to the undertaking party.</p> <p>The company understands that the Surviving Company may rely on the confirmations and commitments made in this commitment. The company undertakes that if the company becomes aware of any information that would cause people to doubt the authenticity, accuracy and completeness of the information provided in this confirmation letter, the company will immediately notify the Surviving Company in writing of such information.</p>			

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Initial public offering	Central Huijin Investment Ltd.	<p>Letter of Commitment on Avoiding Horizontal Competition</p> <p>Central Huijin has undertaken to the Company on July 22, 2014, that: 1. As long as the company is being treated as the actual controller of Shenyin &amp; Wanguo or an affiliate of the actual controller of Shenyin &amp; Wanguo in accordance with the laws or listing rules of China or the place where Shenyin &amp; Wanguo's shares are listed (if the shares of Shenyin &amp; Wanguo are listed for trading), the company undertakes that it will not engage in or participate in any competitive securities business within or outside China. If the company participates in or conducts competitive securities business or any business or activity that has evolved into a competitive securities business within or outside China, the company undertakes that it will immediately terminate the participation, management or operation of such competitive securities business.</p> <p>2. If the company has obtained any government approval, authorization or license to directly operate securities business, or other opportunities to operate securities business, the company undertakes that it will immediately waive such approval, authorization or license and not engage in any securities business.</p> <p>3. Notwithstanding the commitments under clauses 1 and 2 above, in view of the fact that the company is a state-owned investment company engaged in investment in the financial industry established by the Chinese government, the company may, through other subsidiaries, engage in or participate in any competitive securities business within or outside China in any form (including but not limited to sole proprietorship, joint venture or cooperative cooperation and directly or indirectly holding shares or other interests of other companies or enterprises).</p>	2015-01-26	During the tenure of actual controller	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
		<p>4. As a state-owned investment company engaged in investment in the financial industry established by the Chinese government, the company will treat the securities companies it invests in fairly. The company will not grant or provide the approval, authorization, permit or business opportunity for operation of securities business obtained or likely to be obtained by it to any securities company, and it will not use the status of Shenyin &amp; Wanguo's actual controller or the information obtained from that status to make decisions or judgments that are not favorable to Shenyin &amp; Wanguo and other securities companies invested by the company, and will avoid such objective results. When the company exercises its rights as the actual controller of Shenyin &amp; Wanguo, the company will exercise its actual controller's rights in the most or best interests of Shenyin &amp; Wanguo as if the only securities company invested by it is Shenyin &amp; Wanguo. The company's investment in other securities companies will not affect its commercial judgments made as the actual controller of Shenyin &amp; Wanguo to seek the most or best interests for Shenyin &amp; Wanguo.</p>			

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Initial public offering	China Jiayin Investment Ltd.	<p>Letter of Commitment on Separation of Business, Asset, Personnel, Finance and Organisation</p> <p>The company, China Jiayin Investment Ltd., may be deemed as the related party of the controlling shareholder or its actual controller of the surviving company after the completion of the material asset restructuring of Hongyuan Securities and Shenyin &amp; Wanguo Securities Co. Ltd. ("Shenyin &amp; Wanguo"). The company makes the following irrevocable commitments to Shenyin &amp; Wanguo:</p> <p>The company undertakes that after Shenyin &amp; Wanguo completes the material asset restructuring with Hongyuan Securities and after the listing, the surviving company will be independent from the company and other companies controlled by the company in terms of asset, personnel, finance, organisation and business. Details are as follows:</p> <p>① The assets of the surviving company are independent. The surviving company independently and completely owns the business system and relevant assets related to the operation, and is independent from the company and other companies controlled by the company.</p> <p>② The personnel of the surviving company are independent. The senior management of the surviving company including the general manager, deputy general manager, chief financial officer and secretary of the board of directors do not hold any positions other than directors and supervisors in or receive salaries from the company and other companies controlled by the company; the financial personnel of the surviving company do not concurrently take other positions in the company and other companies controlled by the company.</p> <p>③ The surviving company is financially independent. The surviving company has established an independent financial accounting system, which can make regular business decisions independently, has a standardized financial accounting system and a financial management system for branches and subsidiaries; the surviving company does not share bank accounts with the company and other companies controlled by the company.</p>	2015-01-26	During the tenure of controlling shareholder	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
		<p>④ The organisation of the surviving company is independent. The surviving company has established a sound internal operation and management organisation, which independently exercises its operation and management functions, and there is no organisation mixed up with the company and other companies controlled by the company.</p> <p>⑤ The business of the surviving company is independent. The business of the surviving company is independent from the company and other companies controlled by the company, and there is no obviously unfair related party transaction with the company and other companies controlled by the company.</p> <p>The company understands that Shenyin &amp; Wanguo may rely on the confirmations and commitments made in this commitment. The company undertakes that if the company becomes aware of any information that would cause people to doubt the authenticity, accuracy and completeness of the information provided in this confirmation letter, the company will immediately notify Shenyin &amp; Wanguo in writing of such information.</p>			



## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Initial public offering	Central Huijin Investment Ltd.	<p>Letter of Commitment on Separation of Business, Asset, Personnel, Finance and Organisation</p> <p>The issuer has a complete business system and the ability to operate independently in the market. It is independent from the company and other companies controlled by the company in terms of asset, personnel, finance, organisation, and business. The company undertakes that after completion of the material asset restructuring with Hongyuan Securities Co., Ltd. and after the listing, it will be independent from the company and other companies controlled by the company in terms of asset, personnel, finance, organisation and business. Details are as follows:</p> <ol style="list-style-type: none"> <li>1. The assets of the issuer are independent. The issuer independently and completely owns the business system and relevant assets related to the operation, and is independent from the company and other companies controlled by the company.</li> <li>2. The personnel of the issuer are independent. The senior management of the issuer including the general manager, deputy general manager, chief financial officer and secretary of the board of directors do not hold any positions other than directors and supervisors in or receive salaries from the company and other companies controlled by the company; the financial personnel of the issuer do not concurrently take other positions in the company and other companies controlled by the company.</li> <li>3. The issuer is financially independent. The issuer has established an independent financial accounting system, which can make regular business decisions independently, has a standardized financial accounting system and a financial management system for branches and subsidiaries; the issuer does not share bank accounts with the company and other companies controlled by the company.</li> <li>4. The organisation of the issuer is independent. The issuer has established a sound internal operation and management organisation, which independently exercises its management functions, and there is no organisation mixed up with the company and other companies controlled by the company.</li> <li>5. The business of the issuer is independent. The business of the issuer is independent from the company and other companies controlled by the company, and there is no obviously unfair related party transaction with the company and other companies controlled by the company.</li> </ol>	2015-01-26	During the tenure of actual controller	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Overseas refinancing	The Company	<p>In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the listing date (whether or not such issue of shares or securities will be completed within six months from the listing date) except for:</p> <p>(a) the issue of shares, the listing of which has been approved by the Hong Kong Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;</p> <p>(b) the exercise of conversion rights attaching to warrants issued as part of the initial public offering;</p> <p>(c) any capitalization issue, capital reduction or consolidation or sub-division of shares;</p> <p>(d) the issue of shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in the listing document issued in connection with the initial public offering; or</p> <p>(e) the issue of H Shares pursuant to the Global Offering (including the Over-allotment Option).</p>	2019-04-26	2020-10-25	Performance completed
Overseas refinancing	Central Huijin Investment Ltd.	<p>In accordance with Rule 10.07(1) of the Listing Rules, our controlling shareholder has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering, it shall not and shall procure that the relevant registered holder(s) shall not:</p> <p>(i) in the period commencing on the date by reference to which disclosure of its shareholding is made in the prospectus and ending on the date which is six months from the listing date ("Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares directly or indirectly beneficially owned by it; and</p>	2019-04-12	2020-04-25	In performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
		<p>(ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.</p> <p>Nothing in the above shall prevent the controlling shareholder from pledging or charging any shares as security for a bona fide commercial loan in accordance with Note 2 to Rule 10.07(2) of the Listing Rules.</p> <p>In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, our controlling shareholder has further undertaken to the Hong Kong Stock Exchange and to our Company that during the period referred to in paragraphs (i) and (ii) above:</p> <p>(i) if it pledges or charges the shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), it will immediately inform the Company of such pledge or charge together with the number of shares so pledged or charged; and</p> <p>(ii) if it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged shares will be disposed of, it will immediately inform the Company of such indications.</p>			
Overseas refinancing	The Company	<p>We have also undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except (a) pursuant to the Global Offering (including the Over-allotment Option) or (b) with the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules, that we will not at any time during the Six-Month Period, whether conditionally or unconditionally:</p>	2019-04-12	2019-04-11	Ongoing performance

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
		<p>(i) allot, issue, offer, sell, contract to sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, pledge, grant or sell any option, warrant or right to subscribe for or purchase, contract to purchase, or create any interests or encumbrance in respect of, transfer or otherwise dispose of, directly or indirectly, any H Shares or any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or</p> <p>(ii) enter into a transaction or an arrangement (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any H Shares, any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or</p> <p>(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or</p> <p>(iv) offer or agree or announce any intention to do any of the foregoing, in each case, whether any of the foregoing transactions is to be settled by delivery of H Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of the H Shares or such other equity securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of H Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).</p> <p>The Company further agrees that, in the event the Company intends to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the Six-Month Period expires (the "Second Six-Month Period"), it will take all reasonable steps to ensure that such transaction, agreement or, as the case may be, such announcement will not create a disorderly or false market in the securities of the Company.</p>			

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Overseas refinancing	ICBC Asset Management Scheme Nominee	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	Huaxia Life Insurance Co., Ltd.	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	China Life Insurance (Group) Company	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares;(ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Overseas refinancing	China Reinsurance (Group) Corporation	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	New China Life Insurance Company Ltd.	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Overseas refinancing	Suning International Co., Limited	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	Sichuan Development Holding Co., Ltd.	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	Taiping Life Insurance Company Limited	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed

## Section V Significant Events (continued)

Cause of Commitment	Name of undertaking party	Details of Commitment	Start Date of Commitment	End Date of Commitment	Performance
Overseas refinancing	Changjiang Pension Insurance Co., Ltd.	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	Pacific Asset Management Co., Ltd.	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed
Overseas refinancing	The People's Insurance Company (Group) of China Limited	Without the prior written consent of the Company, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the listing date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "Relevant Shares") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.	2019-04-26	2019-10-25	Performance completed



### V. APPROPRIATION OF NON-OPERATING CAPITAL OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

The controlling shareholder and its related parties did not have any appropriation of non-operating capital of the Company.

### VI. APPOINTMENT OF ACCOUNTING FIRM, FINANCIAL ADVISOR AND SPONSOR

- (I) In 2019, the Company engaged KPMG Huazhen LLP and KPMG as the Company's domestic and overseas auditor for 2019, respectively, to be responsible for the provision of the relevant audit and review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; KPMG Huazhen LLP was engaged as the Company's auditor for internal control for 2019 and the audit fee, including the fee for internal control, for 2019 was RMB5.5 million.

The current domestic auditor has provided audit services for the Company for 7 consecutive years. The signing accountant has provided audit services for the Company for 3 years. The overseas auditor has provided audit services for the Company for 1 year. The signing accountant has provided audit services for the Company for 1 year.

During the Reporting Period, the Company paid audit fee of RMB3.5 million to KPMG Huazhen LLP and KPMG.

- (II) Due to the non-public issuance in 2018, Huatai United Securities Co., Ltd. and Shenwan Hongyuan Financing Services served as the joint sponsor and joint lead underwriter of the non-public issuance of shares of the Company. The supervision period ended on December 31, 2019.
- (III) During the issuance of H shares and listing on the Hong Kong Stock Exchange in 2019, the Company engaged Shenwan Hongyuan Capital (H.K.) Limited, Goldman Sachs (Asia) L.L.C., ICBC International Capital Limited and ABCI Capital Limited as the joint sponsors with the agreed sponsorship fee of US\$350,000, totaling US\$1.4 million.

### VII. MATERIAL LITIGATION AND ARBITRATION

#### (I) Overall Situation

During the Reporting Period, the Company had no material litigation or arbitration of which the respective amount exceeds 10% of the absolute value of the latest audited net assets of the Company and the absolute amount exceeds RMB10 million, and the aggregated amount of the litigation and arbitration in the past twelve months does not exceed 10% of the absolute value of the latest audited net assets of the Company.

## Section V Significant Events (continued)

### (II) Relevant litigation and arbitration of the Company and its subsidiaries (excluding Shenwan Hongyuan Securities) during the Reporting Period

#### **The case of liquidation liability dispute raised by Shanghai Metallurgical Engineering Construction Co., Ltd. (上海冶金工程建設有限公司) (“Shanghai Metallurgical”) against the Company**

On October 13, 2015, the Company received the subpoena and civil complaint from the People’s Court of Pudong New District of Shanghai. The plaintiff, Shanghai Metallurgical, alleged that the case of the entrusted investment dispute with Shanghai Wanguo Investment Consultancy Service Co., Ltd. (上海萬國投資諮詢服務有限公司) (“Wanguo Company”) had reached a civil judgment coded (1997) Hu Yizhong Jing Chu Zi Order No. 514 (滬一中經初字第514號民事判決書) and issued by Shanghai No. 1 Intermediate People’s Court, pursuant to which, Wanguo Company shall refund the amount of RMB5.50 million and compensate the relevant interest accrued thereon to the plaintiff. After the entry into force of the judgment, Wanguo Company refused to execute the judgment. The plaintiff therefore applied for mandatory enforcement to Shanghai No. 1 Intermediate People’s Court which decided to terminate the enforcement procedure. On May 5, 1999, the business license of Wanguo Company was revoked. Since the defendant was a shareholder of Wanguo Company, the plaintiff repeatedly required the defendant to make the liquidation but failed. As a result, the plaintiff believed that the defendant, as the shareholder of Wanguo Company, was reluctant to perform the liquidation obligation after the business license of Wanguo Company had been revoked, and shall bear joint and several liability in respect of the amount owed by Wanguo Company. The plaintiff requested the court to order the defendant to pay RMB7,182,778.4 as compensation, together with the interest accrued based on the amount of compensation at the default interest rate on overdue loan for the concurrent period of People’s Bank of China from April 18, 1998 to the actual payment date, which aggregated to approximately RMB15.40 million. The People’s Court of Pudong New District of Shanghai heard the case and made the first instance ruling on February 18, 2016, which rejected the action filed by Shanghai Metallurgical. Later, the plaintiff made an appeal for the case and the Shanghai No. 1 Intermediate People’s Court issued the second instance ruling which rescinded the first instance ruling and the People’s Court of Pudong New District of Shanghai was asked to hold a hearing for this case. In February 2017, the People’s Court of Pudong New District ruled that the plaintiff was permitted to apply for withdrawal. In July 2017, the Company received another complaint from Shanghai Metallurgical requesting the Court to order the Company to assume the relevant debt principal of RMB7,182,778.4, the interest of RMB29,020,642.25 and the liquidation and publication fees of RMB12,400, which amounted to approximately RMB36,215,820 in total. In July 2017, as Shanghai Metallurgical failed to prepay the litigation fee as scheduled, the People’s Court of Pudong New District of Shanghai ruled that the case was deemed as withdrawal of the action.

In 2018, the Company received a further complaint from Shanghai Metallurgical, which required the People’s Court of Xinshi District of Urumqi to order the Company to bear the liability including the debt principal of RMB7,182,778.4, the relevant interest accrued thereon and the liquidation and publication fee of RMB12,400. This case was heard in March 2018. After the hearing, the Court made a final ruling to reject the claim by Shanghai Metallurgical Engineering Construction Co., Ltd. Not convinced by the first instance judgment, Shanghai Metallurgical appealed. In October 2018, as Shanghai Metallurgical failed to prepay the case acceptance fee as scheduled, the Intermediate People’s Court of Urumqi in Xinjiang Province ruled that the case was deemed as withdrawal of the action.

In July 2019, Shanghai Metallurgical applied for retrial at the Intermediate People’s Court of Urumqi, requesting the Court to revoke the original civil judgment, bring the case to trial or revert for retrial by laws, and change the order as follows: the Company shall bear the relevant debt principal of RMB7,182,778.4, the liquidation and publication fees of RMB12,400 and the relevant litigation costs. Urumqi Intermediate People’s Court rejected the appeal of Shanghai Metallurgical Engineering Construction Co., Ltd. in August.

### (III) Relevant litigation and arbitration of Shenwan Hongyuan Securities (a subsidiary of the Company which is referred to as the “company” in this sub-section for the purpose of being clear and concise) and its subsidiaries during the Reporting Period

#### 1. The case of a sales contract dispute raised by Shanghai Zhuxin Industrial Co., Ltd. (上海築欣實業有限公司) against Shenyin & Wanguo Zhifu Investment Co., Ltd. (申銀萬國智富投資有限公司)

Shanghai Zhuxin Industrial Co., Ltd. and Shenyin & Wanguo Zhifu Investment Co., Ltd. entered into two Entrusted Procurement Agreements on December 30, 2014 and January 12, 2015, respectively, pursuant to which, Shanghai Zhuxin Industrial Co., Ltd. entrusted Shenyin & Wanguo Zhifu Investment Co., Ltd. to purchase 30,000 tons of coke through the method of exchange for physicals. During the performance of the agreements, the two parties disagreed in respect of whether Shenyin & Wanguo Zhifu Investment Co., Ltd. had performed the obligation to transfer the title of goods according to the above agreements. In August 2018, Shenyin & Wanguo Zhifu Investment Co., Ltd. received a complaint and a subpoena from the Court, in which Shanghai Zhuxin Industrial Co., Ltd. demanded Shenyin & Wanguo Zhifu Investment Co., Ltd. to deliver 30,000 tons of coke and assume the relevant default liability. On June 14, 2019, Shenyin & Wanguo Zhifu Investment Co., Ltd. received the first instance judgment issued by the Court dated June 5, 2019, which ordered the defendant to deliver 30,000 tons of coke to Shanghai Zhuxin Industrial Co., Ltd. within 30 days commencing from the date when the judgment came into effect. Shenyin & Wanguo Zhifu Investment Co., Ltd. had already appealed to Shanghai No. 1 Intermediate People’s Court on June 27, 2019.

As of the end of the Reporting Report, the trial of second instance of this case has already started, and the judgment of second instance has not yet been received.

#### 2. The case of the dispute over the housing demolition and relocation compensation agreement raised by the company against Dalian Deta Holding Co., Ltd.

On January 25, 2008, the company’s Dalian Jinma Road Securities Branch (“Jinma Road Securities Branch”) and Dalian Deta Holding Co., Ltd. (“Dalian Deta”) entered into a housing demolition and relocation compensation agreement, pursuant to which Dalian Deta, as the demolisher, conducted demolition and resettlement for the houses on 1–7 floors located at No. 178 Jinma Road, Dalian Development Zone, owned by Jinma Road Securities Branch, and both parties agreed on the standards for Dalian Deta to arrange resettlement housing for Jinma Road Securities Branch. Meanwhile, Dalian Deta undertook to deliver the resettlement housing to Jinma Road Securities Branch for use by June 30, 2010. Subsequently, Dalian Deta has been unable to provide houses to Jinma Road Securities Branch as scheduled. On October 17, 2014, Dalian Deta notified Jinma Road Securities Branch to proceed with the delivery of resettlement housing. After the inspection of the resettlement housing by Jinma Road Securities Branch, it was found that the resettlement housing provided by Dalian Deta were seriously inconsistent with the relocation plan under the housing demolition and relocation compensation agreement, and there were major flaws in the various settings, which could not satisfy Jinma Road Securities Branch’s requirements on houses for the purposes of securities branch. Jinma Road Securities Branch has repeatedly communicated with Dalian Deta on resettlement to find a solution, but Dalian Deta failed to provide any reasonable solution.

On October 8, 2019, Jinma Road Securities Branch of the company filed a lawsuit against the Dalian Deta with the Intermediate People’s Court of Dalian City and applied for property preservation, under

## Section V Significant Events (continued)

which, it requested: (1) Dalian Detai re-provide Jinma Road Securities Branch with a house with an area of 5,000 square meters and in line with the house type in the graphic design as agreed in the Compensation Agreement for the Demolition and Resettlement of Huaqing Building; (2) If Dalian Detai is unable to proceed with the resettlement, the Compensation Agreement for the Demolition and Resettlement of Huaqing Building and the Supplemental Agreement to the Compensation Agreement for the Demolition and Resettlement of Huaqing Building entered into between both parties on January 25, 2008 be cancelled according to law, and the defendant pay economic loss of RMB53.4659 million (the following currencies are the same) (temporarily calculated at RMB10,652 per square meter, the specific unit price is determined based on the valuation results of the resettlement housing); (3) Dalian Detai pay liquidated damages of RMB26,732.95 (tentatively determined based on the valuation results of the resettlement housing); (4) Dalian Detai pay rent loss of RMB2,974,750 (from July 1, 2014 to the actual delivery of the housing, based on the standard of RMB0.59495 million per year, temporarily calculated until July 1, 2019); (5) the acceptance fee, evaluation cost in connection with this case and other fees be borne by Dalian Detai.

As of the end of the Reporting Period, this case has not yet been judged.

### **3. The case of the dispute over the pledged securities repurchase raised by the company against Cai Xiaoru**

In June 2017, the company and Cai Xiaoru entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the "Agreements"), pursuant to which, the two parties would proceed pledged securities repurchase transaction with the company being the lender and Cai Xiaoru being the borrower, respectively. Pursuant to the provisions of the Agreements, the respondent was financed by the company with an amount of RMB91.5 million with 18,270,000 shares of "Tatwah Smartech" (listed on the Shenzhen Stock Exchange with the stock code of 002512) held by Cai Xiaoru as the subject of the pledge. Subsequently, Cai Xiaoru partially repurchased a total of RMB15.8 million and replenished the pledge with a total of 35,050,000 shares of "Tatwah Smartech". After the partial release of the pledge, the company is still the pledge for the 53,319,997 shares of "Tatwah Smartech" according to law. Cai Xiaoru's failure to fully complete the repurchase on January 25, 2019 in accordance with the Agreements constituted a breach of contract and shall bear corresponding liabilities for breach of contract in accordance with the Agreements.

In August 2019, the company filed a request for arbitration with Guangzhou Arbitration Commission, requesting the respondent to bear the default liability. The principal of the subject matter under this litigation was RMB75.7 million. In October 2019, the Guangzhou Arbitration Commission made a ruling as follows: (1) Cai Xiaoru shall return the company's financing principal of RMB75.7 million and pay the corresponding interests and liquidated damages; (2) Cai Xiaoru shall compensate the company's attorney fee of RMB0.49 million; (3) The company shall enjoy a preferential right to receive compensation with the proceeds from the discount or auction of the 53,319,997 shares of Tatwah Smartech or sales of the pledged shares within the scope of the creditor's rights as determined in clauses (1) and (2); (4) The arbitration fee of RMB580,315 of this case shall be borne by Cai Xiaoru. The arbitral award is final and effective from the date on which it is made. The company has applied to the court for enforcement.

As of the end of the Reporting Period, the case is in the process of enforcement.

#### **4. The case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Group Corporation**

In April 2018, the company and CITIC Guoan Group Corporation (CITIC Guoan) entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd.. In April to October 2018, both parties entered into 5 Agreements on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the "Agreements"), pursuant to which, the two parties would proceed pledged securities repurchase transaction with the company being the lender and CITIC Guoan being the borrower, respectively. Pursuant to the provisions of the Agreements, CITIC Guoan was financed by the company with an aggregate amount of RMB460 million with 143,050,000 shares of "CITIC Guoan Wine" (listed on the Shanghai Stock Exchange with the stock code of 600084) held by CITIC Guoan as the subject of the pledge. Subsequently, CITIC Guoan further pledged 72,400,000 shares of CITIC Guoan Wine in total to the company. On October 18, 2018, as the closing price of the shares of "CITIC Guoan Wine" dropped to RMB3 per share, the performance guarantee ratio under the Agreements fell below the agreed minimum performance guarantee ratio. CITIC Guoan failed to lift the performance guarantee ratio to above the agreed value and to pay the due interest in full and the pledged shares were judicially frozen, which constituted a breach of contract under the Agreements, and CITIC Guoan shall bear corresponding liabilities for breach of contract in accordance with the Agreements. On December 11, 2019, the company filed a lawsuit with Shanghai Financial Court and the case was accepted. In January 2020, the company received the ruling from Shanghai Financial Court that the case was handed over to the Third Intermediate People's Court of Beijing for trial.

As of the end of the Reporting Period, this case has not yet been judged.

#### **5. The case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Investment Co., Ltd. and CITIC Guoan Group Corporation**

In March 2018, the company and CITIC Guoan Investment Co., Ltd. ("Guoan Investment") entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the "Agreements"), pursuant to which, the two parties would proceed pledged securities repurchase transaction with the company being the lender and Guoan Investment being the borrower, respectively. Pursuant to the provisions of the Agreements, Guoan Investment was financed by the company with an aggregate amount of RMB400 million with 125,523,000 shares of "CITIC Guoan Wine" (listed on the Shanghai Stock Exchange with the stock code of 600084) held by Guoan Investment as the subject of the pledge. On March 13, 2018, CITIC Guoan Group Corporation (CITIC Guoan) entered into the Guarantee Contract with the company and CITIC Guoan assumed joint and several liability for all debts under the Agreements. On October 11, 2018, as the closing price of the shares of "CITIC Guoan Wine" dropped to RMB3.5 per share, the performance guarantee ratio under the Agreements fell below the agreed minimum performance guarantee ratio. Guoan Investment failed to lift the performance guarantee ratio to above the agreed value and to pay the due interest in full and the pledged shares were judicially frozen, which constituted a breach of contract under the Agreements, and Guoan Investment shall bear corresponding liabilities for breach of contract in accordance with the Agreements. CITIC Guoan also failed to assume corresponding guarantee obligations as agreed in the contract. On December 11, 2019, the company filed a lawsuit with the Shanghai Financial Court and the case was accepted. In January 2020, the company received the ruling from Shanghai Financial Court that the case was handed over to the Third Intermediate People's Court of Beijing for trial.

As of the end of the Reporting Period, this case has not yet been judged.

## Section V Significant Events (continued)

### **(IV) The latest development of the historical cases of Shenwan Hongyuan Securities (a subsidiary of the Company, which is referred to as the “company” in this sub-section for the purpose of being clear and concise) during the Reporting Period**

#### **1. The case of the dispute over pledged securities repurchase raised by the company against Hunan High-tech Chuangtou Fortune Management Co., Ltd. (湖南高新創投財富管理有限公司).**

In July 2016, the company entered into an agreement on pledged securities repurchase with Hunan High-tech Chuangtou Fortune Management Co., Ltd. (“Hunan High-Tech Chuangtou”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with the company being the lender and Hunan High-Tech Chuangtou being the borrower, respectively. Pursuant to the provisions of the agreement, Hunan High-Tech Chuangtou was financed by the company with an aggregated amount of RMB250 million in five instalments with 72,340,000 shares of “New Wellful” (listed on the Shanghai Stock Exchange with the stock code of 600975) held by Hunan High-Tech Chuangtou as the subject of the pledge. On May 2, 2018, the collateral coverage ratio of Hunan High-Tech Chuangtou fell to 138.01% which was lower than the agreed lowest collateral coverage ratio of 140%, and Hunan High-Tech Chuangtou failed to perform the obligation to raise the collateral coverage ratio above minimum level; it also failed to pay the interest due in full as scheduled, and the pledged stocks were judicially frozen, which constituted an event of default by Hunan High-Tech Chuangtou. Therefore, the company filed a complaint with Shanghai Financial Court in August 2018, requesting Hunan High-Tech Chuangtou to bear the default liability. The principal of the subject matter under this litigation was RMB230,912,511.69. The company received from Hunan High-Tech Chuangtou the Application for Objection to the Jurisdiction in October 2018, and received the first instance decision in December 2018 in respect of the jurisdiction objection, under which the defendant’s objection to the jurisdiction was rejected. On April 30, 2019, the two parties concerned reached an agreement of settlement outside of the Court, pursuant to which Hunan High-Tech Chuangtou had repaid the principal and interest to the company under the agreement. The company applied for withdrawal of the case with Shanghai Financial Court on May 8, 2019, and it received the decision from Shanghai Financial Court on May 21, 2019 granting the withdrawal by the plaintiff. The case was closed.

#### **2. The case of the dispute over the pledged securities repurchase raised by the company against Jiangyin Zhongnan Heavy Industry Group Co., Ltd. (江陰中南重工集團有限公司)**

In March 2017, the company entered into a pledged securities repurchase agreement with Jiangyin Zhongnan Heavy Industry Group Co., Ltd. (“Zhongnan Heavy Industry”), pursuant to which, the two parties would proceed stock-pledged repurchase transaction with the company and Zhongnan Heavy Industry as the lender and borrower respectively. Pursuant to the agreement, Zhongnan Heavy Industry intended to be financed by the company at an amount of RMB50.0 million with 5,850,000 shares of “Zhongnan Culture” (listed on the Shenzhen Stock Exchange with the stock code of 002445) held by Zhongnan Heavy Industry as the subject of the pledge. Later, Zhongnan Heavy Industry provided the company with 2,150,000 shares additionally as the supplemental pledge, which increased the total number of “Zhongnan Culture” pledged by Zhongnan Heavy Industry to the company to 8,000,000 shares (which was then increased to 13,600,000 shares after implementation of stock dividend and conversion), and these shares all had pledge registration. On June 12, 2018, the collateral coverage ratio of Zhongnan Heavy Industry fell to 133% which was lower than the agreed lowest collateral coverage ratio of 140%. Zhongnan Heavy Industry failed to perform the obligation to raise the collateral coverage ratio above the minimum level, and it also failed to pay the interest due in full as scheduled, which constituted an event of default.

## Section V Significant Events (continued)

The company filed a complaint against Zhongnan Heavy Industry with Shanghai Financial Court in August 2018, requesting the defendant to bear the default liability. The principal of the subject matter under this litigation was RMB50,000,000. Shanghai Financial Court issued the first instance judgment on February 28, 2019, which determined as follows: (1) Zhongnan Heavy Industry shall pay the company the principal of RMB50 million, the relevant interests accrued thereon and liquidated damages within ten days from the date when the judgment came into effect; (2) where Zhongnan Heavy Industry fails to perform the payment obligation under the aforesaid item (1), the company may negotiate with Zhongnan Heavy Industry whether to discount the 13,600,000 shares of “Zhongnan Culture” and the cash dividends, or to indemnify itself in priority with the consideration acquired through auction or sales of the pledged property. For discount, auction or sales of the pledged property, the amount exceeding the payment obligation mentioned in item (1) above shall belong to Zhongnan Heavy Industry, while the shortfall shall be supplemented by Zhongnan Heavy Industry. Though the first instance judgment had come into effect, Zhongnan Heavy Industry did not perform the relevant obligation of payment, thus the company turned to the Court applying for enforcement.

In November 2019, the company received a court ruling, and the execution of this case was concluded.

### **3. The case of the dispute over pledged securities repurchase raised by the company against Peng Peng and Wei Yueping**

From August to September 2016, the company entered into a pledged securities repurchase agreement with Peng Peng, pursuant to which, the two parties would proceed stock-pledged repurchase transaction with the company and Peng Peng as the lender and borrower, respectively. Pursuant to the provisions of the agreement, Peng Peng was financed by the company with an aggregated amount of RMB130 million in two instalments with a total of 26,000,000 shares of “OTMC” listed on the Shenzhen Stock Exchange, (stock code: 002175) held by Peng Peng as the subject of the pledge. Wei Yueping, as the spouse of Peng Peng, consented in writing to the above transaction of Peng Peng in advance in August 2016, and she indicated in writing that she was willing to assume the relevant financing liability together with Peng Peng in 2017. Later, Peng Peng provided the company with supplemental pledges of a total of 5,000,000 shares of “OTMC” additionally as supplemental pledges. After the release of the pledge of part of the shares, the company was still entitled to the right of pledge over 30,999,990 shares of “OTMC” held by Peng Peng. On April 17, 2018, the closing price of “OTMC” declined to RMB5.6 per share, which caused the collateral coverage ratios of two transactions under the agreement to be lower than the agreed lowest collateral coverage ratio. Besides, Peng Peng and Wei Yueping failed to perform the obligation of raise the collateral coverage ratio above the minimum level, and they also failed to pay the interest due in full as scheduled, which constituted an event of default. The company filed a complaint with the Shanghai Financial Court in August 2018, requesting Peng Peng and Wei Yueping to bear the default liability. The principal of the subject matter under this litigation was RMB91,460,000. The first instance hearing of this case was held on March 22, 2019. The company received the first instance judgment on July 18, 2019, which determined as follows: (1) Peng Peng and Wei Yueping, as the defendants, shall jointly repay the company the repurchase amount of RMB91,460,000 and the relevant interests accrued thereon and liquidated damages within ten days from the date when the judgment came into effect; (2) where the defendants fail to perform the payment obligation under the aforesaid item (1), the company may negotiate with

## Section V Significant Events (continued)

Peng Peng whether to discount the 30,999,990 shares of “OTMC” pledged, or to indemnify itself in priority with the consideration acquired through auction or sales of the pledged shares. For auction or sales of the pledged shares, the amount exceeding the creditor’s right shall belong to Peng Peng and Wei Yueping, while the shortfall shall be repaid by Peng Peng and Wei Yueping on an ongoing basis. In August 2019, the company applied to the court for enforcement.

As of the end of the Reporting Period, the case is in the process of enforcement.

#### **4. The case of the dispute over trust loan default raised by Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司) against Zhongke Construction and Development Corporation (中科建設開發總公司) and others**

Shenyin & Wanguo Alternative Investment (as the trustor and beneficiary) entered into a trust contract with China Everbright Xinglong Trust Co., Ltd. (“Everbright Trust”, as the trustee) in 2016, pursuant to which, Shenyin & Wanguo Alternative Investment agreed to deliver to Everbright Trust the trust capital in the aggregated amount of RMB300 million and instructed the latter to grant trust loan to Zhongke Construction and Development Corporation. Zhongke Longxuan Engineering Project Management (Hai’an) Co., Ltd. (中科龍軒工程項目管理海安有限公司) (“Zhongke Longxuan”), as the pledgor, pledged to Everbright Trust its entitlement to every installment of accounts receivables from the Management Committee of Hai’an Economy and Technology Development Zone under the 2013 Hai’an Economy and Technology Development Zone Infrastructure Financing Construction Project Contract (《海安經濟技術開發區2013年基礎設施融資建設項目合同書》), hereinafter referred to as the “Contract”). Zhongke Construction and Development Corporation later failed to pay the relevant interest after being notified repeatedly, constituting an event of default. In September 2018, Everbright Trust issued the Early Loan Repayment Notice, declaring that all the principal and interest of the loan constituted acceleration on September 13, 2018. On the same day, Everbright Trust and Shenyin & Wanguo Alternative Investment agreed to terminate the trust contract, and Everbright Trust assigned to Shenyin & Wanguo Alternative Investment all of its rights under the creditor’s right and guarantee right.

On September 18, 2018, Shenyin & Wanguo Alternative Investment filed a civil complaint to the Gansu High People’s Court requesting the following judgments: (1) Zhongke Construction and Development Corporation shall repay Shenyin & Wanguo Alternative Investment a loan principal of RMB300 million and the accrued interest, the penalty interest and the attorney fee, and Zhongke Longxuan shall be jointly liable for the aforesaid petition; (2) Shenyin & Wanguo Alternative Investment shall be entitled to exercise the pledge right over the trade receivables, and entitled to be indemnified in priority by the trade receivables from the Management Committee of Hai’an Economy and Technology Development Zone pledged by Zhongke Longxuan to Shenyin & Wanguo Alternative Investment; (3) Zhongke Construction and Development Corporation, Zhongke Longxuan and the Management Committee of Hai’an Economy and Technology Development Zone shall be jointly responsible for all the litigation and preservation fees.

As of the end of the Reporting Period, the trial of the first instance of this case has commenced, and the judgment of the first instance has not yet been received.



### 5. **The case of the dispute over a housing demolition and relocation compensation agreement raised by the company against Shanghai Zhouxian Property Development Co., Ltd. (上海周賢房產開發有限公司) (“Zhouxian Property”)**

The company entered into a housing demolition and relocation compensation agreement with Zhouxian Property in May 2011, pursuant to which, Zhouxian Property was obliged to pull down the company's housing and to deliver the resettlement housing in 2014. However, up to October 2017, Zhouxian Property had repeatedly delayed the delivery of the resettlement housing, and got into operation difficulty due to poor management and the principles being suspected of committing a crime.

On October 27, 2017, the company filed a lawsuit against Zhouxian Property with the People's Court of Pudong New District of Shanghai and applied for property preservation, under which, it requested Zhouxian Property: (1) to deliver the resettlement housing as agreed in the contract, or to compensate RMB91.68 million (the following currencies are the same) for the housing by reference to the market price; (2) to continuously provide the transitional housing; (3) to pay the liquidated damages of RMB1,583,214.2; (4) to bear the litigation fee of this case. On December 21, 2017, the company received the property preservation notice from the People's Court of Pudong New District of Shanghai, and was advised that the Court had sealed up part of the lands, properties and bank accounts under the name of the defendant according to the property preservation application submitted by the company. On January 11, 2018, the evidence exchange was completed for this case, and the first instance hearing was held on December 4, 2018. On January 7, 2019, the company received the first instance judgment. All the litigation claims made by the company were supported by the People's Court of Pudong New District of Shanghai, including: (1) termination of the Demolition and Relocation of Housing and Economic Compensation Agreement and the Supplemental Agreement entered into between the company and Zhouxian Property; (2) Zhouxian Property shall pay the company economic loss of RMB60,331,552 (calculated based on the evaluated unit price of the relevant housing) within ten days from the effective date of the judgment; (3) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the rent of the transitional housing at the standard of RMB214,410.33 per month for the period from April 1, 2018 to the date when Zhouxian Property performs the main provision of judgment under the above said item (2); (4) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the property management fee for the transitional housing based on the standard of RMB6,316 per month for the period from April 1, 2018 to the date when Zhouxian Property performs the main provision of the judgment under the above said item (2); and (5) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the liquidated damages of RMB1,583,214.20. Besides, Zhouxian Property is liable for the acceptance fee, preservation fee and evaluation cost in connection with this case. The first instance judgment came into effect in February 2019, and the company applied to the People's Court of Pudong New District of Shanghai for mandatory enforcement on March 29, 2019. As Zhouxian Property had no executable property, in September 2019, the company received an enforcement ruling from the People's Court of Pudong New District pursuant to which the execution was terminated.

## Section V Significant Events (continued)

### 6. The case of the corporate bonds dispute raised by the company (acted as manager of asset management plan) against Shandong Shanshui Cement Group Company Limited (山東山水水泥集團有限公司) (“Shanshui Cement”)

On May 18, 2016, the company, as manager of Hongyuan Securities Guanghong No. 4 Targeted Asset Management Scheme (宏源證券光宏4號定向資產管理計劃) and entrusted by its client, filed a lawsuit with the Intermediate People’s Court of Jinan, Shandong against Shanshui Cement to claim the bond default of the latter. Shanshui Cement was demanded to repay the bonds principal of RMB50,000,000, an interest of RMB2,720,000 and the liquidated damage of RMB1,306,401.60, and to bear the relevant legal service fee and litigation cost. The hearing of the case was held on July 25, 2016. The company received the first instance judgment from the Intermediate People’s Court of Jinan, Shandong in September 2017 in which Shanshui Cement was ordered to repay the principal of RMB50 million, an interest of RMB2.72 million and the liquidated damages of RMB5,945,234.40 for overdue redemption and the relevant litigation cost. The first instance judgment Lu (01) Min Chu No. 1160 (2016) ((2016)魯01民初1160號) came into force since Shanshui Cement did not appeal. The client and Shanshui Cement conducted a settlement negotiation and concluded a settlement agreement.

In March 2019, the case was closed along with the completion of performance under the settlement agreement.

Since the company acted as manager of Hongyuan Securities Guanghong No. 4 Targeted Asset Management Scheme, it only handled affairs in relation to the asset management scheme under the client’s instruction as agreed in the asset management contract. The interest in the creditors’ right under the asset management scheme over Shanshui Cement actually belonged to the client, the final litigation results of this case shall be borne by the client in fact.

## VIII. INVOLVEMENT OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER IN INVESTIGATION BY COMPETENT AUTHORITIES DURING THE REPORTING PERIOD

During the Reporting Period, neither the Company, nor any of its directors, supervisors, senior management, controlling shareholder or actual controller was investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judiciary authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, prohibited from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange.

## IX. THE CREDITWORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, none of the Company, its controlling shareholder or its actual controller failed to perform any effective judgments of a court or repay outstanding debts with relatively material amounts.

### X. RELATED PARTY TRANSACTIONS DURING THE REPORTING PERIOD

The related/connected transactions of the Group are conducted pursuant to the SZSE Listing Rules and the Hong Kong Listing Rules, the related/connected transactions of the Group observe the fair and reasonable principles, and the agreements on related/connected transactions are entered into under the principles of equality, willingness, pricing equality and compensation with market prices.

The Company has the following continuing connected transactions that shall subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules:

As of December 31, 2019, JIC directly held approximately 26.34% of the total issued share capital of the Company. Therefore, JIC is a substantial shareholder of the Company. Therefore, JIC and its associates constitute connected persons of the Company under Chapter 14A of the Listing Rules.

#### **Securities and Financial Products, Transactions and Service Framework Agreement**

Reference is made to the Securities and Financial Products, Transactions and Services Framework Agreement (the “Framework Agreement”) with JIC on March 29, 2019 for a term commencing from April 26, 2019 (i.e. the listing date of H Shares) to December 31, 2021, subject to renewal. Separate contracts will be entered into between members of the Group and JIC and its associates to provide for the terms and conditions of the specific transaction(s) in accordance with the principal terms set out in the Framework Agreement.

Pursuant to the Framework Agreement, the Group and JIC and/or their respective associates shall provide securities and financial products and transactions with one another, and the Group shall provide securities and financial services to JIC and/or its associates, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

#### **A. Securities and Financial Products and Transactions**

According to the Framework Agreement, the securities and financial product and transactions (“Securities and Financial Products and Transactions”) between the Group and JIC and/or its associates include (but not limited to) the following:

- equity-related products or transactions, including funds, trust, asset management schemes, convertible bonds, structured products;
- fixed-income products, including funds, trust, bonds, and structured products with fixed income characteristics;
- financing transactions among financial institutions with or without guarantees; and
- other related securities and financial products and derivative products

#### *Reasons for the transactions*

In the normal course of our business, the Group regularly engages in various kinds of securities and financial products transactions with various counterparties, including JIC and its associates. The Group purchases suitable securities and financial products from different providers (including JIC and its associates, which

## Section V Significant Events (continued)

are our connected persons, and independent third parties) based on our internal evaluation system and procedures with reference to various factors including the cost, market condition and the Group's risk exposure, business needs and development requirements. JIC and/or its associates may also purchase securities and financial products from the Group in their ordinary course of business from time to time, taking into account their business needs and the suitability of the products the Group offered.

### *Pricing basis*

The market rates in respect of each of the Securities and Financial Products and Transactions are generally transparent and standardized across the market. The commission rates and fees charged for these products and transactions shall be determined based on the prevailing market price or based on arm's length negotiation with reference to the prevailing market rates normally applicable to independent third parties for similar types of transactions at the time of the transactions. To ensure that the Securities and Financial Products and Transactions are on normal commercial terms and to safeguard the interests of our shareholders as a whole, the Group has put in place internal approval and monitoring procedures relating to the Group's connected transactions.

### *Transactions in the year ended December 31, 2019*

For the year ended December 31, 2019, the annual caps and actual transaction amounts of the Securities and Financial Products and Transactions are set out below:

Unit: RMB'000

Securities and Financial Products and Transactions	For the year ended December 31, 2019	
	Annual cap	Actual transaction amount
In <sup>(1)</sup>	4,690,721	2,289,738
Out <sup>(2)</sup>	4,053,000	1,557,666

Notes:

- (1) "In" means the total cash inflow to the Group arising from the Securities and Financial Products Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) "Out" means the total cash outflow from our Group arising from the Securities and Financial Products Transactions, including the purchase of the relevant products, interests paid for the relevant products and outflow arising from repurchase of relevant products from our counterparties.

### **B. Securities and Financial Services**

According to the Framework Agreement, JIC agreed to purchase and the Company agreed to provide securities and financial services to JIC and its associates in its ordinary course of business based on normal commercial terms and market practices at prevailing market prices. The securities and financial services (the "Securities and Financial Services") provided to JIC and/or its associates include (but not limited to) the following:

- financial products agency sale services. The Group receives service fees and/or other fees for such services;
- leasing of trading units services. The Group leases our trading units to institutional clients and receives trading commission and/or other fees for such services;

## Section V Significant Events (continued)

- brokerage services, including securities brokerage and related financial products brokerage services. The Group receives brokerage commissions for such services;
- investment banking services, including underwriting and sponsorship services for equity securities and other products, and financial advisory services for other general corporate restructuring, mergers and acquisition. The Group receives underwriting commission, sponsor fee, financial advisory fees and/or other fees for such services;
- asset management services. The Group manages the assets of customers and receive service fees for such services; and
- other miscellaneous securities and financial advisory and consulting services. The Group receives advisory fees and/or other fees for such services.

### *Reasons for the transactions*

In the Group's ordinary course of business, the Group provides securities and financial services to the Group's clients, which include JIC and for its associates. Due to their business needs and the Group's expertise and professional capabilities, the Group had been engaged by JIC and its associates to provide Securities and Financial Services from time to time during the Reporting Period.

### *Pricing basis*

- financial products agency sale services: service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fee rate charged by the Group for comparable agency sale service provided to independent third party;
- leasing of trading units: the Group charges a percentage of the trading volume in respect of each trade conducted through the Group's trading units as the Group's commission where such percentage shall be determined based on the then prevailing market rates and industry practice. The commission rates charged on the leasing of trading units are generally transparent across the market;
- brokerage services: the commission rates for these services are generally transparent and standardized across the market. The commission rates are determined based on arm's length negotiation with reference to the prevailing market rates for comparable securities or futures;
- investment banking services: financial advisory fees and other service fees shall be determined after taking into account factors including the transaction nature and size, and the then prevailing market conditions. The fees for investment banking services are generally transparent across the market, which enables the Group to adopt a market-based pricing approach;

## Section V Significant Events (continued)

- asset management services: the fees charged for asset management services are determined based on arm's length negotiations with reference to factors including the prevailing market rates, the size of the assets and the complexity of the particular service provided. The market rates for these services are generally transparent across the market; and
- other miscellaneous securities and financial advisory and consulting services: such services are determined based on arm's length negotiation with reference to the prevailing market rates for transactions of similar type and size.

The terms (including pricing terms) in respect of the Securities and Financial Services the Group provided to JIC and/or its associates shall be comparable to those provided to the Group's other independent institutional clients of similar profile and transaction amount. The Securities and Financial Services shall be subject to the same or stricter internal approval and monitoring procedures and pricing policies applicable to independent clients.

### *Transactions in the year ended December 31, 2019*

For the year ended December 31, 2019, the annual caps and actual transaction amounts of the Securities and Financial Services are set out below:

	Unit: RMB'000	
	For the year ended December 31, 2019	
	Annual cap	Actual transaction amount
The Group's revenue generated from providing the Securities and Financial Services to JIC and its associates	19,000	15,323

### **Confirmation of independent non-executive Directors**

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that:

- (1) The above continuing connected transactions were entered into in the ordinary course of business of the Group;
- (2) The above continuing connected transactions were entered into on normal commercial terms or better; and
- (3) The above continuing connected transactions were entered into in accordance with the Framework Agreement, the terms of which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

## Section V Significant Events (continued)

### Confirmation of independent auditor

The independent auditor of the Company has performed the review procedures and issued its letter of unqualified opinion regarding the abovementioned continuing connected transactions, and confirmed that:

- (1) Nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of Directors;
- (2) For transactions involving the provision of products and services by the Company, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) Nothing has come to their attention that causes them to believe that such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) With respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set out by the Company.

Save as disclosed above, there are no other related party transactions as set out in note 57 to the consolidated financial statements that are connected transactions or continuing connected transactions that are required to be disclosed under the Hong Kong Listing Rules. Save as disclosed in this report, during the Reporting Period, the Company was not required to disclose any connected transactions in accordance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

## XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

### (I) Material holding in custody, contracting or leasing

The Company had no material holding in custody, contracting or leasing during the Reporting Period.

### (II) Material guarantees of the Company accumulated from previous periods or occurred during the Reporting Period

On February 26, 2019, the 38th meeting of the fourth session of the Board considered and approved the Proposal Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. ("Hongyuan Hengli") (關於為宏源恒利(上海)實業有限公司提供擔保的議案), pursuant to which, the Company was permitted to provide guarantee for the external financing of its wholly-owned subsidiary Hongyuan Hengli subject to the maximum amount of RMB1.0 billion within two years commencing from the date when the proposal was approved at the general meeting. Besides, the management of the Company was authorized to determine the specific implementation and to proceed execution of the relevant legal documents in connection with the guarantee based on the application from Hongyuan Hengli and its major business operation. This transaction has been considered and approved at the 2018 annual general meeting of the Company.

## Section V Significant Events (continued)

According to resolutions of the Board of Directors and the general meeting of the Company, on August 20, 2019, the Company entered into the Maximum Guarantee Contract with China Minsheng Banking Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. On November 25, 2019, the Company and Ping An Bank Co., Ltd. Shanghai Branch entered into the Maximum Guarantee Contract for comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. During the Reporting Period, the Company accumulatively provided guarantee in an amount of RMB200 million for Hongyuan Hengli.

### (III) Entrusting others to conduct cash asset management

#### 1. Entrusted wealth management

N/A

#### 2. Entrusted loan

N/A

### (IV) Other material contracts

Pursuant to the requirements on connected transactions under Chapter 14A of the Hong Kong Listing Rules, on March 29, 2019, the Company and China Jianyin Investment Ltd. entered into the Securities and Financial Products, Transactions and Services Framework Agreement (the “Framework Agreement”) for a term commencing from April 26, 2019 (i.e. the listing date of H Shares) to December 31, 2021. Pursuant to the Framework Agreement, the Company and China Jianyin Investment Ltd. and/or their respective associates agreed to conduct securities and financial transactions with one another, and provide securities and financial products and services to one another, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

## XII. SOCIAL RESPONSIBILITIES

### (I) Fulfillment of social responsibility

In 2019, the Company adhered to the core values of “seeking truth and innovations while pursuing integrity and sincerity in practice”, pursued healthy, sustainable and stable development with a view to “achieving simple finance and fulfilling dreams”, and integrated the concept of social responsibility into all aspects of work. It supported sustainable development of the real economy, expanded investment layout, and proactively promoted the development of securities business, striving to create value for shareholders, the market, and society; the Company put the “customer-centric” concept throughout the entire business development process, conducted innovation in terms of products and services, and improved service channels and methods; the Company adhered to operation in accordance with laws and regulations, strengthened risk prevention and control, continuously cultivated the integrity awareness of all employees, to effectively maintain financial security and customers’ interests; the Company proactively engaged in poverty alleviation and public welfare, encouraged employees to participate in charity and volunteer activities, and gave back to the society in various ways, making new positive contributions to promoting coordinated economic and social development. For details of the Company’s fulfillment of social responsibilities, please refer to the 2019 Social Responsibility Report of Shenwan Hongyuan Group Co., Ltd. published on Cninfo website at [www.cninfo.com.cn](http://www.cninfo.com.cn) on the same date of this annual report.



### (II) Fulfillment of social responsibility in respect of targeted poverty alleviation

#### 1. Plan on targeted poverty alleviation

The Company always regards targeted assistance and support as an important reflection of practicing the “two maintenances” and the responsibility of state-owned financial enterprises. In 2019, under the guidance of the CSRC, the Company formulated the annual poverty alleviation plan as a proactive response to the “One Company for One County” paired assistance initiative of the Securities Association of China, and continued to conduct targeted poverty alleviation in “six counties, one district and one village”, i.e. Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang, Xi County in Shanxi Province, Baiyu County and Jinyang County in Sichuan Province, Qianjiang District in Chongqing, and Gaobei Village in Shibing County of Guizhou Province.

#### 2. Overview of targeted poverty alleviation for the year

The Company provides accurate solutions to the acute problems in relation to “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed” in poverty-stricken areas, striving to overcome the difficulties and pain points of the people’s livelihood; it supports the local collective economy, characteristic industries and leading enterprises in the poverty-stricken areas to grow bigger and stronger, to consolidate the foundation for poverty alleviation in poverty-stricken areas; and exerts its professional advantages to strengthen poverty alleviation through finance and improve the quality of poverty alleviation and cultivates a poverty alleviation culture which everyone in the Company participates in and everyone cares about. In 2019, the Company continued to exert great efforts on poverty alleviation through public welfare, education, consumption, Party building, industry and finance, invested a total of RMB47.9146 million in the “six counties, one district and one village”, purchased agricultural products in an amount of over RMB8.1 million, helped sales of agricultural products in an amount of more than RMB1.59 million, and trained 803 grassroots cadres and 195 technicians. The three cadres dispatched by the Company in 2018 continued to deeply and practically proceed with the local poverty alleviation. The main work is as follows:

(1) *Focus on the basic requirements of poverty alleviation, i.e. “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”, and work hard to improve the quality of poverty alleviation*

- ① Ensure residents’ drinking water safety. The Company invested RMB5.1501 million in construction of 4 special drinking water reservoirs in Huining to solve the problem of safe drinking water for 27,274 people from 6,760 households.
- ② Increase investment in compulsory education. In Huining County, the Company mobilized cadres and employees to donate a total of RMB300,000 to carry out the “one-on-one” paired assistance initiative for 225 students from local poor families; Shenwan Hongyuan classes were added to Siyuan Experimental School, and each class will be invested with RMB200,000 each year to subsidize 50 children from poor families who are excellent in character and learning. In Maigaiti County, the Company invested RMB2.9475 million in introduction of training institutions to train 750 primary school Party secretaries, principals, teachers, etc. in the county; and invested RMB2 million in subsidizing Maigaiti No. 4 Middle School for purchase of facilities in computer classrooms, teachers’ computers and “Banbantong” modern teaching equipment. In Baiyu County, the Company invested RMB200,000 in customizing winter clothes for 1,000 students from poor families to send

## Section V Significant Events (continued)

them with warmth. In Jimunai County, the Company subsidized RMB10,000 for Wenming Road Community Kindergarten to purchase a batch of stationery suitable for young children to give love for children's enlightenment education.

- ③ Engagement in poverty alleviation through e-commerce and consumption. Under the guidance of China Investment Corporation, the Company undertook the construction of the CIC Poverty Alleviation E-commerce Platform (中投扶貧電商平台) in 2018. In order to further improve the service quality of the platform, in May of 2019, the Company carried out centralized rectification, strengthened the platform's market management mechanism, organised special training, and successfully helped the Huining Poverty Alleviation Section to be rated as "Jingdong Good Store". In order to further drive the sales of the Huining Poverty Alleviation Section, the Company held promotional events for Huining agricultural products at the headquarters of China Investment Corporation and the Company's Beijing and Shanghai headquarters, respectively; designed 6 gift box packages for Huining poverty alleviation products and assigned them to all divisions, headquarters and branches, which effectively increased the purchase volume and amount of agricultural products of Huining. According to statistics, the Company accumulatively purchased agricultural products from paired poverty alleviation areas in an amount of more than RMB8.1 million in 2019 and helped the sales of Huining agricultural products in an amount of more than RMB1.59 million. In addition, the Company's business divisions, headquarters and branches also proactively purchased agricultural and specialized local products in poor regions including Maigaiti County and Jimunai County in Xinjiang and Jinyang County in Sichuan.
  - ④ Enhance basic medical guarantee. In Huining County, the Company invested RMB0.1238 million in purchase of a medical ambulance to improve local medical guarantee; drawing on the successful experience of medical insurance in Xunhua County, a feasibility analysis report on the implementation of an insurance project in relation to prevention of return to poverty in Huining County, Gansu Province was prepared to study the way to promote the project in Huining. In Jimunai County, the Company invested RMB230,000 in subsidizing the local medical staff to raise the first installment of medical care expenses, comfort the poor households, and solve the problems of temporary assistance for the elderly who live alone.
- (2) *Vigorously strengthen the foundation for the stable poverty alleviation for the poor, focus on poverty alleviation relying on industry to promote the continuous growth of local collective economy and characteristic industries, and build a long-term development mechanism for poverty alleviation*
- ① Enhance the cohesion of grassroots Party organisations through improving village's collective economic strength by way of poverty alleviation through Party building. In 2019, the Company invested RMB10.2 million from Party fees to support the development of the collective economy of villages and leading enterprises in Huining, to effectively drive the income from collective economy of villages and the income of poor households. In addition, the Company also invested RMB7.8 million from Party fees to strengthen the construction of Party branches and positions of villages in Huining and carry out training on Party secretary and first secretary of villages and other projects, to continuously consolidate the foundation of grass-roots Party organisations.

## Section V Significant Events (continued)

- ② Support the development and growth of characteristic industries in poverty-stricken areas. In Huining, the Company proactively promoted the improvement of local industrial water supporting facilities, and invested RMB5.2794 million in construction of reservoirs, booster pump stations, and industrial water supporting pipeline facilities, etc., to provide basic guarantees for the water required for the local vegetable industry, directly benefiting 6,290 farmers from 1,533 households; the Company invested RMB1.5 million in standardized construction of Huining Planting and Breeding Cooperative, to solve the funding gap in the construction of standardized planting and breeding pens in two local villages and towns, which directly drove 120 poor households to get rid of poverty through means including village collective dividends. In Maigaiti, Xinjiang, the Company invested RMB500,000 in building solar greenhouses for 46 poor households in Kumukusar Village, Kumukusar Township. In Jinyang County, Sichuan, the Company invested RMB650,000 in construction of a high-standard purple potato farmland demonstration area.
- ③ Clarify the idea of poverty alleviation through industry and support leading enterprises to become bigger and stronger. The Company's post-doctoral workstation conducted field research on the industrial development status of Huining and prepared a special research report entitled Way of Realization and Optimization of Poverty Alleviation through Industry in Huining to provide feasible suggestions on the way of implementation and optimization of industrial development in Huining from the perspectives of cultivation of independent development capabilities in poverty-stricken areas, expansion of the coverage of "futures + insurance" for agricultural products, and exploration of the equity structure and benefit utilization mechanism of poverty alleviation through industry, etc.; based on Huining's advantageous resource endowment, the Company's research institute has tailored a relatively clear blueprint for poverty alleviation through industry featured by "ecological improvement as the core, development of red cultural and educational industries, green and characteristic agriculture" to help the local government sort out its medium- and long-term industrial development plans and further clarify development ideas.
- (3) *Vigorously exert professional advantages to strengthen targeted poverty alleviation through finance and improve the quality of poverty alleviation and the capacity of sustainable economic development in poverty-stricken areas*
- ① Practically conduct targeted poverty alleviation through finance following "one company, one policy". In light of the fact that Huining lacks leading enterprises, the Company has set up a professional team to track and nurture local enterprises and implements "one company, one policy" to tailor financial assistance program for each enterprise, to support them to grow bigger and stronger. In 2019, the Company successfully helped Gansu Qunye Technology Co., Ltd. to transform into a joint-stock company and establish an employee shareholding platform. In addition, the Company's investment lines proactively coordinated internal and external resources to carry out investment and financing services for leading enterprises in Huining, to create benchmarking enterprises with demonstration effects.

## Section V Significant Events (continued)

- ② Vigorously promote “insurance + futures” projects for agricultural products. In 2019, the Company continued to expand agricultural insurance coverage in Huining and invested RMB1.5 million in insuring more than 47,700 tons of local corn. As of now, the accumulative insurance compensation amounted to RMB3.2626 million, which guaranteed the minimum income for over 10,000 poor households in Huining.
- (4) *Focus on strengthening the joint efforts of poverty alleviation, proactively mobilize all staff, and cultivate a poverty alleviation culture which everyone in the Company participates in and everyone cares about*

In 2019, the Company stepped up publicity of poverty alleviation, and shot a poverty alleviation publicity video named “Inner Voices”, which received warm response in the CSRC system and the Company; the trade union and Youth League committee launched activities themed by “big hands holding small hands”, “a piece of love gathers you and me”, etc. and called on all cadres and employees to actively make donations, purchase agricultural products from poverty-stricken areas to dedicate love through the establishment of special columns, newspapers, WeChat public account, etc.; the operation centers, hosting centers, OTC market headquarters, etc. made voluntary donations for the poor students and substitute teachers in Huining for purchase of daily necessities. This series of visible poverty alleviation actions has generated a strong positive energy within the Company and cultivated a poverty alleviation culture where the staff of Shenwan Hongyuan have faith and are willing to make dedication.

Due to the outstanding performance in poverty alleviation, the Company, as the only securities company, was selected as one of the 28 typical cases of “Poverty Alleviation through Finance” for 2019 by the State Council Leading Group Office of Poverty Alleviation and Development; it was awarded the “2019 Award for Poverty Alleviation Enterprise” by the International Financial News; it won the “2019 Award for Targeted Poverty Alleviation Enterprise” at the 2nd CSR Pioneer Forum and Corporate Social Responsibility Award Ceremony held by the People’s Daily.

## Section V Significant Events (continued)

### 3. Achievements of targeted poverty alleviation

Indicator	Unit of measurement	Quantity/status of implementation
I. Overall situation	—	—
Including: 1. Funds	RMB'0,000	4,791.46 (including RMB18 million of Party fees of the Company, RMB300,000 of donations by employees and RMB6.3483 million for purchase by the trade union)
2. Amount of money converted from physicals	RMB'0,000	—
3. Number of people on poverty record assisted to be lifted out of poverty	Person	— (Subject to acceptance and statistics by the State)
II. Itemized investments	—	—
1. Poverty alleviation through industrial development	—	—
Including: 1.1 Types of projects for poverty alleviation through industrial development	—	Support of village collective economic development, standardized construction of cooperatives, and development of characteristic industries
1.2 Number of projects for poverty alleviation through industrial development	Project	4
1.3 Amount invested in projects for poverty alleviation through industrial development	RMB'0,000	1,812.94 (including RMB10.2 million of Party fees of the Company)
1.4 Number of the people on poverty record who assisted to be lifted out of poverty	Person	— (Subject to acceptance and statistics by the State)
2. Poverty alleviation through transfer of the labour force	—	—
Including: 2.1 Amount invested in vocational skills training	RMB'0,000	30 (Party fees of the Company)
2.2 Number of people who have received vocational skills training	Person-time	998
2.3 Number of people on poverty record assisted to get employed	Person	— (Subject to acceptance and statistics by the State)

## Section V Significant Events (continued)

Indicator	Unit of measurement	Quantity/status of implementation
3. Poverty alleviation through relocation	—	—
Including: 3.1 Number of relocated people assisted to get employed	Person	—
4. Poverty alleviation through education	—	—
Including: 4.1 Amount invested in helping the poor students	RMB'0,000	51 (including RMB300,000 of donations by employees)
4.2 Number of poor students funded	Person	305
4.3 Amount invested in improving educational resources in poor areas	RMB'0,000	514.75
5. Poverty alleviation through health care	—	—
Including: 5.1 Amount invested in medical and health resources in poverty-stricken areas	RMB'0,000	51.38
6. Poverty alleviation through ecological protection	—	—
Including: 6.1 Type of project	—	Carbon sink trade, etc.
6.2 Amount invested	RMB'0,000	—
7. Guaranteed basic living standard for people unable to work	—	—
Including: 7.1 Amount invested in left-behind children, women and the elderly	RMB'0,000	—
7.2 Number of left-behind children, women and the elderly assisted	Person	—
7.3 Amount invested in poor people with physical disabilities	RMB'0,000	—
7.4 Number of poor people with physical disabilities assisted	Person	—
8. Social poverty alleviation	—	—
Including: 8.1 Amount invested in coordinated poverty alleviation in eastern and western China	RMB'0,000	—
8.2 Amount invested in targeted poverty alleviation programs	RMB'0,000	2,331.39 (including RMB7.5 million of Party fees and RMB6.3483 million of purchase by the trade union)
8.3 Amount invested in charity funds for poverty alleviation	RMB'0,000	—

## Section V Significant Events (continued)

Indicator	Unit of measurement	Quantity/status of implementation
9. Other projects	—	—
Including: 9.1 Number of projects	Project	—
9.2 Amount invested	RMB'0,000	—
9.3 Number of people on poverty record assisted to be lifted out of poverty	Person	—
III. Honors (contents and levels)	—	<p>1. The Company was selected as one of the 28 typical cases of "Poverty Alleviation through Finance" for 2019 by the State Council Leading Group Office of Poverty Alleviation and Development; 2. it was awarded the "2019 Award for Poverty Alleviation Enterprise" by the International Financial News; 3. it won the "2019 Award for Targeted Poverty Alleviation Enterprise" at the 2nd CSR Pioneer Forum and Corporate Social Responsibility Award Ceremony held by the People's Daily</p>

#### 4. Subsequent targeted poverty alleviation plan

The situation is pressing and poverty alleviation has ushered in a sprint period of cracking hard nut and storming a castle. In the next stage, the Company will continue to exert great efforts on four aspects, i.e. organisational personnel, funds, project and assessment, to boost the poverty alleviation in six counties, one district and one village, especially in Huining County, Gansu Province.

First, it is required to implement the work requirements of "removing poverty without removing responsibilities, policies, assistance, and supervision", to further improve the sustainable long-term mechanism for poverty alleviation and resolutely prevent return to poverty.

Second, the Company shall fully assist Huining and other poverty-stricken areas to complete the acceptance on getting rid of poverty and effectively solve the basic problems in relation to "No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed"; consolidate the poverty alleviation achievements in Jimunai County, Xinjiang, Qianjiang District, Chongqing, and Gaobei Village, Shibing County, Guizhou, and organically connect poverty alleviation with rural rejuvenation.

## Section V Significant Events (continued)

Third, it is required to further accurately identify the aspects for poverty alleviation through industry, implement the “one company, one policy” targeted poverty alleviation, and give play to the leading role of leading enterprises in driving the local economy.

Fourth, further effects shall be made in the operation of e-commerce platform and sales of agricultural products, to effectively improve the e-commerce operation capabilities, sales service capabilities, and industry chain integration capabilities of the enterprises in Huining County.

Fifth, the Company shall comprehensively optimise the use and supervision mechanism for the funds used for poverty alleviation, formulate unified management standards for poverty alleviation projects, standardize the procurement and bidding procedures for projects in designated assistance areas, and conduct the completion acceptance and final account review and audit of poverty alleviation projects in a timely manner to ensure the use of funds in compliance with laws and resolutely prevent the abuse of funds.

Sixth, it is necessary to fully stimulate the enthusiasm of the Company’s cadres and employees to participate in poverty alleviation, and create a poverty alleviation atmosphere within the Company that “everyone is willing to, has the ability to and is able to participate in poverty alleviation” to form the characteristic culture of the Company and proactively mobilize and integrate resources of all parties to form a strong joint force to promote poverty alleviation.

### (III) Environmental protection

#### (1) Green development

Development of green finance is an important initiative for achieving green development and an important content of supply-side structural reform. The Company fully supports the State’s transition to green economy, values its green development, and reduces the Group’s impact on the environment. It is enthusiastic about social welfare activities and committed to fulfilling social responsibilities, with a view to comprehensively improving the sustainable influence. The Company proactively responds to the national green development strategy and continuously supports the development of green environmental protection enterprises. With the focus placed on the areas including circular economy and clean transportation, the Company supports the development of green industries and green projects through direct investment, IPO, green bonds, corporate bonds and other methods to create green value.

When conducting investment banking business, the Company proactively urges customers to conduct environmental impact assessment, fulfill corporate social responsibilities, and conducts full verification and effective regulation of the environmental protection of listed companies and companies to be listed. In particular, for the heavily polluting industries, they are required to get approval of environmental impact assessment of construction projects, environmental protection acceptance, pollution permits, and environmental protection measures for pollution treatment facilities in accordance with relevant laws and regulations; for other enterprises that are not in the heavily polluting industries, they are also required to fully regulate its operations in accordance with environmental protection laws and regulations. Where enterprises are actively urged and required to formulate environmental protection systems and publicly disclose environmental information in accordance with relevant laws and regulations, they shall perform corresponding obligations in accordance with regulatory requirements.



## Section V Significant Events (continued)

In 2019, the Company undertook the issuance of “19 Xingrong Green Bonds 01” and “19 Xingrong Green Bonds 02”, and the proceeds raised therefrom will be used for the Phase II Project of Chengdu Zhonghe Sewage Plant. The issue size of the first tranche was RMB800 million and the coupon rate was 4.26%; the issue size of the second tranche was RMB1 billion and the coupon rate was 3.58%. The coupon rate of the second tranche of green bonds was approximately 27% lower than the benchmark interest rate for loans of the same term. The issue rate was the lowest in the history of corporate bonds in Sichuan Province, and the over-subscription of 5.31 times fully demonstrated that the market recognized green bonds and promoted the development of emerging and green industries; the Company helped Mingyang Smart Energy Group Co., Ltd., the leader in the new energy industry of wind power, to successfully go public. Under the IPO, 276 million shares were issued. After the issuance, the total share capital reached 1.38 billion shares. The proceeds from the initial public offering amounted to RMB1.31 billion. It was a large high-quality IPO project with great support from CSRC and the exchange; the Company helped Jolywood (Suzhou) Sunwatt Co.,Ltd. to complete the issuance of convertible bonds and raise RMB1 billion. The proceeds were used for production of N-type TOPCon bifacial solar panels; the Company helped Xinjiang New Energy (Group) Co. Ltd. to issue corporate bonds (first tranche), “19 Xinneng 03”, in a non-public way in 2019. The issue size was RMB360 million, the term was 2 + 1 years and the interest rate was 6.40%. All the proceeds were used to repay the company’s debt and support the new energy and environmental protection industries.

### (2) Green operation

As a financial services institution, the Company’s business has no significant impact on the environment or natural resources, but the Company proactively carries out green operations and office to make contributions to reducing its own environmental impact. The Company continuously promotes and improves relevant measures for green operation and adopts a number of means to implement energy conservation and emission reduction in accordance with important laws and regulations including the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China, the 13th Five-Year Plan for Comprehensive Energy Conservation and Emission Reduction issued by the State Council and requirements of national policies.

In 2019, the Company proactively promoted the concept of green office, and implemented a variety of environmental protection measures, including saving electricity for lighting, prohibiting private power connection and changing electricity circuits, energy-saving setting for air-conditioning temperature in public areas, saving water in toilets, prohibiting private use of official cars, and promoting paperless office, etc. As of the end of 2019, the Company had achieved significant effects in terms of energy saving and emission reduction through green operation. The Company achieved total power saving of 2,249.21 MWh and total water saving of 2,116.26 tons, used a total amount of recycled water of 670 tons and reduced GHG emission of 2,506.50 tons carbon dioxide equivalent. In 2019, the Company upgraded the video teleconferencing system and achieved a comprehensive intelligent conference system with access to multiple terminals including conference rooms, computer desktops, tablet personal computers and mobile phones, to reduce the number of on-site conferences. Throughout the year, the Company held about 4,000 video conferences, greatly reducing the consumption of traditional office supplies and reducing greenhouse gas emissions from business travel.

## Section V Significant Events (continued)

In terms of implementing measures to save office resources, the Company requested that it's not allowed to print and distribute conference materials for large-scale conferences and used electronic materials instead which can be received through conference representatives' tablet computer or mobile phones; employees were encouraged to use 70g printing paper for informal reporting documents and were requested to use smaller fonts, character spacing and line spacing, and reuse single-sided printed paper; the default setting for personal computer network printing was set to black and white and duplex printing.

In 2019, the Company implemented the relevant spirit under the Plan on Reform of Official Car Use System of Shenwan Hongyuan Group, to practice strict economy and oppose waste. The Company formulated the Interim Measures for Vehicle Management for the use of official cars, clarifying the application and approval procedures in the process of using official cars, cost accounting rules, etc.; employees were encouraged to use public transportation to travel; the Company promoted green travel to eliminate old vehicles in a timely manner and ensure that the exhaust emission standards of running vehicles meet the relevant national regulations. Throughout the year, 19 old official cars were eliminated or reduced.

### XIII. MATERIAL DISPOSAL, ACQUISITION, REPLACEMENT OR DIVESTMENT OF ASSETS; RESTRUCTURING OF OTHER COMPANIES; BANKRUPTCY OR REORGANIZATION, MERGER OR SEPARATION

During the Reporting Period, the Company did not conduct any material disposal, acquisition, replacement or divestment of assets, restructuring of other companies, bankruptcy or reorganization, merger or separation.

During the Reporting Period, there was no material acquisition and disposal of subsidiaries, associates or joint ventures.

Save as disclosed above, the Company had no other material investment, acquisition, disposal and future plan for material investments or acquisition of capital assets during the period.

### XIV. IMPLEMENTATION OF EQUITY INCENTIVE PLAN

During the Reporting Period, the Company did not implement any equity incentive plan.

### XV. CHANGES IN THE QUALIFICATIONS FOR INDIVIDUAL BUSINESSES OF THE COMPANY IN 2019

During the Reporting Period, Shenwan Hongyuan Securities, a subsidiary of the Company, obtained the qualifications for credit derivative business, market making business for treasury bond futures from China Financial Futures Exchange, custody business of securities investment funds, Bond Connect business, main market maker for listed funds of the Shanghai Stock Exchange, stock options business authority, the main market maker of SSE & SZSE 300ETF options from the Shanghai Stock Exchange; 300 stock index options of the Shanghai and Shenzhen from China Financial Futures Exchange Shanghai and Shenzhen 300ETF options market maker from Shenzhen Stock Exchange, options market maker (PTA, methanol) from Zhengzhou Commodity Exchange.

## XVI. AGENCY SALES OF FINANCIAL PRODUCTS DURING THE REPORTING PERIOD

Unit: RMB

Financial products under agency sales	2019		2018	
	Total sales amount	Total sales income	Total sales amount	Total sales income
Funds	28,960,810,939.93	69,633,081.48	45,306,779,354.41	58,260,351.47
Wealth management products of banks	423,155,000.00	461,607.36	4,458,375,000.00	1,036,327.58
Other financial products <sup>Note</sup>	17,210,192,868.00	19,368,054.96	6,770,258,890.49	25,266,751.51
Total	46,594,158,807.93	89,462,743.80	56,535,413,244.90	84,563,430.56

Note: Other financial products mainly include private equity funds, structured notes and third-party asset management products.

## XVII. CAPITAL ADEQUACY OF SHENWAN HONGYUAN SECURITIES, A SUBSIDIARY OF THE COMPANY

**(I) Satisfaction of capital adequacy standards**

Shenwan Hongyuan Securities proactively expands various financing channels to enhance capital strength, guarantee capital needs for business development, and enable the Company's capital level to continue to meet regulatory requirements.

**(II) Internal capital adequacy assessment process**

Shenwan Hongyuan Securities reasonably assesses internal capital adequacy and determines capital replenishment mechanisms based on a number of factors including macroeconomic operation conditions, the development of the securities market and changes in businesses, as well as capital level and regulatory requirements. In the internal capital assessment process, Shenwan Hongyuan Securities determines the periodical asset allocation scale of each business through the asset allocation and adjustment mechanism within the operating investment budget with the largest annual budget. Shenwan Hongyuan Securities determines the corresponding capital replenishment plan based on the asset allocation results and the existing capital level.

Shenwan Hongyuan Securities regularly conducts stress tests based on changes in market operations and regulatory requirements. By testing the pressure of internal capital level under different risk conditions, it determines its capital replenishment plan to enhance the risk tolerance of capital level and ensure its long-term healthy and stable development. Shenwan Hongyuan Securities regards internal capital assessment as an integral part of management decision to ensure that the board of directors, operating management and senior management can continuously evaluate the risks and changes in risk brought about by operating activities, and evaluate and judge capital adequacy prospectively. Shenwan Hongyuan Securities proactively applies the capital assessment results in the capital allocation of the business sector and exerts the role of capital assessment in capital allocation and internal decision-making to improve the efficiency of capital use. Shenwan Hongyuan Securities also takes the internal capital adequacy assessment results as one of the key factors in strategic planning, and uses the capital assessment results as an important basis for strategic decision-making.

## Section V Significant Events (continued)

### (III) Main internal and external risk factors affecting capital adequacy

#### 1. Capital adequacy ratio

Due to the single channel of capital replenishment and the impact of business expansion, the future capital adequacy ratio of Shenwan Hongyuan Securities may face the risk of decline. The main influencing factors are: (1) the slow increase in the size of net capital; (2) the rapid increase in the provision for risk capital for various businesses.

#### 2. Risk factors affecting net capital

Due to the relatively single financing channel for securities traders, the slow increase in the size of net capital has become one of the important factors leading to the decline in capital adequacy ratio. The replenishment of net capital is mainly conducted through the following methods: (1) accumulation of own profits; (2) capital increase through shareholders; (3) issuance of shares and subordinated bonds for financing in the public market; (4) issuance of preferred shares, etc.

Shenwan Hongyuan Securities is proactively replenishing capital through various means such as capital increase. In addition, Shenwan Hongyuan Securities will accelerate research on innovative capital instruments including preferred shares, convertible bonds and perpetual bonds, to expand channels for capital replenishment and maintain sufficient capital level.

#### 3. Factors affecting risk capital reserves

##### (1) Rapid increase in risk capital reserves arising from business expansion

In recent years, Shenwan Hongyuan's securities business has expanded at a rapid rate. The rapid development of financing business, securities proprietary business, and derivative financial products has brought promising development opportunity for the Company but also rapid increasement of risk capital reserves, causing the risk of rapid decrease in capital adequacy ratio.

##### (2) Acceleration of capital market expansion and internationalization brings unforeseen risks

With the rapid expansion of the capital market, there may be some unexpected risks, leading to losses.

##### (3) Policy uncertainty risk

In the future, policy changes will bring certain uncertainty to the withdrawal of Shenwan Hongyuan Securities' risk capital reserves. Changes in the calculation standards for risk capital reserves may directly affect the value of risk capital reserves. For certain capital intermediary businesses and emerging businesses, regulators may increase the corresponding standards on provision for risk capital reserves for the sake of prudent regulation, thereby bringing certain risks.

##### (4) Changes in paid-up capital or ordinary shares and other capital instruments

In 2019, Shenwan Hongyuan Group completed a capital increase of RMB4 billion in Shenwan Hongyuan Securities. Therefore, the paid-up capital of Shenwan Hongyuan Securities increased from RMB43 billion to RMB47 billion.

## Section V Significant Events (continued)

### XVIII. DECISION OF ADMINISTRATIVE LICENSE ON THE COMPANY BY REGULATORY AUTHORITIES DURING THE REPORTING PERIOD

No.	Date	Regulatory authority	Document name	Document No.
1	2019.1.21	PBOC	Notice from the People's Bank of China on Verifying the Maximum Outstanding Balance of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	Yin Fa [2019] No. 21
2	2019.1.30	Shenzhen Stock Exchange	No-objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange about the Non-public Offering of Corporate Bonds for 2019 of Shenwan Hongyuan Group Co., Ltd.	Shen Zheng Han [2019] No. 62
3	2019.2.28	CSRC	Regulatory Opinions on the Application for Credit Derivatives Business by Shenwan Hongyuan Securities	Ji Gou Bu Han [2019] No. 471
4	2019.3.15	CSRC	Approval for the Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd.	Zheng Jian Xu Ke [2019] No. 393
5	2019.3.28	SAFE	Approval of State Administration of Foreign Exchange for Foreign Exchange Purchase and Payment in Relation to the Acquisition of H Shares of Shenwan Hongyuan Group Co., Ltd. by Domestic Investors	Hui Fu [2019] No. 5
6	2019.5.6	CSRC	Approval for Relevant Opinions on Market — Making Business for Treasury Bond Futures by Shenwan Hongyuan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 1026
7	2019.5.23	Xinjiang Branch of CSRC	Approval for the Qualifications of Wang Mingxi as a Member of Senior Management in Securities Company	Xin Zheng Jian Fa [2019] No. 75
8	2019.5.30	Shanghai Branch of CSRC	Approval for the Qualifications of Ge Rongrong as a Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 26
9	2019.5.31	Shanghai Branch of CSRC	Approval for the Qualifications of Ren Xiaotao as a Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 29
10	2019.6.13	Xinjiang Branch of CSRC	Approval for the Cancellation of Zepu Petroleum Base Securities Branch by Shenwan Hongyuan Securities (Western) Co., Ltd.	Xin Zheng Jian Fa [2019] No. 85
11	2019.6.14	Shanghai Branch of CSRC	Approval for the Modification of Important Clauses of the Articles of Association by Shenwan Hongyuan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2019] No. 39
12	2019.6.17	Xinjiang Branch of CSRC	Approval for the Establishment of 1 Securities Branch by Shenwan Hongyuan Securities (Western) Co., Ltd.	Xin Zheng Jian Fa [2019] No. 92

## Section V Significant Events (continued)

No.	Date	Regulatory authority	Document name	Document No.
13	2019.6.20	Financial Market Management Department of PBOC	Notice from the Financial Market Management Department of PBOC on Relevant Matters in Relation to the Maximum Outstanding Balance of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	Yin Shi Chang [2019] No. 133
14	2019.6.24	Department of Fund and Intermediary Supervision of CSRC	Regulatory Opinions on Issuance of Financial Bonds by Shenwan Hongyuan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 1582
15	2019.7.1	CSRC	Approval for the Qualification for Securities Investment Fund Custody Business of Shenwan Hongyuan Securities Co., Ltd.	Zheng Jian Xu Ke [2019] No. 1165
16	2019.7.24	Xinjiang Branch of CSRC	Approval for the Qualifications of Wang Ding as a Member of Senior Management in Securities Company	Xin Zheng Jian Fa [2019] No. 126
17	2019.7.31	Shanghai Branch of CSRC	Approval for the Establishment of 2 Securities Branches by Shenwan Hongyuan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2019] No. 55
18	2019.7.31	Shanghai Branch of CSRC	Approval for the Qualifications of Yang Yucheng as a Member of Senior Management in Securities Company	Hu Zheng Jian Xu Ke [2019] No. 58
19	2019.7.31	Shanghai Branch of CSRC	Approval for the Qualifications of Yu Hui as a Supervisor of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 59
20	2019.8.13	Shanghai Branch of CSRC	Approval for the Qualifications of Xu Tao as a Supervisor of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 67
21	2019.9.20	Xinjiang Branch of CSRC	Approval for the Cancellation of Karamay Youyi Road South Securities Branch by Shenwan Hongyuan Securities (Western) Co., Ltd.	Xin Zheng Jian Fa [2019] No. 174
22	2019.9.30	Shanghai Municipal Administration for Market Regulation	Business license of Shenwan Hongyuan Securities Co., Ltd.	—
23	2019.10.18	Xinjiang Branch of CSRC	Approval for the Establishment of 1 Branch in Guangzhou City, Guangdong Province by Shenwan Hongyuan Financing Services Co., Ltd.	Xin Zheng Jian Fa [2019] No. 183
24	2019.10.29	Shanghai Branch of CSRC	Approval for the Qualifications of Kong Ningning as a Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 108

## XIX. CLASSIFIED EVALUATION RESULTS

According to the results of classified evaluation of securities companies as published by China Securities Regulatory Commission, Shenwan Hongyuan Securities, a subsidiary of the Company, was rated as Class A Grade AA, Class A Grade AA and Class A Grade A in 2017, 2018 and 2019, respectively.

## XX. RISK CONTROL INDICATORS OF SHENWAN HONGYUAN SECURITIES, A SUBSIDIARY OF THE COMPANY

During the Reporting Period, Shenwan Hongyuan Securities performed dynamic monitoring of various risk control indicators in accordance with regulatory requirements and the Company's operation management needs, continuously improved internal risk control standards based on business development, and adopted corresponding risk control measures in a timely manner. The main risk control indicators of Shenwan Hongyuan Securities with net capital and liquidity as the core were in compliance with regulatory requirements.

## XXI. RECEPTION OF RESEARCH AND INTERVIEW BY THE COMPANY

The Board of Directors and business managers of the Company highly value investor relationship management and information disclosure, emphasize the truthfulness, timeliness and fairness of information disclosed, actively protect the interest of medium and small investors, earnestly listen and reply to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth interaction and communication with institutional investors and individual investors by means of telephone, email, via websites of the Company or Shenzhen Stock Exchange, and through regular or irregular referral conference, interview and research. The details are as follows:

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
July 12, 2019	Meeting room of the Company	Field research	Specific object research	China Galaxy Securities Co., Ltd.	Business development of the Company, etc.
July 19, 2019	Telephone	Telephone research	Specific object research	ICBC International Holdings Limited	Business development of the Company, etc.
November 1, 2019	Meeting room of the Company	Field research	Specific object research	UBS Securities Company Limited	Business development of the Company, etc.
November 8, 2019	Meeting room of the Company	Field research	Specific object research	Guotai Junan Securities Co., Ltd.	Business development of the Company, etc.

## Section V Significant Events (continued)

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
November 28, 2019	Meeting room of the Company	Field research	Specific object research	HSBC Qianhai Securities Limited	Business development of the Company, etc.
December 9, 2019	Meeting room of the Company	Field research	Specific object research	GIC Private Limited (GIC), CLSA Limited (CLSA)	Business development of the Company, etc.
December 10, 2019	Meeting room of the Company	Field research	Specific object research	Guotai Junan Securities Co., Ltd.	Business development of the Company, etc.
December 10, 2019	Meeting room of the Company	Field research	Specific object research	Haitong Securities Co., Ltd.	Business development of the Company, etc.
December 17, 2019	Meeting room of the Company	Field research	Specific object research	Soochow Securities Co., Ltd.	Business development of the Company, etc.

## XXII. OTHER SIGNIFICANT EVENTS

### (I) Issuance and listing of H shares

As approved by the CSRC with the Reply Regarding the Approval for Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke [2019] No. 393) (《關於核准申萬宏源集團股份有限公司發行境外上市外資股的批覆》(證監許可[2019]393號)) and by the Hong Kong Stock Exchange, on April 26, 2019, the overseas listed foreign shares (H Shares) issued by the Company were listed and started trading on the main board of the Hong Kong Stock Exchange. The offer price of the H Shares was HK\$3.63 per share and a total of 2,504,000,000 H Shares was issued. The Chinese and English abbreviations of the Company's H Shares are “申萬宏源” and “SWHY”, respectively, and the stock code of H Shares is “6806”. (For details of relevant information, please refer to the announcement published by the Company on the HKExnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.swhygh.com](http://www.swhygh.com)) on April 25, 2019 and on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on April 26, 2019)



### (II) Increase in registered capital of subsidiaries

1. As approved by the CSRC with the Reply Regarding the Approval for Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke [2019] No. 393) (《關於核准申萬宏源集團股份有限公司發行境外上市外資股的批覆》(證監許可[2019]393號)) and by the Hong Kong Stock Exchange, on April 26, 2019, the 2,504,000,000 overseas listed foreign shares (H Shares) issued by the Company were listed and started trading on the main board of the Hong Kong Stock Exchange. According to the use of proceeds as disclosed in the Company's H Share prospectus, approximately 50% of the proceeds from the issuance of H Shares by the Company will be used to develop securities business. On June 10, 2019, the Company convened the 41st meeting of the fourth session of the Board at which the Proposal Regarding Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd. was considered and approved. The Company was approved to increase the registered capital of Shenwan Hongyuan Securities by RMB4 billion with the proceeds from issuance of H Shares and the management of the Company was authorized to deal with the specific matters in relation to the capital increase. Upon completion of the capital increase, the registered capital of Shenwan Hongyuan Securities Co., Ltd. was increased from RMB43 billion to RMB47 billion. As of the disclosure date of this report, relevant procedures for industrial and commercial registration of changes and filing for the abovementioned capital increase have been completed. (For details, please refer to the announcements of the Company published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on June 11 and October 15, 2019)
2. On September 20, 2019, the Company convened the 45th meeting of the fourth session of the Board at which the Proposal Regarding Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd. was considered and approved, the Company was approved to increase the registered capital of Shenwan Hongyuan Securities Co., Ltd. with the proceeds raised overseas in an amount of no more than RMB1.6 billion; Shenwan Hongyuan Securities Co., Ltd. was approved to amend the relevant articles on registered capital in the Articles of Association of Shenwan Hongyuan Securities Co., Ltd. depending on the completion of the capital increase and was authorised to proceed with the relevant amendments to the articles of association, relevant procedures for industrial and commercial registration of changes in registered capital, application to the regulatory authorities for approval or filing, etc. (For details, please refer to the announcement of the Company published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on September 21, 2019)

### (III) Profit distribution plan implemented during the Reporting Period

The Company's 2018 profit distribution plan is as follows: based on the total share capital of 22,535,944,560 A Shares as of December 31, 2018, a cash dividend of RMB0.50 (tax inclusive) for every 10 shares was distributed to all A shareholders. During the Reporting Period, the Company completed the implementation of the 2018 profit distribution plan with May 16, 2019 as the equity registration date and May 17, 2019 as the ex-dividend date. (For details, please refer to the Announcement on Implementation of the 2018 Profit Distribution Plan of the Company published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website at <http://www.cninfo.com.cn> on May 10, 2019)

## Section V Significant Events (continued)

### XXIII. INDEX OF IMPORTANT INFORMATION DISCLOSED DURING THE REPORTING PERIOD

In 2019, the Company fulfilled its information disclosure obligations in accordance with regulations. The information regarding A Shares as disclosed by the Company in China Securities Journal, Securities Times, Shanghai Securities News and at the Cninfo website (www.cninfo.com.cn) (excluding announcements of H Shares) is as follows:

<b>No.</b>	<b>Announcements</b>	<b>Date of publication</b>
1	Indicative Announcement on Convening the 2019 First Extraordinary General Meeting	2019-01-07
2	Announcement on the Briefing of Financial Data for December 2018 of Shenwan Hongyuan Securities Co., Ltd.	2019-01-10
3	Announcement on the Acceptance of the Application for the Initial Public Offering of Overseas Listed Foreign Shares (H Shares) by China Securities Regulatory Commission	2019-01-10
4	Announcement on Resolutions of the 37th Meeting of the Fourth Session of the Board of Directors	2019-01-11
5	The Regulations on Annual Reporting of the Audit Committee of the Board of Directors, the Annual Reporting System of Independent Non-executive Directors (January 2019), the Rules of the Independent Non-executive Directors (January 2019), the Management Rules of External Guarantee (January 2019), the Management Policy of Related Party Transactions (January 2019), the Proceeds Management System (January 2019), the Management System for Registration of Insiders (January 2019), the Accountability System for Material Errors in Information Disclosure in the Annual Report (January 2019), the Investor Relations Management System (January 2019), the Information Disclosure Management System (January 2019)	2019-01-11
6	Independent opinion of independent Directors on nomination of candidates for independent Directors, letter of commitment on attendance of training for independent Directors and obtaining the qualification certificate for independent Directors, statement of the candidate for independent Director (Yang Qiumei), statement of the nominator of independent Director	2019-01-11
7	Announcement on Resolutions of the 2019 First Extraordinary General Meeting, Legal Opinion for the 2019 First Extraordinary General Meeting	2019-01-15
8	Announcement on the Results of the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-01-17
9	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016 and the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018	2019-01-17
10	Announcement on the Material Litigation Involving a Subsidiary	2019-01-17

## Section V Significant Events (continued)

No.	Announcements	Date of publication
11	Announcement on Submission of Application for Listing of Overseas Listed Foreign Shares (H Shares) to the Hong Kong Stock Exchange and Publication of the Application Proof Information Pack	2019-01-21
12	Announcement on Listing of the Corporate Bonds (First Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-01-22
13	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Short-term Corporate Bonds (First Tranche) of Securities Company of Shenwan Hongyuan Securities Co., Ltd. in 2018	2019-01-29
14	Announcement on Receipt of the Notice from the People's Bank of China on Filing the Offering of Short-Term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-01-29
15	Announcement on Preliminary Financial Data of the Company for 2018	2019-02-02
16	Announcement on No-Objection Letter from the Shenzhen Stock Exchange Regarding the Non-public Issuance of Corporate Bonds in 2019	2019-02-02
17	Notice on Convening the 2019 Second Extraordinary General Meeting	2019-02-02
18	Announcement on the Accrual of the Allowance for Assets Impairment	2019-02-02
19	Indicative Announcement relating to the Partial Lifting of Shares Subject to Selling Restrictions	2019-02-12
20	Verification Opinions of Huatai United Securities Co., Ltd. on Listing and Circulation of the Shares Subject to Selling Restrictions of the Company, Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on Listing and Circulation of the Shares Subject to Selling Restrictions of the Company	2019-02-12
21	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for January 2019	2019-02-14
22	Announcement on Resolutions of the 2019 Second Extraordinary General Meeting, Legal Opinion for the 2019 Second Extraordinary General Meeting	2019-02-21
23	2018 Annual Report, Summary of the 2018 Annual Report	2019-02-28
24	2018 Audit Report, 2018 Social Responsibility Report, 2018 Work Report of the Board of Directors, 2018 Work Report of Independent Directors, 2018 Work Report of the Board of Supervisors, 2018 Internal Control Evaluation Report, Internal Control Audit Report	2019-02-28
25	Plan on Authorisation to the Board of Directors by General Meeting (2019)	2019-02-28
26	Independent Opinion of Independent Directors on Nomination of Candidates for Non-independent Directors	2019-02-28
27	Announcement on the Entering into of the Framework Agreement in Relation to Securities and Financial Products, Transactions and Services with China Jiayin Investment Ltd.	2019-02-28
28	Announcement on Provision of Guarantee for a Wholly-owned Subsidiary	2019-02-28
29	Notice on Convening the 2018 Annual General Meeting	2019-02-28

## Section V Significant Events (continued)

No.	Announcements	Date of publication
30	Verification Opinions of Huatai United Securities Co., Ltd. on the 2018 Internal Control Evaluation Report of the Company, Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on the 2018 Internal Control Evaluation Report of the Company	2019-02-28
31	Special Explanations on Appropriation of Non-business Capital and Flow of Other Related Capital in 2018	2019-02-28
32	Special Report on the Deposit and Use of Proceeds in 2018, Assurance Report on the Special Report on the Deposit and Use of Proceeds in 2018, Verification Opinions of Huatai United Securities Co., Ltd. on the Deposit and Use of Proceeds by the Company in 2018, Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on the Deposit and Use of Proceeds by the Company in 2018	2019-02-28
33	Announcement on the Expected Daily Related Transactions for 2019	2019-02-28
34	Verification Opinions of Huatai United Securities Co., Ltd. on the Expected Daily Related Transactions for 2019 of the Company, Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on the Expected Daily Related Transactions for 2019 of the Company	2019-02-28
35	Announcement on Resolutions of the 25th Meeting of the Fourth Session of the Board of Supervisors	2019-02-28
36	Announcement on Resolutions of the 38th Meeting of the Fourth Session of the Board of Directors	2019-02-28
37	Notice on Convening the 2018 Annual General Meeting (updated)	2019-03-07
38	Clarification Announcement on the Notice on Convening the 2018 Annual General Meeting	2019-03-07
39	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for February 2019	2019-03-07
40	Announcement on Progress of the Material Litigation Involving the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-03-08
41	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors	2019-03-08
42	Announcement on the Results of the Non-public Issuance of Corporate Bonds (First Tranche) in 2019	2019-03-13
43	Announcement on the Results of the Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-03-13
44	Work Report of Huatai United Securities Co., Ltd. on the Sponsorship for the Company in 2018, Work Report of Shenwan Hongyuan Financing Services Co., Ltd. on the Sponsorship for the Company in 2018	2019-03-13
45	Announcement on Approval of China Securities Regulatory Commission for Issuance of Overseas Listed Foreign Shares	2019-03-19

## Section V Significant Events (continued)

No.	Announcements	Date of publication
46	Announcement on Resignation of Director	2019-03-20
47	Announcement on Resolutions of the 2018 Annual General Meeting, Legal Opinion for the 2018 Annual General Meeting	2019-03-22
48	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Subordinated Bonds (First Tranche) of Shenwan Hongyuan Securities Co., Ltd. in 2016	2019-03-27
49	Announcement on Listing of the Corporate Bonds (Second Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-03-27
50	First Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Implementation Measures of Put-back by Investors	2019-03-27
51	Second Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Implementation Measures of Put-back by Investors	2019-03-28
52	Third Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Measures for Implementation Measures of Put-back by Investors	2019-03-29
53	Announcement on Consideration of the Company's Overseas Issuance and Listing of Foreign Shares by the Stock Exchange of Hong Kong Limited	2019-03-30
54	Announcement on Resolutions of the 39th Meeting of the Fourth Session of the Board of Directors	2019-03-30
55	Announcement on Publication of the Post Hearing Information Pack for the Issuance of H Shares	2019-04-01
56	Announcement on the Put-back Declaration for “16 ShenHong 01”	2019-04-08
57	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for March 2019	2019-04-09
58	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016, the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018 and the Non-public Issuance of Corporate Bonds (First Tranche) in 2019	2019-04-10
59	Announcement on Publication of the Updated Post Hearing Information Pack for the Issuance of H Shares	2019-04-11
60	Announcement on Publication of the H-share Prospectus, H-share Offer Price Range, Hong Kong Public Offering of H Shares, and Other Matters	2019-04-12
61	Announcement on the Results of the Non-public Issuance of Corporate Bonds (Second Tranche) in 2019	2019-04-16
62	Announcement on the Public Offer Price of Overseas Listed Foreign Shares (H Shares)	2019-04-19
63	Announcement on Payment of Interests for 2019 for the Corporate Bonds (First Tranche) Issued Publicly to Qualified Investors in 2016	2019-04-24

## Section V Significant Events (continued)

No.	Announcements	Date of publication
64	Announcement on the Put-back Results of “16 ShenHong 01”	2019-04-24
65	Announcement on the Allotment Results of Overseas Listed Foreign Shares (H Shares)	2019-04-25
66	Announcement on the Results of Issuance of the First Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-04-26
67	Announcement on the Listing and Trading of Overseas Listed Foreign Shares (H Shares)	2019-04-26
68	Follow-up Credit Rating Report on 16 ShenHong 01, 16 ShenHong 02, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by the Company	2019-04-26
69	Full Text of the 2019 First Quarterly Report, main text of the 2019 First Quarterly Report	2019-04-30
70	Special Opinion of the Independent Directors	2019-04-30
71	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for April 2019	2019-05-09
72	Announcement on Implementation of Profit Distribution for 2018	2019-05-10
73	Announcement on the Results of the Public Issuance of Corporate Bonds (Third Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-05-11
74	Announcement on Listing of the Corporate Bonds (Third Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-05-17
75	Announcement on Stabilizing Actions, End of Stabilization Period and Lapse of Over-Allotment Option	2019-05-21
76	Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd., a Subsidiary of the Company	2019-05-28
77	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016, the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018, the Non-public Issuance of Corporate Bonds (First Tranche) by the Company in 2019 and the Non-public Issuance of Corporate Bonds (Second Tranche) (Type I) by the Company in 2019	2019-05-28
78	Announcement on the Results of Issuance of the Second Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-05-29
79	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for May 2019	2019-06-07
80	Announcement on Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.	2019-06-11
81	Announcement on Change of the General Manager of a Subsidiary	2019-06-11
82	Announcement on Resignation of Director and General Manager	2019-06-11
83	Independent Opinion of the Independent Directors	2019-06-11

## Section V Significant Events (continued)

No.	Announcements	Date of publication
84	Announcement on Resolutions of the 41st Meeting of the Fourth Session of the Board of Directors	2019-06-11
85	Announcement on the Results of the Non-public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-06-18
86	Announcement on the Results of Issuance of the Third Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-06-22
87	Announcement on Receipt of the Notice from the People's Bank of China on Issuance of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-06-25
88	Announcement on Changes to the Registered Capital and Articles of Association	2019-06-25
89	Articles of Association (June 2019)	2019-06-25
90	Announcement on Receipt of Regulatory Opinions on the Issuance of Financial Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-06-26
91	Entrusted Management Report on the Public Issuance of Corporate Bonds (First Tranche) by the Company to Qualified Investors in 2016 (2018), Entrusted Management Report on the Public Issuance of Corporate Bonds (Second Tranche) by the Company to Qualified Investors in 2016 (2018)	2019-06-27
92	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016, the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018, the Non-public Issuance of Corporate Bonds (First Tranche) by the Company in 2019 and the Non-public Issuance of Corporate Bonds (Second Tranche) (Type I) by the Company in 2019	2019-06-27
93	Entrusted Management Report on the Public Issuance of Corporate Bonds (First Tranche) by the Company to Qualified Investors in 2018 (2018)	2019-06-27
94	Announcement on the Material Litigation Involving a Subsidiary	2019-06-27
95	Announcement on the Briefing of Financial Data for June 2019 of Shenwan Hongyuan Securities Co., Ltd.	2019-07-09
96	Announcement on Grant of the Qualification for Engagement in Securities Investment Fund Custody Business to Shenwan Hongyuan Securities Co., Ltd.	2019-07-13
97	Preliminary Financial Data for the First Half Year of 2019	2019-07-15
98	Announcement on Payment of Interests for 2019 for the Corporate Bonds (First Tranche) (Type I) Issued Publicly to Qualified Investors in 2018, Announcement on Payment of Interests for 2019 for the Corporate Bonds (First Tranche) (Type II) Issued Publicly to Qualified Investors in 2018	2019-07-15
99	Announcement on Resignation of Chairman of the Board of Supervisors	2019-07-19
100	Announcement on Participation in the Collective Reception Day for Investors of Listed Companies in Xinjiang in 2019	2019-07-20

## Section V Significant Events (continued)

No.	Announcements	Date of publication
101	Announcement on Resolutions of the 42nd Meeting of the Fourth Session of the Board of Directors	2019-07-24
102	2018 Environmental, Social and Governance Report	2019-07-24
103	Entrusted Management Provisional Report	2019-07-25
104	Announcement on Progress of the Material Litigation Involving the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-07-25
105	Announcement on Completion of Repayment of the 2019 First Tranche of Short-term Financing Bonds of the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-07-26
106	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for July 2019	2019-08-07
107	Announcement on Resolutions of the 27th Meeting of the Fourth Session of the Board of Supervisors	2019-08-13
108	Announcement on Resolutions of the 43rd Meeting of the Fourth Session of the Board of Directors	2019-08-21
109	Prior Approval of Independent Directors on the Appointment of Auditors for 2019	2019-08-21
110	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2019-08-22
111	Announcement on Completion of Repayment of the 2019 Second Tranche of Short-term Financing Bonds of the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-08-27
112	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016, the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018, the Non-public Issuance of Corporate Bonds (First Tranche) by the Company in 2019 and the Non-public Issuance of Corporate Bonds (Second Tranche) (Type I) by the Company in 2019	2019-08-27
113	Announcement on the Material Arbitration Involving a Subsidiary	2019-08-27
114	Announcement on Decision of Administrative License to Shenwan Hongyuan Securities Co., Ltd. for Issuance of Financial Bonds	2019-08-30
115	Announcement on the Results of Issuance of the Fourth Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-08-30
116	Announcement on Resolutions of the 44th Meeting of the Fourth Session of the Board of Directors	2019-08-31
117	Special Report on Deposit and Use of Proceeds for the First Half of 2019	2019-08-31
118	Independent Opinions on the Capital Occupation and External Guarantees of the Company's Controlling Shareholder and Other Related Parties	2019-08-31
119	2019 Interim Report, Summary of 2019 Interim Report	2019-08-31



## Section V Significant Events (continued)

No.	Announcements	Date of publication
120	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2016, the Public Issuance of Corporate Bonds by the Company to Qualified Investors in 2018, the Non-public Issuance of Corporate Bonds (First Tranche) by the Company in 2019 and the Non-public Issuance of Corporate Bonds (Second Tranche) (Type I) by the Company in 2019	2019-09-05
121	Announcement on Progress of the Material Litigation Involving the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-09-05
122	Announcement on Repayment and Delisting of the Matured Corporate Bonds (Second Tranche) (Type I) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2016	2019-09-05
123	Announcement on Payment of Interests for 2019 for the Corporate Bonds (Second Tranche) (Type II) Issued Publicly to Qualified Investors in 2016	2019-09-05
124	Announcement on the Briefing of Financial Data of Shenwan Hongyuan Securities Co., Ltd. for August 2019	2019-09-06
125	Materials for the 2019 Third Extraordinary General Meeting	2019-09-10
126	Announcement on Convening the 2019 Third Extraordinary General Meeting	2019-09-10
127	Announcement on the Results of the Issuance of the Fifth Tranche of Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-09-17
128	Announcement on Reply to the Enquiry Letter from the Shenzhen Stock Exchange on the 2019 Interim Report	2019-09-19
129	Independent Opinion of Independent Directors on the Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.	2019-09-21
130	Announcement on the Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.	2019-09-21
131	Announcement on Resolutions of the 45th Meeting of the Fourth Session of the Board of Directors	2019-09-21
132	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for September 2019	2019-10-15
133	Announcement on the Completion of Industrial and Commercial Registration of Changes by the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-10-15
134	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding Corporate Bonds	2019-10-22
135	Announcement on the Material Litigation Involving a Subsidiary	2019-10-22
136	Announcement on the Results of the Issuance of the Sixth Tranche of Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-10-24

## Section V Significant Events (continued)

No.	Announcements	Date of publication
137	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Subordinated Bonds (Second Tranche) (Type II) of Shenwan Hongyuan Securities Co., Ltd. in 2016	2019-10-24
138	Announcement on Resolutions of the 2019 Third Extraordinary General Meeting, Legal Opinion of the 2019 Third Extraordinary General Meeting	2019-10-26
139	Announcement on Resolutions of the 29th Meeting of the Fourth Session of the Board of Supervisors	2019-10-26
140	Announcement on the Results of the Non-public Issuance of Corporate Bonds (Third Tranche) in 2019	2019-10-29
141	Full Text of the 2019 Third Quarterly Report, main text of the 2019 Third Quarterly Report	2019-10-31
142	Special Opinion of Independent Directors	2019-10-31
143	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues of the Company	2019-10-31
144	Announcement on the Material Arbitration Involving a Subsidiary	2019-10-31
145	Announcement on No-Objection Letter from the Shenzhen Stock Exchange Regarding the Non-public Issuance of Corporate Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-11-01
146	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for October 2019	2019-11-07
147	Announcement on the Results of the Issuance of the Seventh Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-11-16
148	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Subordinated Bonds (First Tranche) (Type I) of Shenwan Hongyuan Securities Co., Ltd. in 2017	2019-11-20
149	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2019-11-27
150	Announcement on Resolutions of the 47th Meeting of the Fourth Session of the Board of Directors	2019-11-30
151	Independent Opinion of Independent Directors on the Appointment of Senior Management	2019-11-30
152	Announcement on the Completion of the Repayment of the Fourth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-11-30
153	Announcement on No-objection Letter Regarding the Issuance of Subordinated Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-12-03
154	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for November 2019	2019-12-06
155	Announcement on the Completion of the Repayment of the Fifth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-12-13

## Section V Significant Events (continued)

No.	Announcements	Date of publication
156	Announcement on the Results of the Issuance of the Eighth Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-12-13
157	Entrusted Management Provisional Report on Major Issues	2019-12-18
158	Announcement on the Material Litigation Involving a Subsidiary	2019-12-18
159	Announcement on Resolutions of the 48th Meeting of the Fourth Session of the Board of Directors	2019-12-31
160	Independent Opinion of Independent Directors on the 2018 Remuneration Settlement Plan for Senior Management	2019-12-31

The information on H shares disclosed by the Company on the website of HKEx at [www.hkexnews.hk](http://www.hkexnews.hk) during the Reporting Period (excluding overseas regulatory announcements) is as follows:

No.	Announcements	Date of publication
1	Application Proof (1st submission) (Multi-Files)	2019-01-18
2	Application Proof (1st submission)	2019-01-18
3	PHIP (1st submission) (Multi-Files)	2019-03-31
4	PHIP (1st submission)	2019-03-31
5	PHIP (1st revised proof) (Multi-Files)	2019-04-10
6	PHIP (1st revised proof)	2019-04-10
7	Global Offering	2019-04-12
8	Global Offering	2019-04-12
9	Global Offering (Multi-Files)	2019-04-12
10	White Application Form	2019-04-12
11	Yellow Application Form	2019-04-12
12	Green Application Form	2019-04-12
13	Price Determination	2019-04-18
14	Announcement of Offer Price and Allotment Results	2019-04-25
15	Articles of Association	2019-04-26
16	Working Rules of the Remuneration and Nomination Committee of the Board of Directors	2019-04-26
17	Working Rules of the Audit Committee of the Board of Directors	2019-04-26
18	Working Rules of the Strategy Committee of the Board of Directors	2019-04-26
19	Working Rules of the Risk Control Committee of the Board of Directors	2019-04-26
20	List of Directors and their Role and Function	2019-04-26
21	Date of Board Meeting	2019-04-26
22	2019 First Quarterly Report	2019-04-30
23	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2019	2019-05-07

## Section V Significant Events (continued)

<b>No.</b>	<b>Announcements</b>	<b>Date of publication</b>
24	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for April 2019	2019-05-08
25	Stabilizing Actions, End of Stabilization Period and Lapse of Over-Allotment Option	2019-05-20
26	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2019	2019-06-06
27	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for May 2019	2019-06-06
28	Resignation of Director and General Manager	2019-06-10
29	List of Directors and their Role and Function	2019-06-10
30	Voluntary Announcement	2019-06-17
31	Voluntary Announcement	2019-06-24
32	Changes to the Registered Capital and Articles of Association	2019-06-24
33	Articles of Association	2019-06-24
34	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2019	2019-07-05
35	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for June 2019	2019-07-08
36	Shenwan Hongyuan Group Co., Ltd. Preliminary Financial Data for the First Half Year of 2019	2019-07-14
37	Resignation of Chairman of the Board of Supervisors	2019-07-18
38	2018 Environmental, Social and Governance Report	2019-07-23
39	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for July 2019	2019-08-06
40	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 July 2019	2019-08-06
41	Proposed Appointment of Supervisor	2019-08-12
42	Date of Board Meeting	2019-08-16
43	Interim Results Announcement for the Six Months Ended June 30, 2019	2019-08-30
44	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for August 2019	2019-09-05
45	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2019	2019-09-05
46	Notice of the 2019 Third Extraordinary General Meeting	2019-09-09
47	Circular of the 2019 Third Extraordinary General Meeting	2019-09-09

## Section V Significant Events (continued)

<b>No.</b>	<b>Announcements</b>	<b>Date of publication</b>
48	Reply Slip for Holders of H Share for Attending the Extraordinary General Meeting to be Held on October 25, 2019	2019-09-09
49	Form of Proxy of Holders of H Shares for Use at the Extraordinary General Meeting to be Held on October 25, 2019	2019-09-09
50	2019 Interim Report	2019-09-17
51	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2019	2019-10-08
52	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for September 2019	2019-10-14
53	Date of Board Meeting	2019-10-16
54	Poll Results of the 2019 Third Extraordinary General Meeting; Appointment of Supervisor; and Election of the Chairman of the Board of Supervisors	2019-10-25
55	2019 Third Quarterly Report	2019-10-30
56	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for October 2019	2019-11-06
57	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2019	2019-11-06
58	Appointment of General Manager, Proposed Appointment of Executive Director	2019-11-29
59	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2019	2019-12-05
60	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for November 2019	2019-12-05

## Section V Significant Events (continued)

### XXIV. OTHER SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY

#### (I) Corporate bonds of Shenwan Hongyuan Securities, a subsidiary of the Company

##### 1. Basic information of corporate bonds

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type I)	17 ShenZheng 01	136980	2017/2/17	2022/2/17	750,000.00	4.40%	
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	17 ShenZheng 02	136981	2017/2/17	2024/2/17	50,000.00	4.50%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (Type I)	18 ShenZheng 03	112812	2018/12/10	2023/12/10	150,000.00	4.08%	
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche) (Type I)	19 ShenZheng 01	112840	2019/1/16	2022/1/16	220,000.00	3.55%	

## Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Second Tranche) (Type I)	19 ShenZheng 03	112864	2019/3/11	2022/3/11	620,000.00	3.68%	
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Third Tranche) (Type I)	19 ShenZheng 05	112901	2019/5/9	2022/5/9	810,000.00	3.88%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type I)	18 ShenZheng 01	114390	2018/11/19	2020/11/19	200,000.00	4.10%	The interest of these bond is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type II)	18 ShenZheng 02	114406	2018/11/19	2021/11/19	300,000.00	4.20%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2019 (First Tranche) (Type I)	19 ShenZheng 07	114499	2019/6/14	2021/6/14	100,000.00	3.90%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type I)	20 ShenZheng 01	114652	2020/1/16	2022/1/16	400,000.00	3.40%	

## Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type II)	20 ShenZheng 02	114653	2020/1/16	2023/1/16	200,000.00	3.55%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (Second Tranche) (Type I)	20 ShenZheng 03	114665	2020/2/21	2022/2/21	100,000.00	3.03%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (Second Tranche) (Type II)	20 ShenZheng 04	114666	2020/2/21	2023/2/21	300,000.00	3.20%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
2017 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	17 ShenZheng C2	118973	2017/11/16	2020/11/16	430,000.00	5.30%	
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type I)	18 ShenZheng C1	118976	2018/4/12	2020/4/12	140,000.00	5.25%	



## Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	18 ShenZheng C2	118977	2018/4/12	2023/4/12	460,000.00	5.35%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Second Tranche) (Type I)	18 ShenZheng C3	118978	2018/5/21	2020/5/21	420,000.00	5.38%	
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Third Tranche) (Type I)	18 ShenZheng C5	118984	2018/9/17	2020/9/17	510,000.00	4.69%	

## Section V Significant Events (continued)

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Stock exchange on which corporate bonds are listed or transferred	Shanghai Stock Exchange (17 ShenZheng 01, 17 ShenZheng 02); Shenzhen Stock Exchange (18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 18 ShenZheng 01, 18 ShenZheng 02, 19 ShenZheng 07, 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5)
Investor eligibility arrangement	The abovementioned publicly issued corporate bonds were all issued to qualified investors. The abovementioned other bonds were issued to qualified institutional investors.
Payment of interests and repayment of principal of corporate bonds during the Reporting Period	<p>On January 29, 2019, the company repaid the principal and paid interests of ShenZheng 1801 which became due in an amount of principal (interest) of RMB105.50 (tax inclusive) per bond.</p> <p>On February 18, 2019, the company paid interests of 17 ShenZheng 01 and 17 ShenZheng 02 in an amount of RMB4.40 (tax inclusive) per bond and RMB4.50 (tax inclusive) per bond.</p> <p>On March 25, 2019, the company repaid the principal and paid interests of 16 ShenZheng C1 which became due in an amount of principal (interest) of RMB103.62 (tax inclusive) per bond.</p> <p>On April 12, 2019, the company paid interests of 18 ShenZheng C1 and 18 ShenZheng C2 in an amount of RMB5.25 (tax inclusive) per bond and RMB5.35 (tax inclusive) per bond.</p> <p>On May 21, 2019, the company paid interests of 18 ShenZheng C3 in an amount of RMB5.38 (tax inclusive) per bond.</p> <p>On July 29, 2019, the company repaid the principal and paid interests of 12 ShenWan which became due at an amount of principal (interest) of RMB105.20 (tax included) per bond.</p> <p>On September 17, 2019, the company paid interests of 18 ShenZheng C5 in an amount of RMB4.69 (tax inclusive) per bond.</p> <p>On October 21, 2019, the company repaid the principal and paid interests of 16 ShenZheng C3 which became due in an amount of principal (interest) of RMB103.28 (tax inclusive) per bond.</p> <p>On November 18, 2019, the company repaid the principal and paid interests of 17 ShenZheng C1 which became due in an amount of principal (interest) of RMB105.20 (tax inclusive) per bond.</p> <p>On November 18, 2019, the company paid interests of 17 ShenZheng C2 in an amount of RMB5.30 (tax inclusive) per bond.</p> <p>On November 19, 2019, the company paid interests of 18 ShenZheng 01 and 18 ShenZheng 02 in an amount of RMB4.10 (tax inclusive) per bond and RMB4.20 (tax inclusive) per bond.</p> <p>On December 10, 2019, the company paid interests of 18 ShenZheng 03 in an amount of RMB4.08 (tax inclusive) per bond.</p>
Performance of relevant special terms during the Reporting Period, such as corporate bonds issuer or investor option and exchangeable terms (if applicable).	18 ShenZheng C2 is subject to the redemption option of the issuer and putback option of investors. Such options were not implemented during the Reporting Period.

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## Section V Significant Events (continued)

### 2. Information of bond trustee and credit rating agency

(1) 17 ShenZheng 01, 17 ShenZheng 02, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 19 ShenZheng 07

Bond trustee:							
<b>Name</b>	Huatai United Securities Co., Ltd.	<b>Office address</b>	20/F, Block E, Poly Plaza, No. 18 Dongfang Road, Shanghai	<b>Contact person</b>	Feng Yulan	<b>Telephone of contact person</b>	021-38966558
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
<b>Name</b>	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.		<b>Office address</b>	14/F, Huasheng Building, No. 398 Hankou Road, Shanghai			
<b>Reason of change, procedures to be conducted and impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)</b>					N/A		

(2) 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04

Bond trustee:							
<b>Name</b>	Industrial Securities Co., Ltd.	<b>Office address</b>	6/F, North Zone, No. 35 Jinshifang Street, Xicheng District, Beijing	<b>Contact person</b>	Xia Miao, He Bingpeng	<b>Telephone of contact person</b>	010-50911206
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
<b>Name</b>	N/A		<b>Office address</b>	N/A			
<b>Reason of change, procedures to be conducted and impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)</b>					N/A		

## Section V Significant Events (continued)

### 3. Use of proceeds

(1) 17 ShenZheng 01, 17 ShenZheng 02

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital, support business development, and meet the company's strategic development needs.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Huangpu Sub-branch of Agricultural Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(2) 18 ShenZheng 03

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital, support business development, and meet the company's strategic development needs.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of China Minsheng Banking Corp., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(3) 19 ShenZheng 01

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

## Section V Significant Events (continued)

(4) 19 ShenZheng 03

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Bund Sub-branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(5) 19 ShenZheng 05

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay the matured debts and replenish the working capital.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Fuzhou Branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(6) 18 ShenZheng 01, 18 ShenZheng 02

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Industrial and Commercial Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

## Section V Significant Events (continued)

(7) 19 ShenZheng 07

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Fuzhou Branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(8) 20 ShenZheng 01, 20 ShenZheng 02

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	N/A
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Industrial and Commercial Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(9) 20 ShenZheng 03, 20 ShenZheng 04

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to repay matured debts.
<b>Ending Balance (RMB'0,000)</b>	N/A
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

## Section V Significant Events (continued)

(10) 17 ShenZheng C2

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Industrial and Commercial Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(11) 18 ShenZheng C1, 18 ShenZheng C2

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

(12) 18 ShenZheng C3

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Shanghai Branch of Industrial Bank Co., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

## Section V Significant Events (continued)

(13) 18 ShenZheng C5

<b>Use of proceeds from corporate bonds and implementation procedures</b>	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
<b>Ending Balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds</b>	The special account for proceeds is opened with Jing'an Sub-branch of Shanghai Pudong Development Bank. During the Reporting Period, the account was in standard operation in accordance with requirements.
<b>Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus</b>	Yes

#### 4. Credit rating of corporate bonds

Shenwan Hongyuan Securities engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (the "Shanghai Brilliance") to conduct rating on 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07. According to the Ongoing Credit Rating Report issued by Shanghai Brilliance on May 24, 2019, which has been disclosed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (the "SSE & SZSE"), the credit rating of Shenwan Hongyuan Securities is AAA and the outlook of ratings is stable; the credit rating of 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5 is AA+; the credit rating of 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01 and 19 ShenZheng 03 is AAA. The rating results are the same as the results of the previous rating. It is not required to issue the 2018 ongoing credit rating report for 19 ShenZheng 05 and 19 ShenZheng 07. According to the exchanges' requirements on the disclosure time of the ongoing credit rating report, the 2019 ongoing credit rating report for the abovementioned bonds will be disclosed on the SSE & SZSE by June 30, 2020, and investors are advised to pay attention thereto.

No rating was conducted for 20 ShenZheng 01 and 20 ShenZheng 02, 20 ShenZheng 03 and 20 ShenZheng 04.

During the Reporting Period, Shenwan Hongyuan Securities engaged Shanghai Brilliance to conduct an issuer rating in relation to its issuance of short-term financing bonds of securities companies and financial bonds. According to the Credit Rating Report issued by Shanghai Brilliance on April 10, 2019, the issuer credit rating is AAA, the outlook of ratings is stable, and there is no rating difference.



### 5. Credit enhancement mechanism, debt repayment plan and other debt repayment safeguard measures for corporate bonds

During the Reporting Period, there was no credit enhancement arrangement for the issued bonds of Shenwan Hongyuan Securities, and the repayment plan and other repayment safeguard measures were consistent with the relevant commitments in the prospectus without major changes. The company was able to implement the debt repayment plan and debt repayment safeguard measures in accordance with relevant agreements, to effectively safeguard the interests of bondholders. The company set up special accounts for the issued bonds. The withdrawal of funds from the special accounts during the Reporting Period was consistent with the relevant commitments in the prospectus.

### 6. Meeting of bond holders

During the Reporting Period, no bondholder meeting was held by Shenwan Hongyuan Securities.

### 7. Performance of bond trustee

Shenwan Hongyuan Securities engaged Huatai United Securities Co., Ltd. ("Huatai United") as the bond trustee of 17 ShenZheng 01, 17 ShenZheng 02, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07. As Huatai United is the sponsor performing continuous supervision duty for the company's shareholders in respect of the issuance of shares for merger of Hongyuan Securities as well as the listing afterwards, and is the joint sponsor for the company's shareholders in respect of the non-public issuance of new shares, the relevant risk prevention mechanism for the possible conflict of interest when the trustee performs its duties has been disclosed in the prospectus of the abovementioned bonds. According to the Entrusted Management Agreement entered into between both parties, on June 24, 2019, Huatai United issued the Report on Entrusted Management of 2017 Corporate Bonds Offered Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (2018), the Report on Entrusted Management of 2017 Subordinated Bonds of Securities Company (First Tranche), the 2018 Subordinated Bonds of Securities Company (First Tranche), 2018 Subordinated Bonds of Securities Company (Second Tranche) and 2018 Subordinated Bonds of Securities Company (Third Tranche) of Shenwan Hongyuan Securities Co., Ltd. (2018), the Report on Entrusted Management of Corporate Bonds Offered Non-publicly by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (2018) and the Report on Entrusted Management of Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (2018), which have been disclosed on the media designated by the regulatory authorities; it is not required to issue the 2018 report on entrusted management for 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07.

The company engaged Industrial Securities Co., Ltd. ("Industrial Securities") as the bond trustee for 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03 and 20 ShenZheng 04. The relevant risk prevention mechanism for the possible conflict of interest when the trustee performs its duties has been disclosed in the prospectus of the abovementioned bonds. It is not required to issue the 2018 report on entrusted management for 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03 and 20 ShenZheng 04.

## Section V Significant Events (continued)

### 8. Interest payment and repayment of principal of other bonds and debt financing instruments during the Reporting Period

Name of bond	Abbreviation of bond	Bond code	Date of issuance	Payment of interest and repayment of principal during the Reporting Period
AXA SPDB Assets Management — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 1A01	116643	2017/8/24	Repayment of principal of RMB1,900 million and payment of interests of RMB63,379,835.62 upon maturity
AXA SPDB Assets Management — No. 2 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 2A01	116723	2017/11/17	Repayment of principal of RMB2,850 million and payment of interests of RMB58,210,110.00 upon maturity
AXA SPDB Assets Management — No. 3 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 3A01	116819	2018/2/1	Repayment of principal of RMB2,850 million and payment of interests of RMB95,322,525.00 upon maturity
AXA SPDB Assets Management — No. 4 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 4A01	116874	2018/3/16	Repayment of principal of RMB1,900 million and payment of interests of RMB76,957,790.00 upon maturity
Southwest Securities — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan (priority)	18 ShenWan 01	116902	2018/3/29	Payment of interests of RMB110,199,998.10 on time
Huafu — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenWan 1A01	116924	2018/4/27	Payment of interests of RMB100,699,998.10 on time

## Section V Significant Events (continued)

<b>Name of bond</b>	<b>Abbreviation of bond</b>	<b>Bond code</b>	<b>Date of issuance</b>	<b>Payment of interest and repayment of principal during the Reporting Period</b>
2019 First Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP001	071900029	2019/4/23	Repayment of principal of RMB3,000 million and payment of interests of RMB22,288,767.12 upon maturity
2019 Second Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP002	071900042	2019/5/24	Repayment of principal of RMB3,000 million and payment of interests of RMB22,438,356.16 upon maturity
2019 Third Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP003	071900054	2019/6/20	Repayment of principal of RMB3,000 million and payment of interests of RMB20,194,520.55 upon maturity
2019 Fourth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP004BC	071900089	2019/8/28	Repayment of principal of RMB3,000 million and payment of interests of RMB21,316,438.36 upon maturity
2019 Fifth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP005BC	071900102	2019/9/11	Repayment of principal of RMB3,000 million and payment of interests of RMB20,568,493.15 upon maturity
2019 Sixth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP006BC	071900130	2019/10/21	No payment of interests or repayment of principal
2019 Seventh Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP007BC	071900148	2019/11/14	No payment of interests or repayment of principal
2019 Eighth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP008BC	071900168	2019/12/9	No payment of interests or repayment of principal

## Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Date of issuance	Payment of interest and repayment of principal during the Reporting Period
2019 First Tranche of Financial Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan Financial Bonds 01	091900023	2019/9/16	No payment of interests or repayment of principal

### 9. Bank facilities obtained, the use thereof and repayment of bank loans

As of December 31, 2019, the company was granted bank facilities in a total amount of approximately RMB377.1 billion by over 100 banks, among which, the size of bank facilities granted by the top 10 banks amounted to RMB200.0 billion and approximately RMB67.0 billion had been used.

During the Reporting Period, the company's interest-bearing debts were repaid on time without default, extension or remission.

### 10. Performance of relevant agreements or commitments in the prospectus of corporate bonds

During the Reporting Period, the company stringently performed the relevant stipulations or commitments in the prospectus of corporate bonds, the usage of the proceeds was consistent with the stipulations in the prospectus; the company stringently performed its duty for information disclosure, and repaid the principal and paid the interest of bonds on time to protect the legitimate rights and interests of investors. During the Reporting Period, the company did not default on the repayment of principal or payment of interest of the issued bonds. The company operated stably with satisfactory profitability, detecting no risk of failing to make payments as scheduled in the future.

### 11. Significant matters

- (1) On December 20, 2018, the People's Court of Pudong New District of Shanghai made the first instance judgment on the case of the dispute over a housing demolition and relocation compensation agreement raised by Shenwan Hongyuan Securities against Zhouxian Property Development Co., Ltd. On January 14, 2019, the company issued the Announcement on Progress of the Material Litigation (Arbitration) Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (2) On February 28, 2019, Shanghai Financial Court issued the first instance judgment on the case of the dispute over the pledged securities repurchase raised by Shenwan Hongyuan Securities against Jiangyin Zhongnan Heavy Industry Group Co., Ltd. On March 1, 2019, the company issued the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>). In November 2019, the company received a court ruling that the execution was terminated.

## Section V Significant Events (continued)

- (3) On April 30, 2019, the plaintiff and defendant of the case of the dispute over pledged securities repurchase raised by Shenwan Hongyuan Securities against Hunan High-tech Chuangtuo Fortune Management Co., Ltd. reached an agreement of settlement outside of the Court. The defendant had repaid the principal and interest to the company under the agreement. The company applied for withdrawal of the case with Shanghai Financial Court on May 8, 2019, and it received the decision from Shanghai Financial Court on May 21, 2019 granting the withdrawal by the plaintiff. On May 22, 2019, the company issued the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (4) In June 2019, the Proposal Regarding the Appointment of Yang Yucheng as the General Management of the Securities Company was considered according to the resolution of the 51st meeting of the first session of the board of directors of Shenwan Hongyuan Securities. On June 10, 2019, the company issued the Announcement on Change of General Manager of Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (5) In April 2019, as approved by the shareholders of the company, Qu Yanping ceased to be a director of the company and Ge Rongrong and Ren Xiaotao were approved to serve as directors of the company. In June 2019, the company received the approval for the qualifications of Ge Rongrong and Ren Xiaotao as directors of securities company from the Shanghai Branch of China Securities Regulatory Commission. On June 10, 2019, the company issued the Announcement on Change of Directors of Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (6) On June 14, 2019, Shenyin & Wanguo Zhifu Investment Co., Ltd. received the first instance judgment on the case of a sales contract dispute raised by Shanghai Zhuxin Industrial Co., Ltd. against Shenyin & Wanguo Zhifu Investment Co., Ltd. made by the court on June 5, 2019. On June 24, 2019, the company issued the Announcement on Relevant Information of the Material Litigation Involving a Sub-subsidiary of Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>). Shenyin & Wanguo Zhifu Investment Co., Ltd. had already appealed to Shanghai No. 1 Intermediate People's Court on June 27, 2019. As of now, the second instance judgment of this case has not yet been received.
- (7) On July 18, 2019, Shenwan Hongyuan Securities received the first instance judgment on the case of the dispute over pledged securities repurchase raised by the company against Peng Peng and Wei Yueping from the Shanghai Financial Court. On July 19, 2019, the company issued the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>). Shenwan Hongyuan Securities had applied to the court for mandatory enforcement, and the case was under the mandatory enforcement procedure as of the end of the Reporting Period.

## Section V Significant Events (continued)

- (8) On August 1, 2019, Shenwan Hongyuan Securities received the Approval for the Qualifications of Yang Yucheng as a Member of Senior Management in Securities Company from the Shanghai Branch of China Securities Regulatory Commission, pursuant to which the qualifications of Yang Yucheng as a member of senior management in securities company were approved. Pursuant to the relevant provisions of the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Regulatory Measures on Qualifications of Directors, Supervisors and Senior Management of Securities Companies and the articles of association, Yang Yucheng has served as a director and the general manager of Shenwan Hongyuan Securities since August 1, 2019. On August 2, 2019, the Company issued the Announcement of Progress on Changes of the Director and General Manager of Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (9) On August 9, 2019, Zhongshan Branch of Guangzhou Arbitration Commission accepted the case of the dispute over the securities dealing raised by Shenwan Hongyuan Securities against Cai Xiaoru. On August 22, 2019, the Company issued the Announcement on the Arbitration Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>). Shenwan Hongyuan Securities had applied to the court for mandatory enforcement, and the case was under the mandatory enforcement procedure as of the end of the Reporting Period.
- (10) On September 2, 2019, Shenwan Hongyuan Securities applied to the People's Court of Pudong New District of Shanghai to execute the judgment on the case of the dispute over a housing demolition and relocation compensation agreement raised by Shenwan Hongyuan Securities against Shanghai Zhouxian Property Development Co., Ltd. and received the ruling from the court that the execution was terminated. On September 6, 2019, Shenwan Hongyuan Securities issued the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (11) On October 15, 2019, Shenwan Hongyuan Securities received the notice of acceptance of the case of the dispute over the housing demolition and relocation compensation agreement raised by the company against Dalian Deta Holding Co., Ltd. from the Intermediate People's Court of Dalian City. On October 17, 2019, the company issued the Announcement on Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (12) On October 18, 2019, Shenwan Hongyuan Securities received the arbitral award on the case of the dispute over the securities dealing raised by the company against Cai Xiaoru from Guangzhou Arbitration Commission. On October 25, 2019, the company issued the Announcement on Progress of the Arbitration Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>). Shenwan Hongyuan Securities had applied to the court for mandatory enforcement, and the case was under the mandatory enforcement procedure as of the end of the Reporting Period.

## Section V Significant Events (continued)

- (13) As approved by shareholders of the company, Kong Ningning was approved to serve as an independent director of Shenwan Hongyuan Securities. On November 8, 2019, Shenwan Hongyuan Securities received the approval document from the Shanghai Branch of China Securities Regulatory Commission. On November 11, 2019, Shenwan Hongyuan Securities issued the Announcement on Change of Director of Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (14) On December 11, 2019, Shenwan Hongyuan Securities received the notice of acceptance of the case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Group Corporation and the case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Investment Co., Ltd. and CITIC Guoan Group Corporation from Shanghai Financial Court. On December 13, 2019, the company issued the Announcement on Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).

The abovementioned matters will not have material adverse effects on the operating activities and solvency of Shenwan Hongyuan Securities.

### 12. Guarantor for corporate bonds

As of the end of the Reporting Period, there was no guarantor for corporate bonds.

### (II) Information about customer solicitation and customer service of commission brokers of Shenwan Hongyuan Securities, a subsidiary of the Company

As of December 31, 2019, Shenwan Hongyuan Securities had a total of 308 branches that implement the securities brokerage system, with 3,246 securities brokers in service (including 120 from the branches of Shenwan Hongyuan Securities (Western)), of which 3,170 securities brokers (including 116 from the branches of Shenwan Hongyuan Securities (Western)) had completed the registration of the qualifications for securities broker with the Securities Association of China and 76 were in the process of registration (including 4 from the branches of Shenwan Hongyuan Securities (Western)).

According to the requirements of “centralized and unified management of securities brokers and their practices” in the Interim Provisions on the Management of Securities Brokers issued by the CSRC, Shenwan Hongyuan Securities attaches great importance to the management of securities brokers and clearly stipulates the responsibilities in works and management requirements for the management of securities brokers at the headquarters and branches in the securities brokerage management system: the retail client business division is responsible for the implementation of centralized and unified management of the company’s securities brokers, the human resources headquarters, the risk management headquarters and the planning and financial management headquarters will provide collaborative management, the information technology development headquarters and the IT support headquarters provide technical system development support and operation and maintenance support, to establish a sound securities brokerage management system, internal control mechanism and technical system. Branches are the departments that specifically manage and operate securities brokers. They have branch managers, compliance managers, and marketing managers who carefully implement the qualification review, contract signing process,

## Section V Significant Events (continued)

training management, information query, entrusted contract and file management, certificate management, daily management, commission management, risk management, code of conduct, customer return visits, abnormal transaction monitoring, accountability and other specific tasks of the securities brokers to ensure that securities brokers engage in customer solicitation and customer service in strict accordance with the company's authorisation to achieve the standardized implementation and stable development of the securities broker system of branches.

### (III) Relevant regulatory measures

#### 1. In June 2019, Hubei Branch of Shenwan Hongyuan Securities (“Hubei Branch”) was imposed administrative penalty by Wuhan Branch of the People’s Bank of China

On June 27, 2019, Wuhan Branch of the People’s Bank of China issued the administrative penalty decision to Hubei Branch. The main contents are as follows: in the inspection of the branch from August 27, 2018 to September 21, 2018, Wuhan Branch of the People’s Bank of China found that the branch failed to perform client identification as required and failed to submit reports on large-value and suspicious transactions as required, which was in violation of relevant provisions under the Anti-Money Laundering Law of the People’s Republic of China and the Administrative Measures for the Reporting of Large-value and Suspicious Transactions by Financial Institutions, and thus fined the Branch RMB150,000. Upon receipt of the letter, Hubei Branch will proactively implement the rectification requirements, communicated with and provided feedback to the regulatory authorities in a timely manner, reflected on this event and apply the lesson learned to others, and intensified the management of the basic work of anti-money laundering, to effectively improve the effectiveness of anti-money laundering work.

#### 2. In June 2019, Jiangxi Branch of Shenwan Hongyuan Securities (“Jiangxi Branch”) was imposed administrative penalty by Anti-money Laundering Division of Nanchang Central Sub-branch of the People’s Bank of China

On June 28, 2019, the Anti-Money Laundering Division of Nanchang Central Sub-branch of the People’s Bank of China issued an administrative penalty decision against Jiangxi Branch. The main contents are as follows: there were problems of varying degrees with Jiangxi Branch in client identification, preservation of client identities materials and transaction records, suspicious transaction reporting, etc. The abovementioned problems were “serious circumstances” and thus Jiangxi Branch of the company was ordered to make rectification within six months and imposed a fine of RMB780,000. Upon receipt of the letter, Jiangxi Branch will proactively implement the rectification requirements, intensified anti-money laundering training and assessment, and strengthened accountability.



**3. In December 2019, Wenzhou Branch of Shenwan Hongyuan Securities (“Wenzhou Branch”) was imposed administrative penalty by Anti-money Laundering Division of Wenzhou Central Sub-branch of the People’s Bank of China**

On December 31, 2019, Wenzhou Central Sub-branch of the People’s Bank of China issued an administrative penalty decision against Wenzhou Branch. The main contents are as follows: as Wenzhou Branch failed to carry out risk level adjustments for high-risk customers, re-identify customers and take enhanced identification measures for high-risk customers, Wenzhou Branch was imposed a fine of RMB500,000. Upon receipt of the letter, Wenzhou Branch will proactively implement the rectification requirements, strengthened the level management of high-risk customers, continued to intensify customer re-identification, and further consolidated risk management and control measures.

**4. In December 2019, Wuhan Xinhua Road Securities Branch of Shenwan Hongyuan Securities (“Wuhan Xinhua Road Securities Branch”) was ordered to take corrective measures by the Hubei Branch of China Securities Regulatory Commission.**

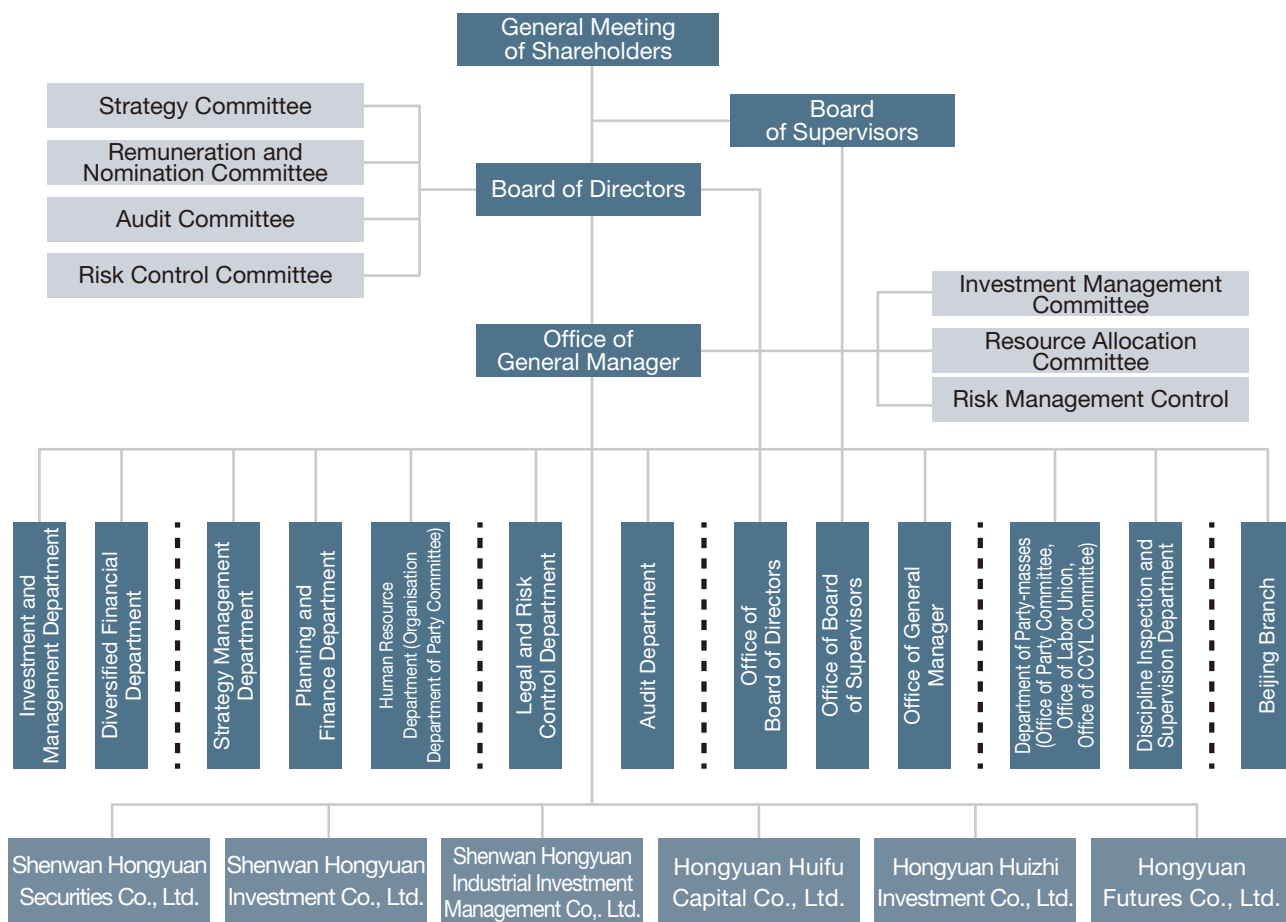
On December 31, 2019, the Hubei Branch of China Securities Regulatory Commission issued the Decision on Order of Taking Corrective Measures against Wuhan Xinhua Road Securities Branch of Shenwan Hongyuan Securities to Wuhan Xinhua Road Securities Branch. The main contents are as follows: since the securities branch failed to set full-time compliance personnel as required, certain customers’ account opening files were incompletely filled, and certain detailed files related to product sales were lost, it is decided to take the administrative supervision measure of ordering for correction.

For the equipment of full-time compliance personnel, the securities branch has conducted rectification in the earlier stage. For other problems, upon receipt of the letter, the securities branch seriously implemented the rectification requirements, proactively carried out self-inspection and self-correction for customers’ account opening and other businesses, further strengthened product sales file management, and will submit the rectification report as required.

## Section V Significant Events (continued)

### XXV. Organisation of the Company

#### (I) Organisation chart of the Company



## Section V Significant Events (continued)

### (II) Major subsidiaries of the Company

No.	Name of subsidiary	Registered address	Time of establishment	Registered capital (RMB)	Share-holding	Principal	Telephone
1	Shenwan Hongyuan Securities Co., Ltd.	45/F, No. 989 Changle Road, Xuhui District, Shanghai	January 16, 2015	RMB47 billion	100%	Yang Yucheng	021-33389888
2	Shenwan Hongyuan Industrial Investment Management Company Limited	Room 2003, 20/F, Dacheng International Building, No. 358 Beijing South Road, Urumqi High-tech Industrial Development Zone (New Zone), Xinjiang	January 21, 2015	RMB200 million	100%	Liu Yue	010-88085858
3	Hongyuan Huifu Capital Co., Ltd.	Room 201, 2/F, No. 19 Taipingqiao Street, Xicheng District, Beijing	March 19, 2010	RMB500 million	100%	He Sha	010-88085858
4	Hongyuan Huizhi Investment Co., Ltd.	Room 3-4 (Room 104, Building 3), Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing	March 27, 2012	RMB2 billion	100%	Yang Changyun	010-88085858
5	Hongyuan Futures Co., Ltd.	Room 4B, 4/F, No. 19 Taipingqiao Street, Xicheng District, Beijing	May 2, 1995	RMB1 billion	100%	Wang Huadong	010-82290900
6	Shenwan Hongyuan Investment Co., Ltd.	Room 2002, 20/F, Dacheng International Building, No. 358 Beijing South Road, Urumqi High-tech Industrial Development Zone (New Zone), Xinjiang	January 21, 2015	RMB1 billion	100%	Yang Changyun	010-88085858
7	Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 2005, 20/F, Dacheng International Building, No. 358 Beijing South Road, Urumqi High-tech Industrial Development Zone (New Zone), Xinjiang	January 20, 2015	RMB4.7 billion	100%	Li Qi	0991-2301633

## Section V Significant Events (continued)

No.	Name of subsidiary	Registered address	Time of establishment	Registered capital (RMB)	Share-holding	Principal	Telephone
8	Shenwan Hongyuan Financing Services Co., Ltd.	Room 2004, 20/F, Dacheng International Building, No. 358 Beijing South Road, Urumqi High-tech Industrial Development Zone (New Zone), Xinjiang	January 20, 2015	RMB1 billion	100%	Xue Jun	010-88013606
9	Shenwan Hongyuan (International) Holdings Limited	Level 19, 28 Hennessy Road, Hong Kong	October 29, 1992	HK\$2,253 million	100%	Xu Zhibin	852-25098393
10	Shenwan Futures Co., Ltd.	7, 8&10/F, No. 800 Dongfang Road, Shanghai	January 7, 1993	RMB1,119 million	97.2542%	Li Jianzhong	021-50588811
11	Shenyin & Wanguo Alternative Investment Co., Ltd.	Room 201, Building A, No. 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (premises of Shenzhen Qianhai Commercial Secretary Co. Ltd)	May 29, 2013	RMB2 billion	100%	Yu Yu	021-61820675
12	Shenyin & Wanguo Investment Co., Ltd.	Room A03, 21/F, Zhangjiang Building, No. 289 Chunxiao Road, China (Shanghai) Pilot Free Trade Zone	April 9, 2009	RMB500 million	100%	Ma Longguan	021-60581188
13	SWS MU Fund Management Co., Ltd.	11/F, No. 100 Zhongshan South Road, Huangpu District, Shanghai	January 15, 2004	RMB150 million	67%	Liu Lang	021-23261188
14	SWS Research Co., Ltd.	3/F, No. 99 Nanjing East Road, Huangpu District, Shanghai	October 16, 1992	RMB20 million	90%	Zheng Zhiguo	021-23297452

## Section V Significant Events (continued)

### (III) Branch of the Company

No.	Name	Address	Time of establishment	Principal	Telephone
1	Beijing Branch of Shenwan Hongyuan Group Co., Ltd.	Room 601, 6/F, No. 19 Taipingqiao Street, Xicheng District, Beijing	July 10, 2015	Huang Qi	010-88085858

### (IV) Number and distribution of branch companies and securities branches of Shenwan Hongyuan Securities Co., Ltd., a subsidiary of the Company

#### 1. Number and distribution of branch companies and securities branches

As of December 31, 2019, Shenwan Hongyuan Securities and its securities subsidiaries have established 41 branch companies; 311 securities branches, located in 135 cities in 21 provinces, 4 municipalities and 4 autonomous regions, including 61 securities branches in Shanghai, 44 securities branches in Xinjiang, and 206 securities branches in other regions.

Province/ municipality /autonomous region	Number of branch companies	Number of securities branches	Percentage in total number of securities branches	Distribution of securities branches (Number)
Shanghai	4	61	19.61%	Shanghai (61)
Xinjiang Uygur Autonomous Region	–	44	14.15%	Urumqi (12), Aksu (1), Altay (1), Artush (1), Bole (1), Changji (2), Fukang (1), Hami (2), Hutubi (1) Kashi (1), Karamay (3), Kuche (1), Korla (2), Kuitun (1), Manas (1), Qitai (1), Shanshan (1), Shihezi (2), Tacheng (1), Turpan (1), Wusu (1), Wujiaqu (1), Yining (1), Shache (1), Alashankou (1), Horgos (1), Alar (1)
Jiangsu Province	1	31	9.97%	Nanjing (4), Yancheng (10), Nantong (3), Haimen (1), Wuxi (1), Jiangyin (1), Yixing (2), Zhenjiang (1), Jurong (1), Suzhou (1), Yangzhou (2), Jingjiang (1), Taixing (1), Huaian (1), Zhangjiagang (1)
Zhejiang Province	3	30	9.65%	Hangzhou (8), Jinhua (1), Quzhou (1), Tongxiang (3), Jiashan (1), Changshan (1) Huzhou (1), Yiwu (1), Taizhou (3), Shaoxing (1), Pinghu (1), Jiaxing (1), Wenzhou (1), Ruian (1), Yongjia (1), Yueqing (1), Ningbo (3)
Guangdong Province	4	20	6.43%	Guangzhou (7), Zhuhai (1), Foshan (1), Maoming (1), Dongguan (1), Zhongshan (1), Zhanjiang (1), Shenzhen (7)
Sichuan Province	1	15	4.82%	Chengdu (9), Guanghan (1), Meishan (2), Luzhou (2), Ya'an (1)
Hubei Province	1	14	4.50%	Wuhan (7), Huangshi (1), Huanggang Xishui (1), Xiangyang (3), Yichang (2)

## Section V Significant Events (continued)

Province/ municipality /autonomous region	Number of branch companies	Number of securities branches	Percentage in total number of securities branches	Distribution of securities branches (Number)
Liaoning Province	2	12	3.86%	Shenyang (6), Benxi (1), Anshan (1), Dalian (4)
Guangxi Zhuang Autonomous Region	1	10	3.22%	Nanning (2), Guilin (2), Liuzhou (1), Qinzhou (1), Yulin (1), Guigang (1), Wuzhou (1), Hezhou (1)
Jiangxi Province	1	7	2.25%	Nanchang (4), Jiujiang (1), Shangrao (2)
Fujian Province	2	7	2.25%	Fuzhou (2), Quanzhou (1), Putian (1), Shishi (1), Xiamen (2)
Hunan Province	1	7	2.25%	Changsha (4), Xiangtan (1), Zhuzhou (1) Yiyang (1)
Shandong Province	2	7	2.25%	Jinan (2), Qingdao (1), Yantai (1), Laixi (1), Linyi (1), Zibo (1)
Chongqing	1	6	1.93%	Chongqing (6)
Beijing	3	6	1.93%	Beijing (6)
Anhui Province	1	5	1.61%	Hefei (2), Wuhu (1), Huangshan (1), Huainan (1)
Tianjin	1	4	1.29%	Tianjin (4)
Henan Province	1	4	1.29%	Zhengzhou (2), Nanyang (1), Xinxiang (1)
Jilin Province	1	3	0.96%	Changchun (1), Jilin (1), Songyuan (1)
Hebei Province	1	3	0.96%	Tangshan (1), Shijiazhuang (1), Baoding (1)
Hainan Province	1	3	0.96%	Haikou (3)
Heilongjiang Province	1	2	0.64%	Harbin (2)
Guizhou Province	1	2	0.64%	Guiyang (1), Zunyi (1)
Shaanxi Province	1	2	0.64%	Xi'an (2)
Gansu Province	1	1	0.32%	Lanzhou (1)
Shanxi Province	1	1	0.32%	Taiyuan (1)
Inner Mongolia Autonomous Region	1	1	0.32%	Hohhot (1)
Ningxia Hui Autonomous Region	1	1	0.32%	Yinchuan (1)
Yunnan Province	1	2	0.64%	Kunming (1), Qujing (1)
<b>Total</b>	<b>41</b>	<b>311</b>	<b>100.00%</b>	<b>135</b>

In addition, as of December 31, 2019, among the non-securities subsidiaries of Shenwan Hongyuan Securities, SWS MU had 1 subsidiary in Shanghai, 1 branch company in Beijing and Guangzhou, respectively; Shenwan Futures had 1 subsidiary in Shanghai, 1 branch company in Shanghai and Zhejiang, respectively and 21 futures branches in 11 provinces and 4 municipalities.

## Section V Significant Events (continued)

### 2. Basic information of securities branches

No.	Name	Address	Time of establishment	Principal	Telephone
1	Shanghai Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 2701-10, No. 99 Huangpu Road, Hongkou District, Shanghai	August 18, 2009	Liu Jinfu	021-56558525
2	Jiangsu Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 27 Huaqiao Road, Gulou District, Nanjing	July 10, 2009	Wang Sulong	025-84763791
3	Hangzhou Branch of Shenwan Hongyuan Securities Co., Ltd.	18/F, No. 1 Huazhe Plaza, Gongshu District, Hangzhou	June 29, 2009	Zhu Liyan	0571-85060158
4	Beijing Branch of Shenwan Hongyuan Securities Co., Ltd.	6/F, Block B, 20 Financial Street, Xicheng District, Beijing	July 17, 2009	Yang Guibao	010-67736768
5	Sichuan Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 2 Huaishu Street, Qingyang District, Chengdu, Sichuan Province	June 30, 2009	Tang Jiantao	028-86261519
6	Shenzhen Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 19A01, A02, B03 and B04(b), Anlian Mansion at the intersection of Jintian Road and Fuzhong 3rd Road, Futian District, Shenzhen	July 2, 2009	Xu Yewei	0755-83360335
7	Hubei Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Building 7, Kaile Garden, No. 46, Lane 5, Wuluo Road, Wuchang District, Wuhan	June 29, 2009	Liu Dan	027-88850926
8	Liaoning Branch of Shenwan Hongyuan Securities Co., Ltd.	25/F, Block B, Shenyang Fortune Center, No. 53 North Station Road, Shenhe District, Shenyang	June 29, 2009	Gao Yi	024-22536068
9	Guangdong Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 1201-1202, No. 15 Zhujiang West Road, Tianhe District, Guangzhou	February 25, 2014	Zhang Xiaqian	020-38998280
10	Guangxi Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops A201 and A202, Peninsula Mong Kok, No. 56 Yinghua Road, Nanning, Guangxi	November 7, 2013	Qi Shiqun	0771-5772397
11	Chongqing Branch of Shenwan Hongyuan Securities Co., Ltd.	9/F, Chongqing International Business Center, No. 178 Zhonghua Road, Yuzhong District, Chongqing	June 30, 2009	Wang Jun	023-63508779

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
12	Tianjin Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 04-05-06, 34/F, Huanqiu Zhidi Plaza, No. 309 Nanjing Road, Nankai District, Tianjin	February 28, 2014	Xu Hongwen	022-87878288
13	Jiangxi Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, Building B, No. 12 Zhongshan West Road, Xihu District, Nanchang, Jiangxi Province	February 10, 2014	Lu Sanjiang	0791-86210888
14	Hunan Branch of Shenwan Hongyuan Securities Co., Ltd.	7/F, Jinxiu Huatian, No. 210 First Section of Furong Middle Road, Kaifu District, Changsha City, Hunan Province	March 17, 2014	Li Hong	0731-84447412
15	Dalian Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1-7 and Spring Layer Room 1-1-7, Xinxing International Center, No. 6 Jingwei Street and Rooms 04/05/06 /07B, 8/F, Xinxing International Center, No. 20 Yide Street, Zhongshan District, Dalian City, Liaoning Province	January 25, 2013	Xia Juan	0411-82802783
16	Wenzhou Branch of Shenwan Hongyuan Securities Co., Ltd.	1 & 2/F, Blocks 1 & 2, Jinglong Building, No. 543 Chezhan Avenue, Wenzhou City	December 27, 2012	Qu Bingjian	0577-88250798
17	Anhui Branch of Shenwan Hongyuan Securities Co., Ltd.	23/F and East Side of 1/F, Jinding Plaza, No.287 Suixi Road, Luyang District, Hefei City, Anhui Province	October 28, 1997	Zhou Qi	0551-62659097
18	Jilin Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 439, 441, 443, 445, 446, 447, 448, 449, 450, 451, 452, 453, 455 and 457 on the east side of the fourth floor of Building 3, Northeast Asia International Finance Center, No. 10606 Renmin Street, Nanguan District, Changchun City, Jilin Province	June 7, 2006	Zhang Chunjie	0431-88590166



## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
19	Hainan Branch of Shenwan Hongyuan Securities Co., Ltd.	Huaxin Building, Longkun South Road, Haikou City	August 20, 1993	Niu Jie	0898-66763964
20	Henan Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 2101, 2102, 2103, 2104, 2111, 2112 and 2113, Future Building, No. 69 Future Road, Jinshui District, Zhengzhou City	September 21, 2009	Huang Yuqi	0371-86100888
21	Shanxi Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1001, 1-2/F, Building 3, No. 125 Qinxian North Street, Xiaodian District, Taiyuan City	September 5, 2001	Guo Wenwen	0351-4191603
22	Shandong Branch of Shenwan Hongyuan Securities Co., Ltd.	7/F, News Building, No. 6 Luoyuan Street, Lixia District, Jinan City	July 18, 2016	Qin Kaiyu	0531-55639866
23	Fujian Branch of Shenwan Hongyuan Securities Co., Ltd.	Office 01, 8/F, Hengli Financial Center, No. 6 Guanfengting Street, Gudong Sub-district, Gulou District, Fuzhou City, Fujian Province	August 2, 2016	Li Ziquan	0591-83321501
24	Xiamen Branch of Shenwan Hongyuan Securities Co., Ltd.	1 & 2/F, Block A, Jinbang Building, No. 842 Xiahe Road, Siming District, Xiamen City	February 3, 1997	Chen Yuxiao	0592-5852516
25	Ningbo Branch of Shenwan Hongyuan Securities Co., Ltd.	14/F, Building 8, No. 1 Yongjiang Avenue, Jiangdong District, Ningbo	May 29, 1997	Xu Wenhua	0574-87317818
26	Heilongjiang Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 93 Zhongshan Road, Xiangfang District, Harbin City	May 23, 1997	Sheng Junming	0451-82261108
27	Qingdao Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms BCDEF, Mezzanine A, No. 2 Shandong Road, Shinan District, Qingdao	March 12, 1994	Zhang Kun	0532-82969949
28	Yunnan Branch of Shenwan Hongyuan Securities Co., Ltd.	13/F, Yinjia Building, No. 55 Xiangyun Street, Kunming City, Yunnan Province	May 26, 2004	Duan Zhihua	0871-63616259

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
29	Hebei Branch of Shenwan Hongyuan Securities Co., Ltd.	5/F, North Building, Zhuoda Commercial Plaza, No. 389 Zhaiying South Street, Yuhua District, Shijiazhuang City	September 29, 2009	Yue Yinxing	0311-89250988
30	Guizhou Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, Minmetals Building, No. 206 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province	September 8, 2009	Yan Chen	0851-86869886
31	Inner Mongolia Branch of Shenwan Hongyuan Securities Co., Ltd.	2&3/F, Room 1012, Building 49, Jinyu Shengdi, No. 49 Xing'an South Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	October 9, 2009	Zhou Yongchun	0471-5275898
32	Shanghai No.2 Branch of Shenwan Hongyuan Securities Co., Ltd.	39/F, No. 989 Changle Road, Xuhui District, Shanghai	September 29, 2013	Ni Hong	021-33388250
33	Beijing Asset Management Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 201-1, 2/F, No. 19 Taipingqiao Street, Xicheng District, Beijing	June 29, 2009	Gu Hong	010-88085731
34	Shanghai Pilot Free Trade Zone Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 101, 1/F, No.958 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone	April 22, 2015	Yang Haitao	021-56558793
35	Ningxia Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Business Room 23, Comprehensive Building 25, Golf Garden, Minzu North Street Xingqing District, Yinchuan City	March 2, 2011	Zhang Jiao	0951-5121886
36	Gansu Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	1/F, No.215 Jinchang Road, Chengguan District, Lanzhou City, Gansu Province	February 25, 2014	Zhang Haiqun	0931-8870551
37	Shaanxi Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	3/F, No.54, Chang'an North Road, Beilin District, Xi'an City, Shaanxi Province	June 7, 2016	Yang Lei	029-85223550

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
38	Shanghai Branch of Shenwan Hongyuan Financing Services Co., Ltd.	No. 239 Changshu Road, Xuhui District, Shanghai	March 13, 2015	Jin Bixia	021-33389753
39	Beijing Branch of Shenwan Hongyuan Financing Services Co., Ltd.	Room 5B, 5/F, Block B, No. 19 Taipingqiao Street, Xicheng District, Beijing	June 23, 2009	Kong Fanjun	010-88085789
40	Shenzhen Branch of Shenwan Hongyuan Financing Services Co., Ltd.	Room 02 of 22B01-02, Anlian Mansion, No. 4018 Jintian Road, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen	March 20, 2015	Wang Mingxi	010-88085786
41	Guangzhou Branch of Shenwan Hongyuan Financing Services Co., Ltd.	Room 1206, No. 15 Zhujiang West Road, Tianhe District, Guangzhou City	November 19, 2019	Wu Zhihong	010-88085998

### 3. Basic information of securities branches

No.	Name	Address	Time of establishment	Principal	Telephone
1	Shanghai Baoshan District Changjiang South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-3/F, No.681 Changjiang South Road, Baoshan District, Shanghai	August 11, 1992	Zhao Zuojun	021-66181905
2	Shanghai Baoshan District Tongtai Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 88 Tongtai Road, Baoshan District, Shanghai	November 13, 1992	Lin Fei	021-66797358
3	Shanghai Changning District Shuangliu Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 15 Shuangliu Road, Changning District, Shanghai	August 19, 1992	Zhou Jia	021-33608822
4	Shanghai Changning District Songhong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 152 Songhong Road, Changning District, Shanghai	December 30, 1992	Wu Xuwei	021-62735711

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
5	Shanghai Chongming District Chuanxin Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 1 Chuanxin Street, Chongming District, Shanghai	September 27, 1993	Bi Guoqiang	021-59619905
6	Shanghai Fengxian District Renmin Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.236 Renmin Middle Road, Nanqiao Town, Fengxian District, Shanghai	May 18, 1994	Wang Huanxian	021-57417029
7	Shanghai Hongkou District Dalian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 301-304, No. 1 and Room 101, No. 859, Lane 839, Dalian Road, Hongkou District, Shanghai	June 2, 1997	Fang Min	021-65628677
8	Shanghai Hongkou District Fengzhen Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&2/F, No. 78 Fengzhen Road, Hongkou District, Shanghai	August 6, 1997	Wang Wenqi	021-65932933
9	Shanghai Hongkou District Huangpu Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 203A, No. 99 Huangpu Road, Hongkou District, Shanghai	December 30, 1992	Bao Hongwei	021-65525901
10	Shanghai Hongkou District Zhongshan North First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room B3F, No. 1230 Zhongshan North First Road, Hongkou District, Shanghai	December 26, 1994	Zhou Hua	021-65445198
11	Shanghai Huangpu District Fuzhou Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 102A and Rooms 309-310, No. 318 Fuzhou Road, Huangpu District, Shanghai	February 26, 1993	Zhang Lei	021-63217517
12	Shanghai Huangpu District Guangdong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 729 Guangdong Road, Huangpu District, Shanghai	July 9, 1990	Wang Hua	021-63224288
13	Shanghai Huangpu District Lujiazang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&2/F, No. 1297 Lujiazang Road, Huangpu District, Shanghai	July 17, 1992	Han Bin	021-63457788

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
14	Shanghai Huangpu District Xinchang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 180 Xinchang Road, Huangpu District, Shanghai	February 26, 1993	Xu Tao	021-63272058
15	Shanghai Huangpu District Yandang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 02, 3/F, No. 29 Yandang Road, Huangpu District, Shanghai	June 22, 1992	Ma Jun	021-63863588
16	Shanghai Huangpu District Zhonghua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 1154-1158 Zhonghua Road, Huangpu District, Shanghai	September 25, 1992	Chen Wei	021-63451506
17	Shanghai Huangpu District Zhongshan South First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 328, 329, 330, 331, 332, 337, 338, 339, 341 and 342, 3/F, Podium, No. 727 Zhongshan South First Road, Huangpu District, Shanghai	December 25, 1992	Li Wei	021-63020853
18	Shanghai Jiading District Tacheng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2&3/F, No. 399 Tacheng Road, Jiading District, Shanghai	May 10, 1994	Zhou Liang	021-39910033
19	Shanghai Jinshan District Fengyang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 213 Fengyang Road, Fengjing Town, Jinshan District, Shanghai	January 16, 2014	Ying Hongliang	021-67968178
20	Shanghai Jinshan District Lincang Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4&5/F, No. 180 Lincang Street, Zhujing Town, Jinshan District, Shanghai	December 30, 1992	Chen Jiangwen	021-57320523
21	Shanghai Jinshan District Mengshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 279 Mengshan Road, Jinshan District, Shanghai	May 18, 1994	Chu Kaihong	021-57943555

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
22	Shanghai Jing'an District Changhua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 33 Changhua Road, Jing'an District, Shanghai	September 22, 1993	Chen Weidong	021-62580049
23	Shanghai Jing'an District Kangding Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 1584 Kangding Road, Jing'an District, Shanghai	July 31, 1997	Yao Wei	021-62308398
24	Shanghai Jing'an District Yuyao Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 169 Yuyao Road, Jing'an District, Shanghai	July 25, 1992	Mao Xiaohong	021-52520439
25	Shanghai Putuo District Jinshajiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Zone B, Room 501, No. 10 Lane 1628, Jinshajiang Road, Putuo District, Shanghai	April 28, 2001	Lv Bocheng	021-60712583
26	Shanghai Putuo District Lanxi Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.135 Lanxi Road, Putuo District, Shanghai	August 21, 1992	Chen Bin	021-62862128
27	Shanghai Putuo District Wuning Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 301, No. 507 Wuning Road, Putuo District, Shanghai	September 11, 1992	Yang Zuowei	021-62051378
28	Shanghai Pudong New District Zhangyang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 538 Gushan Road and Room 301, Building 1, No. 2399 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	April 28, 2001	Jin Tao	021-50110133
29	Shanghai Pudong New District Jinghai Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 500 & 502 Jinghai Road, Huinan Town, Pudong New District, Shanghai	May 18, 1994	Xu Jingfang	021-36680188
30	Shanghai Pudong New District Chuansha Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 4487 Chuansha Road, Pudong New District, Shanghai	December 11, 1996	Guan Xuting	021-68392594

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
31	Shanghai Pudong New District Dongfang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, No. 1870 Dongfang Road, Pudong New District, Shanghai	October 12, 1993	Huang Xudong	021-58751371
32	Shanghai Pudong New District Guanyue West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-3/F, No. 103, Lane 151, Guanyue West Road, Pudong New District, Shanghai	May 29, 1995	Zhu Yubin	021-68113113
33	Shanghai Pudong New District Lijin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 1365, 1375, 1379 & 1389 Lijin Road, Pudong New District, Shanghai	December 6, 1991	Wu Huapi	021-68759463
34	Shanghai Pudong New District Hunan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 160-178 Beizhong Road and Room 504, No. 959-999 Hunan Road, Pudong New District, Shanghai	June 3, 1997	Zhou Jie	021-58899797
35	Shanghai Pudong New District Miaojing Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 399 Chuansha Miaojing Road, Pudong New District, Shanghai	December 28, 1994	Liu Weimin	021-58988996
36	Shanghai Pudong New District Sanlin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 329, Sanlin Road, Pudong New District, Shanghai	May 5, 1993	Shen Rong	021-58492299
37	Shanghai Pudong New District Shuiyun Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room A102, No. 308 Shuiyun Road, Nanhui Xincheng Town, Pudong New District, Shanghai	May 30, 2014	Zhao Yunfeng	021-58282662
38	Shanghai Pudong New District Century Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Unit 01, 9/F (Nominal Floor, Actual Floor, 8/F), T1, No. 1788 & 1800, Century Avenue, China (Shanghai) Pilot Free Trade Zone	June 11, 2008	Gu Zhenyu	021-50817033
39	Shanghai Pudong New District Chengshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 436 Chengshan Road, Pudong New District, Shanghai	March 3, 1993	Lin Zheng	021-68700018

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
40	Shanghai Pudong New District Lujiazui Ring Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.958 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone	June 5, 1997	Ge Wenyu	021-68866071
41	Shanghai Qingpu District Gongyuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-2/F, No. 222, Gongyuan Road, Qingpu District, Shanghai	April 5, 1993	You Lifang	021-69713385
42	Shanghai Songjiang District Renmin North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&3/F, No. 1505 Renmin North Road, Songjiang District, Shanghai	November 19, 1997	Xu Cen	021-57833988
43	Shanghai Xuhui District Longcao Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 9, Lane 1, Longcao Road, Xuhui District, Shanghai	August 28, 1992	Wang Dehua	021-64840388
44	Shanghai Xuhui District Yishan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Units 102-106, No. 719 Yishan Road, Xuhui District, Shanghai	December 24, 1996	Chen Gang	021-64836517
45	Shanghai Xuhui District Shangzhong West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 200 Shangzhong West Road, Xuhui District, Shanghai	April 12, 1995	Miao Qianfang	021-64539753
46	Shanghai Xuhui District Xietu Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&3/F, No. 2669, Xietu Road, Xuhui District, Shanghai	April 12, 1990	Hu Hailong	021-64276621
47	Shanghai Xuhui District Zhongshan West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 133 Xiaozha Town, Zhongshan West Road, Shanghai	December 30, 1992	Yu Jiayong	021-64848907
48	Shanghai Yangpu District Huangxing Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 101, 3/F, No. 1810 Huangxing Road, Yangpu District, Shanghai	March 16, 1992	Shen Jia	021-55058668



## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
49	Shanghai Yangpu District Longchang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, No. 600 Longchang Road, Yangpu District, Shanghai	November 25, 1992	Pang Bo	021-65663957
50	Shanghai Yangpu District Pingliang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, No. 913, 915, 917, 919, 921, 923, 925, 927 & 929, Pingliang Road, Yangpu District, Shanghai	July 3, 1992	Li Yu	021-65127789
51	Shanghai Jing'an District Fenxi Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 457 Fenxi Road, Jing'an District, Shanghai	May 17, 2001	Shi Xiaoqi	021-56773397
52	Shanghai Jing'an District Haining Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 101, No. 719 and 26/F, No. 717 Haining Road, Jing'an District, Shanghai,	December 30, 1992	Zhang Ming	021-63062065
53	Shanghai Jing'an District Hutai Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 549 Hutai Road, Jing'an District, Shanghai	December 2, 1996	Zhang Zheng	021-56557458
54	Shanghai Jing'an District Luochuan East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 303 Luochuan East Road, Jing'an District, Shanghai	August 18, 1993	Chen Jianming	021-56385612
55	Shanghai Jing'an District Yanchang Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 597 Yanchang Middle Road, Jing'an District, Shanghai	May 4, 1994	Zhang Wei	021-36030948
56	Shanghai Minhang District Bijiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 349 Bijiang Road, Minhang District, Shanghai	February 25, 1993	Ni Peiwen	021-64308222
57	Shanghai Minhang District Dongchuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&2/F, No. 2380-2384 (Even Number), Dongchuan Road, Minhang District, Shanghai	June 14, 1994	Shen Yiming	021-34095553

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
58	Shanghai Minhang District Humin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 705, No. 7876 Humin Road, Minhang District, Shanghai	May 8, 2014	Wang Wei	021-52211621
59	Shanghai Minhang District Longming Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, No. 1847 Longming Road, Minhang District, Shanghai	August 17, 1998	Deng Jin	021-54780088
60	Shanghai Minhang District Qishen Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 401A, No. 3088 Qishen Road, Minhang District, Shanghai	June 6, 1994	Lou Jun	021-64787280
61	Shanghai Minhang District Shensong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 235 Shensong Road, Shanghai	December 4, 1992	Xia Mei	021-64985122
62	Haimen Xiushan West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 62 Xiushan West Road, Haimen City, Jiangsu Province	August 11, 2014	He Yan	0513-80182108
63	Huaian Shenzhen Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 7-5, Building 7, Dongguan Yixuan Huayuan, Huai'an Economic and Technological Development Zone, Jiangsu Province	August 8, 2012	Zhu Feng	0517-83800707
64	Jingjiang Renmin Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.136 Renmin Middle Road, Jingjiang City, Jiangsu Province	April 17, 1997	Hua Jiong	0523-84961888
65	Jurong Huarong East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Kaiyuan Commercial Building, No. 18 Huayang East Road, Huayang Town, Jurong City, Jiangsu Province	June 11, 2001	Xiang Guangsheng	0511-85179261
66	Nanjing Hanzhong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	10/F, Sinopharm Building, No. 6 Hanzhong Road, Gulou District, Nanjing City, Jiangsu Province	January 21, 2008	Dong Jun	025-85201127

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
67	Nanjing Huaqiao Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 29 Huaqiao Road, Gulou District, Nanjing City, Jiangsu Province	November 20, 1997	Jiang Ping	025-84763777
68	Nanjing Pukou Fenghuang Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 16 Fenghuang Street, Jiangpu Sub-district, Pukou District, Nanjing City, Jiangsu Province	May 29, 2001	Wang Guangxin	025-58881133
69	Nanjing Huangshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 2 Huangshan Road, Jianye District, Nanjing City, Jiangsu Province	November 20, 1997	Li Wei	025-83315198
70	Nantong Gongnong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	14/F, Huali Building, No. 6 Gongnong Road, Nantong City, Jiangsu Province	April 19, 2012	Wang Xiaofeng	0513-51001966
71	Nantong Zhaoxia Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1/F, Aojian Building, No. 467 Zhaoxia Road, High-tech Zone, Nantong City, Jiangsu Province	May 24, 2001	Chen Qingsong	0513-81691258
72	Nantong Qingnian Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.43 Qingnian Middle Road, Nantong City, Jiangsu Province	August 4, 1997	Feng Baosheng	0513-89011889
73	Suzhou Wuzhong West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1, 3, 4, 5, 6/F, No. 175 Wuzhong West Road, Wuzhong District, Suzhou City, Jiangsu Province	October 13, 1997	Xu Zhifeng	0512-65282812
74	Taixing Fuqian Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	South Side of Gulou East Road and West Side of Fuqian Street, Taixing City, Jiangsu Province	June 20, 2001	Guo Wei	0523-87650123
75	Wuxi Qingyang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 24 Qingyang Road, Wuxi City, Jiangsu Province	August 22, 1997	Luo Wenfei	0510-82856988
76	Yancheng Binhai Haibin Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 90 Haibin Avenue, Binhai County, Yancheng City, Jiangsu Province	December 18, 2013	Jiang Guanrong	0515-89118128
77	Yancheng Dafeng Jiankang East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 49 Jiankang East Road, Dafeng District, Yancheng City, Jiangsu Province	January 27, 2014	Wang Hongjun	0515-83365518

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
78	Yancheng Dongtai Wanghai East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 32 Wanghai East Road (formerly Xindong East Road), Dongtai City, Jiangsu Province	December 17, 2013	Tang Xinhua	0515-85320562
79	Yancheng Funing Shehe North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops 8 & 9, Employee Residential Building of Yancheng, No. 4 Pharmaceutical Factory, Fucheng Shehe East Road, Funing County, Yancheng City, Jiangsu Province	January 28, 2014	Zou Yu	0515-87220562
80	Yancheng Jianhu Huzhong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 5 from the south, Wanjie Building, No. 148 Huzhong South Road, Jianhu County, Yancheng City, Jiangsu Province	December 20, 2013	Yang Biao	0515-86232366
81	Yancheng Jiefang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 100 Jiefang North Road, Yancheng City, Jiangsu Province	April 14, 1998	Gao Fei	0515-88166898
82	Yancheng Jiefang South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 101 & 201, Building A, Shops in South Zone, Qianjiang Fangzhou Community, Yancheng City, Jiangsu Province	December 24, 1998	Yang Haimin	0515-89080909
83	Yancheng Economic Development Zone Taishan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Building 3, Software Park, Taishan Road, Yancheng Economic and Technological Development Zone, Jiangsu Province	March 14, 2014	Miao Meilin	0515-88310962
84	Yancheng Sheyang Xingyang Plaza Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops 301-304, Zone C, Xingyang Plaza, Sheyang County, Yancheng City, Jiangsu Province	December 5, 2013	Xu Yang	0515-82627666
85	Yancheng Xiangshui Shuangyuan East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	North Side of Shuangyuan East Road, Xiangshui, Yancheng City, Jiangsu Province	January 28, 2014	Wang Daorong	0515-86885858

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
86	Yangzhou Jiangdu Longchuan South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms S103 & 203, Building 7, Hongyi Qianqiu, No. 299 Longchuan Road, Xiannv Town, Jiangdu District, Yangzhou City, Jiangsu Province	January 8, 2014	Yang Youjing	0514-86710562
87	Yangzhou Yangtze River Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 758, Yangtze River Middle Road, Yangzhou City, Jiangsu Province	August 1, 1997	Zang Yang	0514-87891800
88	Yixing Huankeyuan Xincheng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 201, Comprehensive Building, Xincheng Garden, Huankeyuan, Yixing, Jiangsu Province	January 7, 2014	Chen Wei	0510-87072030
89	Yixing Renmin Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	(5&6/F Asia Hotel) No. 238 Renmin Middle Road, Yicheng Street, Yixing City, Jiangsu Province	April 11, 2008	Liu Xiaoyan	0510-87962161
90	Zhenjiang Jiefang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.26 Jiefang Road, Zhenjiang City, Jiangsu Province	August 13, 1997	Sun Weibin	0511-85023138
91	Jiangyin Chengjiang Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 7-7 Chengjiang Middle Road, Jiangyin City, Jiangsu Province	October 20, 2017	Zhu Laizhang	0510-86995523
92	Zhangjiagang Renmin East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room F203, No. 11 Renmin East Road (Huachang Oriental Plaza), Yangshe Town, Zhangjiagang City, Jiangsu Province	January 21, 2019	Zhao Guangyu	0512-58912291
93	Hangzhou Miduqiao Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 3 Miduqiao Road, Gongshu District, Hangzhou City, Zhejiang Province	March 14, 1997	Jin Han	0571-85061177
94	Jiaxing Hexing South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 996 Hexing South Road, Nanhu District, Jiaxing City, Zhejiang Province	December 28, 1996	Liu Guoyong	0573-82056778

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
95	Jinhua Bayi North Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 484 Bayi North Street, Wucheng District, Jinhua City, Zhejiang Province	February 26, 1997	Zhan Yingcai	0579-82305900
96	Quzhou Xianxi Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 77 Xianxi Street, Quzhou City, Zhejiang Province	June 30, 1997	Cao Min	0570-3039709
97	Tongxiang Heping Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 95, Heping Road (West), Zhendong New District, Tongxiang City, Zhejiang Province	August 22, 1997	Zhu Hui	0573-80891131
98	Changshan Dingyang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Changshan County Supply and Marketing Complex Building, No. 2-16 Dingyang North Road, Tianma Sub-district, Changshan County, Quzhou City, Zhejiang Province	April 8, 2002	Wang Ying	0570-5031768
99	Jiashan Tiyu South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 91, 91-1 & 91-2, Tiyu South Road, Weitang Sub-district, Jiashan County, Zhejiang Province	August 6, 2001	Xiong Qihui	0573-84266611
100	Huzhou Fenghuang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	8/F, Comprehensive Building (1), Meidu Huayuan, Huzhou City, Zhejiang Province	May 8, 2014	Xu Dengfeng	0572-2761080
101	Yiwu Huangyuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1/F, No. 143 Huangyuan Road, Yiwu City, Zhejiang Province	May 23, 2014	Liu Ying	0579-85785098
102	Tongxiang Chongfu Town Chongde West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Ground floor, Hualong Building, No. 158 Chongde West Road, Chongfu Town, Tongxiang City, Zhejiang Province	May 19, 2014	Zhao Shengli	0573-88389388
103	Hangzhou Xueyuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 301-303, Delixi Building, No. 28 Xueyuan Road, Xihu District, Hangzhou City, Zhejiang Province	July 1, 2003	Yang Hua	0571-87977985

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
104	Hangzhou Stadium Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 267 Stadium Road, Hangzhou City, Zhejiang Province	July 1, 2003	Pan Yue	0571-85170782
105	Hangzhou Moganshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, Lantian Business Building, No. 18 Moganshan Road, Hangzhou City, Zhejiang Province	July 1, 2003	Zhang Yongpo	0571-88840686
106	Hangzhou Jinhua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	South Side of Room 313, Shangpin Business Building, No. 88 Jinhua Road, Hangzhou City, Zhejiang Province	July 1, 2003	Xu Zuo	0571-28171768
107	Fuyang Jiangbin West Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 709, No. 57 Jiangbin West Avenue, Fuchun Sub-district, Fuyang District, Hangzhou City, Zhejiang Province	January 9, 2014	Lou Lantian	0571-58981691
108	Lin'an Guangdian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 19 Guangdian Road, Jincheng Sub-district, Lin'an City, Zhejiang Province	January 10, 2014	Fan Zhicheng	0571-61083130
109	Taizhou Tengda Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room A-913, Room A-915, Room A-917, Room A-919, Room A-921, Room A-923, Room A-925, No. 699, Tengda Road, Yangguan Village, Lubei Sub-district, Luqiao District, Taizhou City, Zhejiang Province	August 25, 2010	Xu Weiyan	0576-82599906
110	Sanmen Zhaohui Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 11-12, Building 17, Chengdong Farmers Apartment, Zhaohui Road, Haiyou Sub-district, Sanmen County, Taizhou City, Zhejiang Province	May 6, 2014	Xu Weiyan	0576-83315299
111	Wenling Wanchang West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 159 Wanchang West Road, Taiping Sub-district, Wenling City, Taizhou City, Zhejiang Province	January 7, 2014	Wang Guocheng	0576-81679792

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
112	Shaoxing Zhongxing South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Foyer on 1/F and 4/F, No. 285 Zhongxing South Road, Yuecheng District, Shaoxing City, Zhejiang Province	December 7, 2015	Zhong Di	0575-85200978
113	Xiaoshan Jincheng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.433 Jincheng Road, Beigan Sub-district, Xiaoshan District, Hangzhou City, Zhejiang Province	May 20, 2016	Ren Huiling	0571-86993927
114	Tongxiang Puyuan Town Gongmao Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1/F, Brand Center, Building A, No. 369 Gongmao Avenue, Puyuan Town, Tongxiang City, Zhejiang	January 29, 2016	Zhang Hui	0573-80898089
115	Pinghu Xinhua South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	West side of the ground floor, No. 229, Xinhua South Road, Danghu Sub-district, Pinghu City, Zhejiang Province	January 27, 2016	Xu Xiaoming	0573-85573669
116	Ningbo Zhongxing Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	11/F, Mingchen Building, No.138 Zhongxing Road, Jiangdong District, Ningbo City, Zhejiang Province	May 29, 1997	Ruan Baohua	0574-87376646
117	Ningbo Daxie Xintuo Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 111 & 410, Block A, Haihua Building, No. 168 Xintuo Road, Daxie Development Zone, Ningbo, Zhejiang Province	February 18, 2014	Chen Guang	0574-87068816
118	Ningbo Youngor Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 383 Youngor Avenue, Shiqi Sub-district, Yinzhou District, Ningbo City, Zhejiang Province	February 4, 2016	Weng Lianyi	0574-87731858
119	Wenzhou Chezhan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&2/F, Jinglong Building, No. 543 Chezhan Avenue, Wenzhou City, Zhejiang Province	May 13, 1993	Qu Bingjian	0577-88250798
120	Yongjia Yangguang Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Business Rooms 111 & 112, Wangfu Building, Longqiao Village, Jiangbei Sub-district, Yongjia County, Wenzhou City, Zhejiang Province	September 26, 2001	Jin Qinlong	0577-66991186



## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
121	Ruian Ansheng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1/F, Qiaolian Building, No. 196 Ansheng Road, Anyang Sub-district, Ruian City, Zhejiang Province	August 15, 2001	Lu Youfeng	0577-66882008
122	Yueqing Bole East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops on 1/F, No. 54 & 55 and on 2/F, No. 51-55, Yueji Building I, New Century Garden, Chengnan Sub-district, Yueqing City, Zhejiang Province	January 25, 2018	Huang Lingyun	0577-61555700
123	Guangzhou Jiangnan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 108, Jiangnan Avenue Middle, Haizhu District, Guangzhou City, Guangdong Province	January 13, 1995	Liu Xiangyi	020-84116086
124	Guangzhou Tianhe North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-2/F, Jinhai Garden, No. 614 Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province	June 25, 1993	Zhang Junjie	020-38735133
125	Guangzhou Dongfeng East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Unit 05B, 06 and 07, 08/F, Lifeng Center, No. 761 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong Province	March 11, 2008	Zhang Sumei	020-87383009
126	Zhuhai Yuehai East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms A & B, Office Buildings, 11 & 12/F, Phase Two of Yuehai Hotel, No. 1145 Yuehai East Road, Zhuhai City, Guangdong Province	September 7, 1993	Tang Shiyong	0756-8877645
127	Guangzhou Xingang West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms D2001A, D2009 & D2010, 2/F, Zone D, Guangzhou Textile Trading Park, No. 82 Xingang West Road, Haizhu District, Guangzhou City, Guangdong Province	January 28, 2014	Zhang Dekun	020-89989880
128	Guangzhou Panyu Yingbin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 601, No. 282 Yingbin Road, Dashi Street, Panyu District, Guangzhou City, Guangdong Province	March 27, 2014	Chen Peng	020-34891001

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
129	Guangzhou Zhongshan Avenue Middle Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 1313-16, No. 439 Zhongshan Avenue Middle Road, Tianhe District, Guangzhou City, Guangdong Province	January 28, 2014	Xu Huan	020-38887165
130	Dongguan Hongfu Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Office 902-2, Building 2, Haide Plaza, No. 200 Hongfu Road, Nancheng District, Dongguan City, Guangdong Province	May 13, 2014	Liang Wenhui	0769-22621022
131	Foshan Jihua 5th Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room P6, Ground Floor, No. 23 Jihua 5th Road, Chancheng District, Foshan City, Guangdong Province	April 28, 2001	Zhou Huamei	0757-83036503
132	Maoming Yingbin Third Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 310-316, 3/F, Building 3 & 4, Dayuan Huahai Yaju, No. 126 Yingbin 3rd Road, Maoming City, Guangdong Province	March 16, 2011	Wang Dongwei	0668-3916978
133	Zhongshan City Zhongshan Fourth Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Building 86, Shunjing Garden, Zhongshan 4th Road, East District, Zhongshan City, Guangdong Province	April 9, 1998	Xu Ying	0760-88888086
134	Zhanjiang Renmin Avenue Middle Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 1802-1805, Qixiang Building, No. 45 Renmin Avenue Middle, Zhanjiang City, Guangdong Province	May 7, 2012	Yang Lirong	0759-3388877
135	Guangzhou Zengcheng Xintang Fenghuang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 214 & 215, No. 228 Fenghuang North Heng Road, Yongning Street, Zengcheng District, Guangzhou City	December 26, 2018	Wang Yanchao	020-32164170
136	Shenzhen Fuhua First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	21/F, Block A, Hangtian Building, No. 4019 Shennan Avenue, Futian Sub-district, Futian District, Shenzhen City, Guangdong Province	January 31, 2008	Guan Fang	0755-82934897

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
137	Shenzhen Shangbu Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	8 & 9/F, Shenkan Building, No. 1043, Shangbu Middle Road, Futian District, Shenzhen City, Guangdong Province	June 13, 1995	Chen Sizhong	0755-83755859
138	Shenzhen Shennan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 2308 & 2309, Fuchun Oriental Building, No. 7006 Shennan Avenue, Futian District, Shenzhen City, Guangdong Province	October 22, 2013	Zheng Xiaoju	0755-83755953
139	Shenzhen Jintian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms A01-02 & B01, 22/F, Anlian Mansion, No. 4018 Jintian Road, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen City, Guangdong Province	May 31, 1995	Luo Xiaoling	0755-88285733
140	Shenzhen Huaqiang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 2801-2805, 28/F, Block B, Changxing Building, Huaqiang North Road, Futian District, Shenzhen City, Guangdong Province	June 16, 1995	Luo Ming	0755-83261445
141	Shenzhen Caitian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room A1701, Xinhao Yidu, No. 7018 Caitian Road, Lianhua First Village Community, Huafu Sub-district, Futian District, Shenzhen City, Guangdong Province	February 27, 1995	Wang Bo	0755-83642163
142	Shenzhen Qianhai Free Trade Zone Menghai Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2308, Block A, Qianhai Excellence Financial Center, No. 5033 Menghai Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City, Guangdong Province	October 31, 2018	Liu Xiaobin	0755-83208064
143	Chengdu North First Ring Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 4, North Third Section of First Ring Road, Jinniu District, Chengdu City, Sichuan Province	November 16, 1995	Qian Hongbing	028-86421557

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
144	Chengdu Chongzhou City Shuzhou North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 120-4, Shuzhou North Road, Chongyang Sub-district, Chongzhou City, Chengdu City, Sichuan Province	September 21, 2001	Hu Jun	028-82205070
145	Chengdu Huaishu Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Building 3, Tailong Building, No. 2 Huaishu Street, Chengdu City, Sichuan Province	April 6, 1999	Yao Xin	028-86277125
146	Chengdu South Railway Station East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1, 2/F, Building 2, No. 5 South Railway Station East Road, Wuhou District, Chengdu City, Sichuan Province	August 11, 1997	Cai Huawei	028-82936866
147	Chengdu Shujin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 701, 7/F, Building 2, No. 1 Shujin Road, Qingyang District, Chengdu City, Sichuan Province	December 3, 2007	Tong Xiaoqian	028-61359310
148	Chengdu Jianshe South Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1/F, No. 15-25, Jianshe South Street, Chenghua District, Chengdu City, Sichuan Province	January 6, 2014	Liang Jing	028-65187666
149	Chengdu Shuangliu Yingchun Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2, 2/F, Building 3, No.200 Third Section of Yingchun Road, Dongsheng Sub-district, Shuangliu District, Chengdu City, Sichuan Province	April 20, 2001	Zhou Yong	028-85733248
150	Chengdu Wenjiang Nanjiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 228-201 Nanjiang Road, Wenjiang District, Chengdu City, Sichuan Province	November 1, 2001	Yang Gang	028-82710718
151	Chengdu West First Ring Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Jiayu Building, Jule Road, West First Section of First Ring Road, Wuhou District, Chengdu City, Sichuan Province	May 13, 1997	Tan Kai	028-85089136
152	Guanghan Zhongshan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	5/F, Commercial Building, No. 8 North First Section, Zhongshan Avenue, Guanghan City, Sichuan Province	August 30, 2010	Hu Jian	0838-5357710

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
153	Luzhou Guangfeng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 4 Guangfeng Road, Jiayang District, Luzhou City, Sichuan Province	April 18, 1997	He Zhihua	0830-2396588
154	Luzhou Jiucheng Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 401, 4/F, Building 18, No. 9, First Section of Jiucheng Avenue, Jiayang District, Luzhou City, Sichuan Province	September 12, 2001	Feng Xiang	0830-2519965
155	Meishan Hubin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Zone C, Attached Building of Yuanjing Building, Hubin Road, Dongpo District, Meishan City, Sichuan Province	August 21, 2000	Zhang Rui	028-38102770
156	Meishan Pengshan District Ziwei Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 37 Ziwei Road, Pengshan District, Meishan City, Sichuan Province	September 26, 2001	Wang Xu	028-37633098
157	Ya'an Qiangjiang South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 75 Jiangjiang South Road, Yucheng District, Ya'an City, Sichuan Province	May 15, 2014	Jiang Yunli	0835-5181991
158	Wuhan Zhongshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	5/F, Phoenix International Building, No. 272 Zhongshan Road, Wuchang District, Wuhan City, Hubei Province	April 3, 1997	Zhao Qiancheng	027-88855433
159	Wuhan Xinhua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 901-903, No.468 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	April 3, 1997	Zhang Xiaojun	027-83618977
160	Wuhan Sanyang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 8, Sanyang Road, Siwei Street, Jiang'an District, Wuhan City, Hubei Province	February 14, 2001	Yu Shimou	027-83220956

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
161	Wuhan Jing'an Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shop 7 on 1/F and Shops 6&7 on 2/F, Unit 1, Building 1, Shangwen Jing'an Shangcheng (Renhe Jiayuan), No. 8 Jing'an Road, Wuchang District, Wuhan City, Hubei Province	February 14, 2001	Liu Chao	027-87776138
162	Wuhan Zhongbei Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1, 4/F, Shiji Building, Zone E, Shiji Caicheng, No. 233 (formerly No. 151) Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	April 16, 2002	Xu Jianping	027-87711137
163	Wuhan Wudayuan First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 3012, 3/F, Changye Building, Wuda Science and Technology Park, Donghu New Technology Development Zone, Wuhan City, Hubei Province	February 12, 2014	Wu Li	027-87981127
164	Wuhan Dongfeng Third Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 608, 6/F, Building D, Phase II, Donghe Center, Wuhan Economic and Technological Development Zone, Hubei Province	January 3, 2014	Yin Juan	027-84525099
165	Huangshi Hubin Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 7, 8, 9, 10 & 16, Building 1, No. 97 Hubin Avenue, Huangshi City, Hubei Province	May 19, 1997	Zhong Ping	0714-6233087
166	Huanggang Xishui Liwen Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	(2/F of ICBC) No. 269 Liwen Avenue, Qingquan Town, Xishui County, Huanggang City, Hubei Province	December 6, 2001	Hong Weiguo	0713-4226194
167	Xiangyang Yanjiang Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 36 Yanjiang Avenue, Fancheng District, Xiangyang City, Hubei Province	December 12, 1997	Jiang Wei	0710-3481356
168	Xiangyang Yongan South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 5-104, Yuehuali, Minfa World Town Phase II, Yongan South Road, Xiangzhou District, Xiangyang City, Hubei Province	March 26, 2001	Song Wei	0170-2818255

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
169	Yicheng Zhonghua Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 101/102, Building 24, No. 77 Zhonghua Avenue, Yicheng City, Xiangyang City, Hubei Province	April 9, 2001	Li Yu	0170-4252320
170	Yichang Xiling First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	12/F, Junyao International Plaza, Xiling First Road, Xiling District, Yichang City, Hubei Province	December 5, 1997	Cai Wei	0717-6747898
171	Yichang Yixing Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 44 Yixing Avenue, Yiling District, Yichang City, Hubei Province	February 19, 2001	Li Guangliang	0717-7200266
172	Shenyang Zhongshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 193 Zhongshan Road, Heping District, Shenyang City, Liaoning Province	May 11, 1993	Yan Weizhong	024-22869573
173	Shenyang Ningshan Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	(Door 2) No. 42, Ningshan Middle Road, Huanggu District, Shenyang City, Liaoning Province	April 17, 1997	Ning Xia	024-86223498
174	Shenyang Baishan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 16 Baishan Road, Yuhong District, Shenyang City, Liaoning Province	October 26, 2001	Shui Bin	024-86510899
175	Shenyang Daxi Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 46 Daxi Road, Shenhe District, Shenyang City, Liaoning Province	November 17, 2000	Yan Bin	024-22708865
176	Shenyang Taiyuan South Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 601, 602, 603 & 604, 6/F, No. 180 Taiyuan South Street, Heping District, Shenyang City, Liaoning Province	January 23, 2014	Tang Shuang	024-23292833
177	Shenyang Xinlong Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	(3-7-2) & (3-7-3), No.1-33 Xinlong Street, Hunnan District, Shenyang City, Liaoning Province	January 26, 2014	Zhao Yunfeng	024-23230562
178	Anshan Xinhua Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 20-S10, Xinhua Street, Tiedong District, Anshan City, Liaoning Province	April 12, 2012	Yu Zilong	0412-7335735

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
179	Benxi Jiefang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Building 14, Jiefang North Road, Mingshan District, Benxi City, Liaoning Province	September 19, 2001	Men Xiaobing	024-42800458
180	Dalian Wuhan Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Block B, Yuanda Building, No. 36 Wuhan Street, Zhongshan District, Dalian City, Liaoning Province	March 24, 1994	Zhu Xiaojie	0411-82822876
181	Dalian Zhongshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Units 5-9, 11/F, A1 Office Building, AVIC International Plaza Project, No.468 Zhongshan Road, Shahekou District, Dalian City, Liaoning Province	March 17, 1993	Li Xiongwei	0411-82825257
182	Dalian Jinma Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.188-1 Jinma Road, Dalian Economic and Technological Development Zone, Liaoning Province	September 12, 2001	Jiang Xuetao	0411-87623223
183	Dalian Jinzhou Dalin Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-2/F, No.260A-4, Stalin Road, Guangming Sub-district, Jinzhou District, Dalian City, Liaoning Province	January 3, 2014	Song Jingwei	0411-39337989
184	Nanning Yinghua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops A201, A202, A203, A205, A206, A207, B201, B202 & B203, No. 56 Yinghua Road, Qingxiu District, Nanning City, Guangxi Province	June 17, 2003	Li Hongjiang	0771-5309229
185	Nanning Changning Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, Haotian Plaza, No. 24 Changhu Road, Qingxiu District, Nanning City, Guangxi Province	September 1, 1997	Li Mengran	0771-5880766
186	Guilin Lijiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	6&7/F, Building 4, Zhongruan Modern Town, No. 28 Lijiang Road, Qixing District, Guilin City, Guangxi Province	September 5, 2001	Zheng Wei	0773-3843724
187	Guilin Zhongshan South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&6/F, Guilin Huaqiao Building, No.13 Zhongshan South Road, Xiangshan District, Guilin City, Guangxi Province	January 13, 2014	Jiang Jiamu	0773-3860808



## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
188	Liuzhou Donghuan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2-1, Building 2, Wode Mengxiang, No. 258 Donghuan Avenue, Liuzhou City, Guangxi Province	August 30, 2001	Wei Yi	0772-2807688
189	Qinzhou Yongfu West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 28 Yongfu West Street, Qinzhou City, Guangxi Province	January 10, 2014	Deng Deke	0777-2880562
190	Yulin Minzhu Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.224 Minzhu Middle Road, Yuzhou District, Yulin City, Guangxi Province	February 27, 2014	Xie Yeyi	0775-2808099
191	Guigang Zhongshan North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, Anju Commercial Building, No. 19 Zhongshan North Road, Guigang City, Guangxi Province	April 28, 2014	Mo Jiangli	0775-5963688
192	Wuzhou Xidi Third Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 38-40, 10/F, No. 19, Xidi Third Road, Wuzhou City, Guangxi Province	February 20, 2014	Huang Xiangdong	0774-6010208
193	Hezhou Jiangbei Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 602, Jingcheng Building, No. 200 Jiangbei Middle Road, Hezhou City, Guangxi Province	February 18, 2014	Wang Chengyi	0774-5201292
194	Nanchang Zhongshan West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 10 (Part of 1st floor of Jiangxi Chamber of Commerce Building) & 2-4/F, Building B, No. 12 Zhongshan West Road, Xihu District, Nanchang City, Jiangxi Province	May 19, 1997	Yin Zhongming	0791-86210057
195	Nanchang Nanjing East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 165, Nanjing East Road, Qingshanhu District, Nanchang City, Jiangxi Province	August 10, 2002	Liu Mingbo	0791-88100289
196	Nanchang County Chenghu North Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shop 301, Building 13, Tianyi Commercial Street, No. 588 Chenghu North Avenue, Liantang Town, Nanchang County, Nanchang City, Jiangxi Province	December 3, 2001	He Li	0791-85736520

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
197	Nanchang Xinjiang Changmeng Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 30, 32 & 36 Changmai South Road, Changleng Town, Xinjian County, Nanchang City, Jiangxi Province	May 10, 2012	Tu Yunliang	0791-83127799
198	Jiujiang Jiurui Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, RT-Mart, No. 53 Jiurui Avenue, Jiujiang Economic and Technological Development Zone, Jiangxi Province	March 10, 2000	Yang Lei	0792-8119290
199	Shangrao Wusan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 23 Wusan Avenue, Xinzhou District, Shangrao City, Jiangxi Province	November 21, 1997	Xie Fei	0793-8218601
200	Shangrao Wannian Liulingbei Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Shiji Huayuan, Liulingbei Avenue, Wannian County, Shangrao City, Jiangxi Province	December 11, 2000	Wang Wei	0793-3857857
201	Fuzhou Guping Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 192, Guping Road, Fuzhou City, Fujian Province	April 11, 1997	Chen Ming	0591-87811342
202	Fuzhou Gutian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Units 11-13, 25/F, Fusheng Fortune Center, No. 60 Gutian Road, Gulou District, Fuzhou City, Fujian Province	May 14, 2014	Zhang Jianwei	0591-38132771
203	Putian Dongyuan West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 1159, 1163&1167, Dongyuan West Road, Longqiao Sub-district, Chengxiang District, Putian City, Fujian Province	April 24, 2014	Guo Guimeng	0594-2633299
204	Quanzhou Tianan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	F02-04, Shop 4, Fengsheng Commercial and Residential Building, Tian'an Road, Fengze District, Quanzhou City, Fujian Province	October 23, 2012	Chen Anning	0595-22255198
205	Shishi Shilong Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shops 112-113, Building 6, Baide Huifeng Plaza, North Zone of Clothing Mall, Lingxiu Town, Shishi City, Quanzhou City, Fujian Province	May 30, 2014	Shi Yanghao	0595-22353188

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
206	Xiamen Xiahe Road Second Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Unit 908 & Units 2003–2005 on 20/F, Dihao Building, No. 820 Xiahe Road, Siming District, Xiamen City, Fujian Province	January 3, 2008	Lin Chunxiang	0592-2969930
207	Xiamen Lianqian East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Unit C, No. 17 Shopping Mall, No. 920–928 Lianqian East Road, Siming District, Xiamen City, Fujian Province	January 14, 2014	Yang Ying	0592-6301068
208	Chongqing Zhongshan First Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Kangjian Building, No. 181 Zhongshan First Road, Yuzhong District, Chongqing	June 5, 1997	Jia Xiaoxin	023-63508733
209	Chongqing Xiaoxin Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, Hengxin Building, No. 85 Xiaoxin Street, Shapingba District, Chongqing	June 5, 1997	Wu Yun	023-65479365
210	Chongqing Yangjiaping Main Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	5/F, Wuhuan Building, No. 11 Yangjiaping Main Street, Jiulongpo District, Chongqing	September 15, 1997	Liu Ping	023-68400341
211	Chongqing Jinkai Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 1106, Jinkai Avenue, North New District, Chongqing	March 17, 2011	Hua Chengzhong	023-88199601
212	Chongqing Huangshan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	5/F, Building 1, No. 67 Middle Section of Huangshan Avenue, Yubei District, Chongqing	November 14, 2007	Luo Yu	023-65862279
213	Chongqing Fuling Zhongshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 4-7 & 4-8, Building C, Zone B, No. 6 (Jinke World Corridor) Zhongshan Road, Fuling District, Chongqing	May 9, 2014	Zhou Li	023-72709893
214	Changsha Wuyi Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2, 11/F, Taizhen Building, No. 447 Wuyi Avenue, Furong District, Changsha City, Hunan Province	May 7, 1997	Li Pengcheng	0731-84455387

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
215	Changsha Shaoshan North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Water Conservancy Department Building, No. 370 Shaoshan North Road, Yuhua District, Changsha City, Hunan Province	December 25, 2007	Mao Huajun	0731-82259560
216	Changsha Furong Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2318, Building C, D & H, Phase II of Tianjian Furong Shengshi Garden, No. 88 First Section of Furong Middle Road, Kaifu District, Changsha City, Hunan Province	March 1, 2001	Peng Man	0731-85113117
217	Xiangtan Jiantan North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 010113-010120, Unit 1, Baishi Commercial Plaza, No. 8 Jianshe North Road, Yuhu Road Sub-district, Yuhu District, Xiangtan City, Hunan Province	July 11, 2012	Wang Lei	0731-55583205
218	Zhuzhou Zhujiang North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, Building B, Park Avenue, North of Yandi Square, Tianyuan District, Zhuzhou City, Hunan Province	February 28, 2011	Huang Zhen	0731-22727772
219	Yiyang Kangfu South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 528, 5/F, Building 6, Fuzhongfu International Town, Kangfu South Road, Yiyang City, Hunan Province	December 20, 2013	Chen Wei	0737-2223865
220	Changsha Xiangjiang New Area Chazishan East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Zone A, 7/F, Pufa Finance Building, No. 102 Chazishan East Road, Guanshaling Sub-district, Yuelu District, Changsha City, Hunan Province	January 10, 2019	Huang Fang	0731-82886677
221	Beijing Jinsong Jiuqu Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 909, Jinsong Jiuqu, Chaoyang District, Beijing	September 11, 1995	Zhu Xueyan	010-67736286
222	Beijing Anding Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 308, 3/F, Changxin Building, No. 39 Anding Road, Chaoyang District, Beijing	April 18, 1994	Zhou Zihe	010-64448210

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
223	Beijing East Fourth Ring Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2503 in Room 2501, No. 56 East Fourth Ring Middle Road, Chaoyang District, Beijing	March 13, 2008	Wei Qingli	010-65505168
224	Beijing Fengbei Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	2/F, Building 28, Wangyuan Dongli, Fengtai District, Beijing	November 11, 2010	Wang Jing	010-63898151
225	Beijing Financial Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 102, 1/F, No. 19 Taipingqiao Street, Xicheng District, Beijing	December 5, 2007	Li Jingtian	010-88085830
226	Beijing Zizhuyuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 01, Block A, 3/F, No. 116 Zizhuyuan Road, Haidian District, Beijing	November 29, 2001	Sun Qian	010-88511208
227	Yantai Nanda Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 16A01/02/03/05/06/07/08, No. 11 Nanda Street, Zhifu District, Yantai City, Shandong Province	November 14, 2007	Zhang Jun	0535-3390668
228	Jinan Lishan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 104, No.177 Lishan Road, Lixia District, Jinan City, Shandong Province	November 23, 2010	Weng Ruiheng	0531-55512866
229	Jinan Luoyuan Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	7/F, Shandong News Building, No. 6 Luoyuan Street, Lixia District, Jinan City, Shandong Province	August 15, 2012	Wang Hongbo	0531-55639879
230	Linyi Jinqueshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, Block B, Weite Tianyuan Plaza, No. 1 Jinqueshan Road, Lanshan District, Linyi City, Shandong Province	September 30, 2013	Xu Yun	0539-7701118
231	Zibo Huaguang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1004, 10/F, Phase 2 of Zhongfang Building, No. 58 Huaguang Road, Zhangdian District, Zibo City, Shandong Province	March 9, 2018	Li Zhe	0533-6053006
232	Qingdao Haier Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 83 Haier Road, Laoshan District, Qingdao City, Shandong Province	August 30, 2013	Yang Xiaoyan	0532-85807333

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
233	Laixi Yantai Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 95 Yantai Road, Laixi City, Qingdao City, Shandong Province	March 26, 2001	Ma Zhijin	0532-88473456
234	Tianjin Shiyijing Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	(Rooms 401-416), No. 68 Shiyijing Road, Hedong District, Tianjin	March 31, 1997	Wang Xinnan	022-24011162
235	Tianjin Wujayao Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shop 202, Senmiao Apartment, No. 13 Wujayao Street, Hexi District, Tianjin	May 4, 1997	Ma Lin	022-23115335
236	Tianjin Binhai New Area Huanghai Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 101-1, Block A, Building 4, No. 18 Huanghai Road, Tianjin Development Zone	June 10, 2008	Xu Ping	022-59859917
237	Tianjin Huatian Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	House 1128, No. 2 Huatian Road, Huayuan Industrial Zone, Tianjin	December 3, 2013	Yang Guangyu	022-58660665
238	Wuhu Wenhua Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.29 Wenhua Road, Jinghu District, Wuhu City, Anhui Province	March 21, 2011	Liu Yang	0553-3800166
239	Hefei Ma'anshan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1701, Century Sunshine Building, Ma'anshan Road, Baohe District, Hefei City, Anhui Province	September 6, 2011	Wang Hongpeng	0551-65288519
240	Huangshan Qianyuan South Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 42-8 Qianyuan South Road, Tunxi District, Huangshan City, Anhui Province	April 29, 2014	Sun Baiyu	0559-2532288
241	Hefei Wangjiang West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 105, Wangjiang Comprehensive Building, No. 1 Wangjiang West Road, Shushan District, Hefei City, Anhui Province	June 27, 2017	Fan Yuchun	0551-66026559

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
242	Huainan Dongshan Middle Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F (Ground) 2/F, Podium, Caijin Building, Huainan City, No. 8 Dongshan Middle Road, Tianjiaan District, Huainan City, Anhui Province	April 13, 2018	Wang Bo	0554-2691212
243	Jilin City Jilin Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 60, Jilin Street, Jilin High-tech Industrial Development Zone, Jilin Province	June 11, 2001	Yu Jing	0432-65118118
244	Changchun Xi'an Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	South Side of 3/F, Block A, Jifa Plaza, No. 58 Xi'an Road, Chaoyang District, Changchun City, Jilin Province	December 23, 2013	Qiu Yuxi	0431-81815799
245	Songyuan Wulan Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 3139 Wulan Street, Ningjiang District, Songyuan City, Jilin Province	May 14, 2014	Du Dexing	0438-5090992
246	Zhengzhou Huayuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.53 Huayuan Road, Jinshui District, Zhengzhou City, Henan Province	October 23, 2000	Si Weiping	0371-55623789
247	Zhengji Guoji Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 5, 2-3/F, Windsor Castle Building 1, No. 168 Guoji Road, Jinshui District, Zhengzhou City, Henan Province	April 1, 2016	Chen Wei	0371-61315815
248	Nanyang Xinhua West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No.159 Xinhua West Road, Wolong District, Nanyang City, Henan Province	June 26, 2014	Li Yongliang	0377-61698897
249	Xinxiang Pingyuan Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Shop 103, 1-2/F, Building B, Huixiang Mingdi, No. 489 Pingyuan Road, Hongqi District, Xinxiang City, Henan Province	June 4, 2018	Jin Peng	0373-5081618
250	Shijiazhuang Yuhua East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 207, Block A, Zhongtie Business Plaza, No. 56 Yuhua East Road, Qiaoxi District, Shijiazhuang City, Hebei Province	January 13, 2014	Li Zhenzi	0311-66772089
251	Tangshan Guangming Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1-2/F, Commercial Building, No. 1810 Lugang District, Guangming Road, Lubei District, Tangshan City, Hebei Province	November 29, 2007	Fan Shibo	0315-2392085

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
252	Baoding Yuhua West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	No. 25 Yuhua West Road, Baoding City, Hebei Province	October 17, 2013	Li Tao	0312-2088711
253	Haikou Longkun North Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	1&2/F, Hongyuan Securities Building, No. 30 Longkun North Road, Haikou City, Hainan Province	June 5, 1996	Deng Xian	0898-66513968
254	Haikou Hongchenghu Road, Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3/F, Shidai Jiayuan, No. 79 South Side of Hongchenghu Road, Qiongsan District, Haikou City, Hainan Province	April 8, 2002	Tian Wei	0898-65877861
255	Haikou Guoxing Avenue Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 102-2, 1/F, Huaxia Bank Building, No. 61 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	April 1, 2016	Lin Zhong	0898-66521230
256	Harbin Minjiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 2, 4/F, Unit 1, Longyue Building at the Southeast Corner of Hongqi Street and Minjiang Road, Nangang Concentration Area, Harbin Economic Development Zone, Heilongjiang Province	October 14, 2011	Wu Xinming	0451-51978033
257	Harbin Changjiang Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	3&4/F, No. 10, Building E, Jinyuan Garden, No. 197 Changjiang Road, Nangang Concentration Area, Harbin Economic Development Zone, Heilongjiang Province	September 11, 1997	Li Bin	0451-88378332
258	Guiyang Huaguoyuan Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Huaguoyuan Community Rooms 13-15, 9/F, Unit 1, Building 10 (No. 2 Guiyang International Center), Zone C, Pengjiawan Huaguoyuan Project, Nanming District, Guiyang City, Guizhou Province	October 21, 2013	Zhang Juanjuan	0851-85973081



## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
259	Zunyi Nanjing Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Rooms 1&2, 1/F, Yangguang Lvdao Garden, Nanjing Road, Huichuan District, Zunyi City, Guizhou Province	June 12, 2014	Chen Bin	0851-27569858
260	Taiyuan Changfeng Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	13/F, Junwei Fortune Center, No. 123 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province	February 26, 2014	Wang Junsheng	0351-5608800
261	Hohhot Xinhua East Street Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Room 1001, Block A, Wanda Plaza, No. 26 Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	December 10, 2013	Mu Ren	0471-5978277
262	Kunming Dongfeng East Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	4/F, Building D, Phase II of Huidu International, No. 131 Baita Road, Panlong District, Kunming City, Yunnan Province	October 12, 2012	Cao Zhiyu	0871-63132631
263	Qujing Qilin West Road Securities Branch of Shenwan Hongyuan Securities Co., Ltd.	Baiyuan Commercial Building, No. 52 Qilin West Road, Qujing City, Yunnan Province	June 4, 2018	Jiang Yanfang	0874-3181133
264	Xi'an Chang'an North Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No.54, Chang'an North Road, Beilin District, Xi'an City, Shaanxi Province	February 21, 1997	Cao Danghe	029-85202052
265	Urumqi Renmin Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	4/F, Urumqi Building, No. 2 Renmin Road, Tianshan District, Urumqi City, Xinjiang	October 25, 2001	Yin Xiaodong	0991-8808909
266	Xi'an Keji Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 12908, 29/F, Hi-Tech International Business Center, No. 33 Keji Road, Hi-Tech District, Xi'an City, Shaanxi Province	January 27, 2014	Yang Tong	029-68250001
267	Lanzhou Xijin West Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 3316, Lanzhou Center, No. 16 Xijin West Road, Qilihe District, Lanzhou City, Gansu Province	January 9, 2014	Huang Wei	0931-2562117

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
268	Yinchuan Fenghuang North Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Commercial Building 1, Jintai Garden, No. 580 Fenghuang North Street, Xingqing District, Yinchuan City, Ningxia	April 16, 2012	Chen Meng	0951-5160166
269	Urumqi Beijing Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	5/F, Dacheng International Building, No. 358 Beijing South Road, High-tech Industrial Development Zone (Xinshi District), Urumqi City, Xinjiang	May 12, 2005	Ma Jimin	0991-3818878
270	Urumqi Beijing South Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No.731 Beijing South Road, Xinshi District, Urumqi City, Xinjiang	November 14, 2007	Zhu Jincheng	0991-3822117
271	Urumqi Zhongshan Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 1107, 11/F, Tiancheng Building, No. 222 Jiefang North Road, Tianshan District, Urumqi City, Xinjiang	November 14, 2007	Zhou Qiheng	0991-2315326
272	Urumqi Yangziji Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 16 Yangziji Road, Shayibake District, Urumqi City, Xinjiang	August 6, 2008	Fang Ming	0991-5857578
273	Urumqi Jiefang South Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 18 Jiefang South Road, Tianshan District, Urumqi City, Xinjiang	November 14, 2007	Zhang Xiaoyu	0991-8877331
274	Urumqi Wenyi Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 233 Wenyi Road, Tianshan District, Urumqi City, Xinjiang	April 9, 1998	Li Xiaofeng	0991-3023030
275	Urumqi Xinhua South Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	1-2/F, Ruijing Building, No. 288 Xinhua South Road, Tianshan District, Urumqi City, Xinjiang	November 14, 2007	Fan Feng	0991-6208588
276	Urumqi Youhao Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 487 Youhao South Road, Shayibake District, Urumqi City, Xinjiang	February 21, 2008	Zhao Li	0991-4530816

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
277	Urumqi Shenzhen Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	1/F & B1, Urumqi Post Office Building, No. 16, Xiyi Lane, Shenzhen Street, Urumqi Economic and Technological Development Zone, Xinjiang	April 24, 2002	Li Xiaopeng	0991-3772816
278	Urumqi Gumudi Middle Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 739, Gumudi Middle Road, Midong District, Urumqi City, Xinjiang	January 31, 2008	He Peng	0991-3318202
279	Chang'an Yan'an Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	(Building 48, Qiu 3, Zone 40) No. 69 Yan'an South Road, Changji City, Changji Prefecture, Xinjiang	November 5, 2008	Chi Xiaojie	0994-2335959
280	Kashi Keziduwei Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 272 Keziduwei Road, Kashi City, Kashi Prefecture, Xinjiang	December 5, 2007	Du Juan	0998-5851168
281	Karamay Youyi Road South Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Joint Office Building, No. 115 Youyi Road, Karamay City, Xinjiang	August 12, 2008	Chen Hu	0990-6912757
282	Karamay Tianshan Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 70 Tianshan Road, Karamay City, Xinjiang	October 20, 2008	Liu Yan	0990-6235506
283	Karamay Jungar Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 61 Junggar Road, Karamay City, Xinjiang	September 27, 2011	Zheng Chunling	0990-6228328
284	Korla Binhe Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	2/F, Zaishuiyifang, No.7 Binhe Road, Korla City, Bayingolin Mongol Autonomous Prefecture, Xinjiang	December 4, 2007	Tao Gang	0996-2032427

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
285	Kuitun Beijing West Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 12, Building 7, Kalagashi-Beijing West Road, Downtown of Kuitun City, Yili Prefecture, Xinjiang	December 3, 2007	Liu Hu	0992-3224053
286	Shihezi North Second Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Rooms 22-A3 & 22-7, Chengyu Building, North Second Road, Sanxiao District, Shihezi City, Xinjiang	December 7, 2007	Li Xiaofeng	0993-6661999
287	Yining Jiefang Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	New Times Plaza, No. 115 Jiefang Road, Yining City, Yili Prefecture, Xinjiang	December 6, 2007	Ma Zhaoyuan	0999-8085856
288	Changji Yan'an North Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room W, Building 3, Qiu 3, Zone 3, 5/F, Podium, Oriental Plaza, No. 198 Yan'an North Road, Changji City, Changji Prefecture, Xinjiang	January 21, 2002	Chen Yu	0994-2359198
289	Hami Aiguo North Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	4/F, Building 7, Huiya Yiyao Community, Aiguo North Road, Yizhou District, Hami City, Xinjiang	January 21, 2001	Liu Peiqin	0902-2267719
290	Aksu Dongda Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 01, 2/F, Yilong Hotel, Longtai Building, No. 26 Dongda Street, Aksu City, Xinjiang	July 23, 2008	Guo Wei	0997-2141906
291	Bole Beijing Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 148, Beijing Road, Bole City, Bortala Mongol Autonomous Prefecture, Xinjiang	July 30, 2008	Qu Jingqiang	0909-2223603
292	Shihezi Beisi Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 167, Community 22, Beisi Road, Shihezi City, Xinjiang	March 28, 2002	Li Hao	0993-2093883

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
293	Tacheng Wenhua Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Rooms 337-341, 3/F, Xinnong Pedestrian Street, Wenhua Road, Tacheng City, Tacheng Prefecture, Xinjiang	June 25, 2008	Qin Kaiyu	0901-6230676
294	Urumqi Bayi Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No.2-2 Toutunhe Highway, Toutunhe District, Urumqi City, Xinjiang	November 14, 2007	Lv Chunyu	0991-3107797
295	Turpan Wenhua Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 1028 Wenhua Road, Gaochang District, Turpan City, Xinjiang	July 21, 2008	Li Jiangping	0995-8533562
296	Wujiaqu Zhenxing Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 261-2 Zhenxing Street, Wujiaqu City, Xinjiang	May 5, 2010	Hou Caixia	0994-5810996
297	Hutubi Dongfeng Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 96 Dongfeng Road, Hutubi County, Changji Prefecture, Xinjiang	May 4, 2010	Wei Ze	0994-4508006
298	Manas Tuanjie Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	5/F, Agricultural Bank of China, No. 295 Tuanjie Road, Manas County, Changji Prefecture, Xinjiang	May 7, 2010	Wang Yongqiang	0994-6862399
299	Qitai Dongda Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 6 Dongda Street, Qitai County, Changji Prefecture, Xinjiang	May 7, 2010	Chen Feng	0994-7210066
300	Fukang Tianchi South Street Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	4/F, Industrial and Commercial Bank of China, No. 22 Tianchi South Street, Fukang City, Changji Prefecture, Xinjiang	May 6, 2010	Guo Qiang	0994-3220836

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
301	Hami Tuha Petroleum Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	3/F, Petroleum Sub-branch of Industrial and Commercial Bank of China, Hami Tuha Petroleum Base, Hami Prefecture, Xinjiang	May 5, 2010	Guo Sheng	0902-2766172
302	Shache Qinaibage Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 1 Qinaibage Road, Shache County, Kashgar Prefecture, Xinjiang	May 6, 2010	Zhang Jiaxing	0998-7583959
303	Atushi Guangming Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 27 Guangming Road North, Atushu City, Kizilsu Kirghiz Autonomous Prefecture, Xinjiang	May 5, 2010	Zhu Guangming	0908-4265000
304	Wusu Beijing West Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 92, Beijing West Road, Wusu City, Tacheng Prefecture, Xinjiang	May 4, 2010	Wei Bianjiang	0992-8509193
305	Altay Jiefang Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	4/F, Building 91, Zone 71, Jiefang Road, Altay Prefecture, Xinjiang	May 10, 2010	Ma Chao	0906-2134836
306	Kuche Wenhua East Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	10/F, Wuzhou Building, No.11 Wenhua East Road, Kuche County, Aksu Prefecture, Xinjiang	May 4, 2010	Zhu Jiandong	0997-7130168
307	Shanshan Xincheng Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	5/F, Industrial and Commercial Bank of China, No. 96 Xincheng Road, Shanshan County, Turpan Prefecture, Xinjiang	September 23, 2008	Li Nan	0995-8315131
308	Korla Limin Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Shops A1-02 & A-03, Qinshuiwan Commercial Zone, Korla City, Bayingolin Mongol Autonomous Prefecture, Xinjiang	September 28, 2011	Bao Xiaomin	0996-2158901

## Section V Significant Events (continued)

No.	Name	Address	Time of establishment	Principal	Telephone
309	Horgos Yaou Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 1 Yaou North Road, Horgos City, Ili Prefecture, Xinjiang	May 8, 2017	Zhao Yun	0999-8035790
310	Alashankou Youhao Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	No. 25 Youhao Road, Alashankou, Bortala Mongol Autonomous Prefecture, Xinjiang	June 14, 2017	Ma Fuhua	0909-2223428
311	Alar Jinyinchuan Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd.	Room 12-107, Xinyuan Minju, Northeast Side of the Intersection of Jinyinchuan Road and Junken Avenue, Alar City, Xinjiang	October 14, 2017	Meng Xiangpeng	0997-4623320

## Section VI Changes in Shares and Shareholders

### I. CHANGES IN SHARES

#### (I) Table of changes in shares

Unit: Share

	Before the change		Increase or decrease(+,-) of this change					After the change	
	Number	Percentage	New shares issued	Bonus issue	Reserves capitalized	Others	Sub-total	Number	Percentage
I. Shares subject to selling restrictions	2,507,825,367	11.13%	0	0	0	-2,506,295,012	-2,506,295,012	1,530,355	0.01%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0
2. Shares held by state-owned legal entities	1,770,613,059	7.86%	0	0	0	-1,770,613,059	-1,770,613,059	0	0
3. Other domestic shares	737,212,308	3.27%	0	0	0	-735,681,953	-735,681,953	1,530,355	0.01%
Including: shares held by domestic legal entities	735,681,953	3.26%	0	0	0	-735,681,953	-735,681,953	0	0
Shares held by domestic natural persons	1,530,355	0.01%	0	0	0	0	0	1,530,355	0.01%
4. Shares held by foreign capital	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held by overseas legal entities	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares without selling restrictions	20,028,119,193	88.87%	2,504,000,000	0	0	2,506,295,012	5,010,295,012	25,038,414,205	99.99%
1. RMB- denominated ordinary shares	20,028,119,193	88.87%	0	0	0	2,506,295,012	2,506,295,012	22,534,414,205	89.99%
2. Domestic listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%



## Section VI Changes in Shares and Shareholders (continued)

Unit: Share

	Before the change		Increase or decrease(+,-) of this change					After the change	
	Number	Percentage	New shares issued	Bonus issue	Reserves capitalized	Others	Sub-total	Number	Percentage
3. Overseas listed foreign shares	0	0.00%	2,504,000,000	0	0	0	2,504,000,000	2,504,000,000	10.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	22,535,944,560	100.00%	2,504,000,000	0	0	0	2,504,000,000	25,039,944,560	100.00%

Notes: 1. As approved by the “Reply Regarding Approval for Non-public Offering of Shares by Shenwan Hongyuan Group Co., Ltd.” issued by the CSRC, the Company was approved to non-publicly issue no more than 2.5 billion new shares. On January 30, 2018, 2,479,338,842 new shares issued in non-public issuance were listed on the Shenzhen Stock Exchange. According to the commitments, 2,479,338,842 shares subscribed by four investors are subject to 12-month restricted trading period. On February 14, 2019, the restricted trading period for such shares held by the four investors expired and such shares went public for trading.

2. As approved by the “Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co.,Ltd.” issued by the CSRC and the Hong Kong Stock Exchange, on April 26, 2019, the overseas listed foreign shares (H shares) issued by the Company were listed and started trading on the Main Board of the Hong Kong Stock Exchange. The issue price was HK\$3.63 per share with a total of 2,504,000,000 H Shares issued. Among them, 1,724,775,200 H Shares subscribed by the cornerstone investors under the relevant cornerstone investment agreements shall not be directly or indirectly disposed of during the six-month period from the date of listing.

## Section VI Changes in Shares and Shareholders (continued)

### (II) Changes in A Shares subject to selling restrictions

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during this period	Increased number of shares subject to selling restrictions during this period	Number of shares subject to selling restrictions at the end of the period	Reasons for selling restrictions	Date of release from selling restrictions
China Life Investment Holding Company Limited	26,234,716	26,234,716	0	0	Shares subject to selling restrictions in the merger and reorganization	February 14, 2019
Shanghai Shangshen Trading Company	721,454	721,454	0	0	Shares subject to selling restrictions in the merger and reorganization	February 14, 2019
Sichuan Development Holding Co., Ltd.	1,124,543,633	1,124,543,633	0	0	Same as specified in Note 1 to the previous table	February 14, 2019
Xinjiang Financial Investment Co., Ltd.	619,834,710	619,834,710	0	0	Same as specified in Note 1 to the previous table	February 14, 2019
Taiping Life Insurance Co., Ltd — traditional — ordinary insurance product — 022L — CT001Shen (太平人壽保險有限公司—傳統—普通保險產品—022L—CT001深)	239,092,731	239,092,731	0	0	Same as specified in Note 1 to the previous table	February 14, 2019
China Life Insurance Company Ltd. — traditional — ordinary insurance product — 005L — CT001Shen (中國人壽保險股份有限公司—傳統—普通保險產品—005L—CT001深)	495,867,768	495,867,768	0	0	Same as specified in Note 1 to the previous table	February 14, 2019

## Section VI Changes in Shares and Shareholders (continued)

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during this period	Increased number of shares subject to selling restrictions during this period	Number of shares subject to selling restrictions at the end of the period	Reasons for selling restrictions	Date of release from selling restrictions
The Special Account of Shenzhen Branch of the Special account of China Securities and Clearing Corporation for the remaining shares of listed company pending confirmation	1,530,355	0	0	1,530,355	Shares subject to selling restrictions in the merger and reorganization	January 26, 2016
Total	2,507,825,367	2,506,295,012	0	1,530,355		—

## II. ISSUANCE AND LISTING OF SECURITIES

- (I) As approved by the CSRC by the “Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke No. [2019]393)” and the Hong Kong Stock Exchange, on April 26, 2019, the overseas listed foreign shares (H Shares) issued by the Company were listed and started trading on the Main Board of the Hong Kong Stock Exchange. The issue price of these H shares was HK\$3.63 per share. The aggregate number of H Shares issued amounted to 2,504,000,000 shares. The abbreviation for the H shares of the Company in Chinese is “申萬宏源” and the abbreviation in English is “SWHY”. The stock code of the H shares is “6806”. (For details, please refer to the announcements published on the HKEXnews website of Hong Kong Stock Exchange News ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.swwhygh.com](http://www.swwhygh.com)) on April 25, 2019 as well as the announcements published on China Securities Journal, Securities Times, Shanghai Securities News and [www.cninfo.com.cn](http://www.cninfo.com.cn) on April 27, 2019 by the Company, respectively).
- (II) For the non-public issuance of corporate bonds during the Reporting Period, please refer to “Section IX Corporate Bonds” in this report.
- (III) The Company has no internal employee shares.

## Section VI Changes in Shares and Shareholders (continued)

### III. SHAREHOLDERS AND ACTUAL CONTROLLERS

(I) The total number of shareholders as at the end of the month preceding the disclosure date of the annual report is 293,769 (including 293,698 A shareholders and 71 H shareholders).

(II) Number of shareholders and their shareholdings as of December 31, 2019

Unit: Share

<b>Total number of ordinary shareholders as of the end of the Reporting Period</b>	300,175 (including 300,104 A shareholders and 71 H shareholders)	<b>Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period(if any)</b>	Nil
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#### Shareholdings of the top ten ordinary shareholders

Name of shareholders	Nature of shareholder	Shareholding percentage	Number of ordinary shares		Increase or decrease during the Reporting Period	Number of ordinary shares subject to selling restrictions	Number of ordinary shares without selling restrictions		Pledged or frozen Status	Number
			held at the end of the Reporting Period							
China Jianyin Investment Limited	State-owned legal entity	26.34%	6,596,306,947		0	0	6,596,306,947	—	0	
Central Huijin Investment Ltd.	State shares	20.05%	5,020,606,527		0	0	5,020,606,527	—	0	
HKSCC Nominees Limited	Overseas legal entity	10.00%	2,503,762,580	2,503,762,580		0	2,503,762,580	N/A	N/A	
Shanghai Jiushi (Group) Co., Ltd.	State-owned legal entity	4.84%	1,212,810,389		0	0	1,212,810,389	—	0	
Sichuan Development Holding Co., Ltd.	State-owned legal entity	4.49%	1,124,543,633		0	0	1,124,543,633	Pledged	562,271,816	
China Everbright Group Ltd.	State-owned legal entity	3.99%	999,000,000		0	0	999,000,000	Pledged	67,500,000	
China Securities Finance Corporation Limited	Domestic general legal entity	2.54%	635,215,426		0	0	635,215,426	—	0	
Xinjiang Financial Investment Co., Ltd.	State-owned legal entity	2.28%	570,294,440	-49,540,270		0	570,294,440	Pledged	309,917,355	

## Section VI Changes in Shares and Shareholders (continued)

### Shareholdings of the top ten ordinary shareholders

Name of shareholders	Capacity of shareholder	Shareholding of the Reporting percentage	Number of ordinary shares held at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares subject to selling restrictions	Number of ordinary shares without selling restrictions	Pledged or frozen	
							Status	Number
China Life Insurance Company Ltd. – traditional – ordinary insurance product – 005L – CT001Shen (中國人壽保險股份有限公司 – 傳統 – 普通保險產品 – 005L – CT001深)	Funds, wealth management products, etc.	0.99%	248,720,000	-247,147,768	0	248,720,000	–	0
Central Huijin Asset Management Ltd.	State-owned legal entity	0.79%	197,390,385	0	0	197,390,385	–	0
Strategic investors or general legal entities becoming the top ten holders of ordinary shares by placing of new shares				None				
Description on the related relationship or parties acting-in-concert arrangements among the shareholders above				Central Huijin Investment Ltd. holds the entire equity interest in China Jianyin Investment Ltd., and holds the entire equity interest in Central Huijin Asset Management Ltd. and 55.67% of equity interest in China Everbright Group Ltd.				

## Section VI Changes in Shares and Shareholders (continued)

### Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions at the end of the reporting period	Type of shares	Number of shares
China Jianyin Investment Limited	6,596,306,947	RMB-denominated ordinary shares	6,596,306,947
Central Huijin Investment Ltd.	5,020,606,527	RMB-denominated ordinary shares	5,020,606,527
HKSCC Nominees Limited	2,503,762,580	Overseas listed foreign shares	2,503,762,580
Shanghai Jiushi (Group) Co., Ltd.	1,212,810,389	RMB-denominated ordinary shares	1,212,810,389
Sichuan Development Holding Co., Ltd.	1,124,543,633	RMB-denominated ordinary shares	1,124,543,633
China Everbright Group Ltd.	999,000,000	RMB-denominated ordinary shares	999,000,000
China Securities Finance Corporation Limited	635,215,426	RMB-denominated ordinary shares	635,215,426
Xinjiang Financial Investment Co., Ltd.	570,294,440	RMB-denominated ordinary shares	570,294,440
China Life insurance Company Ltd.- traditional- ordinary insurance product- 005L-CT001Shen (中國人壽保險股份有限公司—傳統—普通保險產品—005L—CT001深)	248,720,000	RMB-denominated ordinary shares	248,720,000
Central Huijin Asset Management Ltd.	197,390,385	RMB-denominated ordinary shares	197,390,385
Description on the related relationship or parties acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	Central Huijin Investment Ltd. holds the entire equity interest in China Jianyin Investment Ltd., and holds the entire equity interest in Central Huijin Asset Management Ltd. and 55.67% of equity interest in China Everbright Group Ltd.		
Description on any of the top ten ordinary shareholders participating in the margin financing and securities lending business	Nil		

Notes: 1. Among the H shareholders of the Company, HKSCC Nominees Limited holds the H Shares on behalf of the non-registered shareholders;

2. In the above table, the shares held by HKSCC Nominees Limited are overseas listed foreign shares (H shares) and shares held by other shareholders are RMB-denominated ordinary shares (A shares).

## Section VI Changes in Shares and Shareholders (continued)

### (III) Controlling shareholders of the company

China Jianyin Investment Limited has Dong Shi as its legal representative and Gu Jianguo as its president. It is established in September 2004 with a registered capital of RMB20.69225 billion.

#### 1. Principal business

Investment and investment management, management and disposal of asset, corporation management, real estate lease, consulting.

#### 2. Controlled and invested domestic or overseas corporations as of December 31, 2019.

No.	Stock Code	Stock Name	Number of shares held (shares)
1	600649	Shanghai Chengtou Holding	59
2	601200	Shanghai Environment Group	7
3	601328	Bank of Communications	84
4	600600	Tsingtao Brewery Company	17,574,505
5	000430	Zhang Jia Jie Tourism Group	6,120,000
6	600067	Citychamp Dartong	17,195,862
7	600825	Shanghai Xinhua Media	999,702
8	600850	Shanghai East-China Computer	4,633,200
9	000652	Tianjin TEDA	5,566,263
10	000592	Zhongfu Straits (Pingtan) Development Company	3,133,400
11	600322	Tianjin Reality Development(Group)	572,000
12	600681	Bestsun Energy	1,003,241
13	000826	Tus Environmental Science and Technology Development	11,313,912
14	600385	Shandong Jintai Group	5,333,334
15	600682	Nanjing Xinjiekou Department Store	202,000
16	000421	Nanjing Public Utilities Development	1,078,272
17	600377	Jiangsu Expressway Company	500,000
18	600879	China Aerospace Times Electronics	38,015,900
19	601857	Petrochina Company	60
20	601918	China Coal Xinji Energy	823,200
21	600369	Southwest Securities	328,427,012
22	601229	Bank of Shanghai	687,322,763
23	3908.HK	China International Capital Corporation	911,600
24	002948	Bank of Qingdao	191,880
25	002936	Bank of Zhengzhou	1,837,155

## Section VI Changes in Shares and Shareholders (continued)

### (IV) Actual controller of the Company

The actual controller of Shenwan Hongyuan Group is Central Huijin Investment Ltd. JIC is a wholly-owned subsidiary of Central Huijin.

As of December 31, 2019, the legal representative of Central Huijin Investment Ltd. was Peng Chun and the registered capital was RMB828,209 million.

1. Scope of business: Making equity investment in key state-owned financial institutions as authorized by the State Council; other related business approved by the State Council.
2. The information on the enterprises in which Central Huijin directly held shares as of December 31, 2019 is as follows:

No.	Name of institution	Shareholding by Central Huijin
1	China Development Bank	34.68%
2	Industrial and Commercial Bank of China Limited ★ ☆	34.71% <sup>Note 1</sup>
3	Agricultural Bank of China Limited ★ ☆	40.03%
4	Bank of China Limited ★ ☆	64.02%
5	China Construction Bank Corporation ★ ☆	57.11%
6	China Everbright Bank Company Limited ★ ☆	19.53%
7	Hengfeng Bank Co., Limited	53.95%
8	China Everbright Group Ltd.	55.67%
9	China Jianyin Investment Limited	100.00%
10	China Galaxy Financial Holding Co., Ltd.	69.07%
11	Shenwan Hongyuan Group Co., Ltd. ★ ☆	20.05%
12	China Export & Credit Insurance Corporation	73.63%
13	China Reinsurance (Group) Corporation ☆	71.56%
14	New China Life Insurance Company Limited ★ ☆	31.34%
15	China International Capital Corporation Limited ☆	44.32%
16	China Securities Co., Ltd. ★ ☆	31.21%
17	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
18	Guotai Junan Investment Management Co., Ltd.	14.54%

Note 1: ★ represents A-share listed company; ☆ represents H-share listed company.

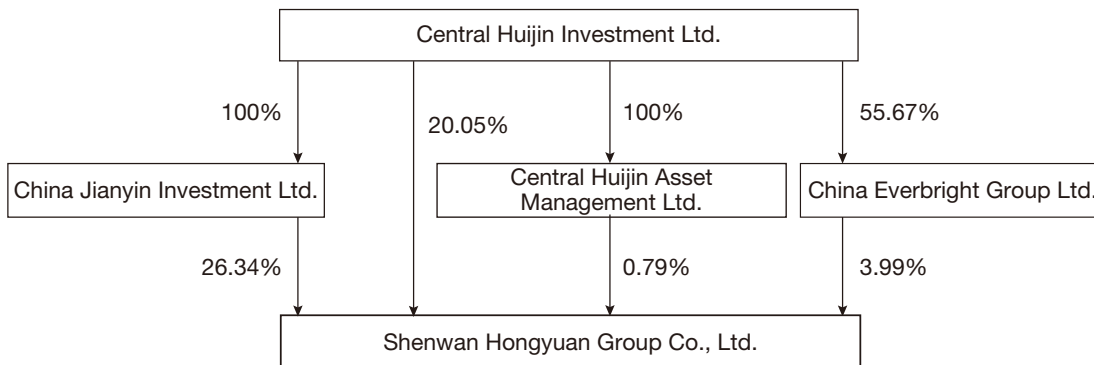
Note 2: Other than the above controlled subsidiaries and investees, Central Huijin also wholly owns Central Huijin Asset Management Ltd. Central Huijin Asset Management Ltd. was established in November 2015 and incorporated in Beijing with the registered capital of RMB5 billion, and is engaged in asset management.



## Section VI Changes in Shares and Shareholders (continued)

### 3. Property right and control relationship between the Company and the actual controller

The property right and control relationship between the Company and the actual controller as of the end of the Reporting Period is as follows:



## IV. 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 December 31, 2019, none of the directors, supervisors or chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As of December 31, 2019, the Company, its holding company, its subsidiaries or fellow subsidiaries within the same group did not make any arrangement during the Reporting Period that would enable any director, supervisor or chief executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares or debentures of the Company or any other associated corporations.

## V. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of December 31, 2019, to the best knowledge of the Company after having made all reasonable enquiries, the following persons (other than directors, supervisors or chief executives of the Company) have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and were required to

## Section VI Changes in Shares and Shareholders (continued)

be recorded, in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share) <sup>Note 7</sup>	Percentage of	Percentage	Long <sup>Note 1</sup> / short <sup>Note 2</sup> positions
				the total number of issued shares of the Company <sup>Note 6</sup>	of the total number of issued A shares/ H shares of the Company	
1 Central Huijin Investment Ltd. <sup>Note 3</sup>	A Shares	Beneficial owner	12,813,303,859	51.17	56.86	Long positions
	H Shares	Interest in controlled corporations	756,472,000	3.02	30.21	Long positions
	H Shares	Interest in controlled corporations	64,193,600	0.26	2.56	Short positions
2 China Jiayin Investment Limited	A Shares	Beneficial owner	6,596,306,947	26.34	29.27	Long positions
3 Industrial and Commercial Bank of China Limited	H Shares	Beneficial owner	648,404,800	2.59	25.89	Long positions
4 Everbright PGIM Fund Management Co., Ltd. (on behalf of EPF – Huaxia Life SMAOne) (光大保德信 – 華夏人壽1號單一資產管理計劃) <sup>Note 4</sup>	H Shares	Trustee	216,134,400	0.86	8.63	Long positions
5 Huaxia Life Insurance Co., Ltd. <sup>Note 4</sup>	H Shares	Beneficial owner	216,134,000	0.86	8.63	Long positions
6 China Life Insurance (Group) Company <sup>Note 4</sup>	H Shares	Beneficial owner	172,907,200	0.69	6.91	Long positions
7 3A Co., Ltd. <sup>Note 5</sup>	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
8 Endo Shoji <sup>Note 5</sup>	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
9 IS Holdings Co., Ltd. <sup>Note 5</sup>	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
10 Rheos Capital Works Inc. <sup>Note 5</sup>	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions

Note 1: A shareholder has a "long position" if he/she has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to buy the related shares; (ii) it is under an obligation to buy the related shares; (iii) it has a right to receive money if the price of the related shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the related shares increases;

## Section VI Changes in Shares and Shareholders (continued)

- Note 2: A shareholder has a “short position” if he/she borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the related shares; (ii) it is under an obligation to deliver the related shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.
- Note 3: Central Huijin holds the entire equity interest in JIC, the entire equity interest in Central Huijin Asset Management Ltd., and 55.67% of equity interest in China Everbright Group Ltd. The total number of A Shares of the Company held by JIC, Central Huijin Asset Management Ltd. and China Everbright Group Ltd. is 7,792,697,332. Central Huijin indirectly held 756,472,000 H Shares of the Company through its controlled corporations including Industrial and Commercial Bank of China Limited, and China Reinsurance (Group) Corporation. In particular, Central Huijin indirectly held 648,404,800 shares through Industrial and Commercial Bank of China Limited and 108,067,200 shares through China Reinsurance (Group) Corporation.
- Note 4: Huaxia Life Insurance Co., Ltd. has engaged Everbright PGIM Fund Management Co., Ltd. (光大保德信基金管理有限公司), a qualified domestic institutional investor as approved by the relevant PRC authority, as the asset manager, in the name of EPF — HuaXia Life SMA One (光大保德信 — 華夏人壽1號單一資產管理計劃), to subscribe for and hold the H Shares of the Company on behalf Huaxia Life Insurance Co., Ltd.
- Note 5: Endo Shoji holds the entire equity interest in 3A Co., Ltd. which in turn holds 85.36% of equity interest in IS Holdings Co., Ltd. and 12.10% of equity interest in Rheos Capital Works Inc., while IS Holdings Co., Ltd. holds 53.55% of equity interest in Rheos Capital Works Inc. Therefore, pursuant to the Securities and Futures Ordinance, Endo Shoji, 3A Co., Ltd. and IS Holdings Co., Ltd. are deemed to hold equity interest in the 128,000,000 H Shares held by Rheos Capital Works Inc..
- Note 6: As of December 31, 2019, the Company has issued a total of 22,535,944,560 A Shares and 2,504,000,000 H Shares, totaling 25,039,944,560 shares.
- Note 7: According to Part XV of the Securities and Futures Ordinance, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the shareholders have not filed disclosure of interests forms as required under the Securities and Futures Ordinance, the actual shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period. When the shareholdings of shareholders in the Company change, it is not necessary for such shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the actual shareholdings of substantial shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period.

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

### VI. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the directors of the Company, no less than 10% of the Company’s total issued shares were held by the public as of the date of this report, which meets the requirements as set out in the waiver letter on the public float obtained by the Company upon listing. For details, please refer to the H Shares prospectus of the Company dated April 12, 2019 and the announcement dated May 20, 2019 in relation to stabilizing actions, end of stabilization period and lapse of over-allotment option.

### VII. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, there was no repurchase, sale or redemption by the Company and any of its subsidiaries of the Company’s listed securities.

### VIII. ARRANGEMENT OF PREEMPTIVE RIGHT

Under the PRC laws and Articles of Association, shareholders of the Company did not have preemptive right.

# Section VII Particulars of Directors, Supervisors, Senior Management and Employees

## I. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Basic information

#### 1. Basic information of Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Tenure	Number of shares held (share)	Total remuneration before tax received from the Company during the Reporting Period (Unit: RMB'0,000)	Whether receiving remuneration from related parties of the Company
Chu Xiaoming	Executive Director, Chairman	Male	57	February 11, 2015 to present	0	366.29	No
Yang Wenqing	Executive Director, Vice Chairman	Male	56	March 21, 2019 to present March 29, 2019 to present	0	121.72	No
Chen Jianmin	Non-executive Director	Male	56	February 13, 2017 to present	0	0	Yes
Wang Honggang	Non-executive Director	Male	44	September 12, 2016 to present	0	0	Yes
Wang Fengchao	Non-executive Director	Male	54	January 14, 2019 to present	0	0	Yes
Ge Rongrong	Non-executive Director	Female	51	March 21, 2019 to present	0	0	Yes
Ren Xiaotao	Non-executive Director	Male	48	March 21, 2019 to present	0	0	Yes
Ye Mei	Independent non-executive Director	Female	53	December 11, 2012 to present	0	18	Yes
Xie Rong	Independent non-executive Director	Male	67	December 11, 2012 to present	0	18	Yes
Huang Danhan	Independent non-executive Director	Female	70	December 11, 2012 to present	0	15	Yes

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Position	Gender	Age	Tenure	Number of shares held (share)	Total remuneration before tax received from the Company during the Reporting Period (Unit: RMB'0,000)	Whether receiving remuneration from related parties of the Company
Yang Qiumei	Independent non-executive Director	Female	54	February 20, 2019 to present	0	13.75	No
Xu Yiyang	Supervisor, Chairman of the Board of Supervisors	Male	55	October 25, 2019 to present	0	30.85	No
Wen Feng	Supervisor	Male	51	February 11, 2015 to present	0	0	Yes
Gong Bo	Supervisor	Male	53	December 11, 2012 to present	0	0	No
Wei Yong	Supervisor	Male	47	September 12, 2016 to present	0	0	Yes
Huang Qi	Employee representative supervisor	Male	53	May 14, 2015 to present	0	200.15	No
Wang Yanyang	Employee representative supervisor	Male	48	May 16, 2016 to present	0	199.10	No
Xie Kun	Employee representative supervisor	Male	41	May 14, 2015 to present	0	212.41	No
An Gejun	Employee representative supervisor	Male	51	May 14, 2015 to present	0	124.78	No
Xu Zhibin	General manager	Male	43	November 29, 2019 to present	0	13.58	No

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Position	Gender	Age	Tenure	Number of shares held (share)	Total remuneration before tax received from the Company during the Reporting Period (Unit: RMB'0,000)	Whether receiving remuneration from related parties of the Company
Yang Changyun	Deputy general manager, chief financial officer, Secretary to the Board	Male	49	January 16, 2015 to present	0	307.66	No
Liu Yue	Assistant to general manager	Male	51	August 18, 2016 to present	0	304.92	No
<b>Resigned Directors, Supervisors and senior management during the Reporting Period</b>							
Feng Rong	Executive Director, Vice Chairman	Male	57	February 11, 2015 to March 19, 2019	0	177.29	No
Chen Liang	Executive Director, general manager	Male	51	February 11, 2015 to June 9, 2019 January 16, 2015 to June 9, 2019	0	286.94	No
Qu Yanping	Non-executive Director	Female	53	February 11, 2015 to March 19, 2019	0	0	No
Yang Yucheng	Supervisor, Chairman of the Board of Supervisors	Male	48	February 11, 2015 to July 18, 2019	0	294.19	No
Total					0	2,704.63	

Note 1: As the Company has not implemented the share incentive plan, none of the Company's directors, supervisors and senior management held the Company's shares during the Reporting Period.

Note 2: The total remuneration before tax includes basic annual salary, performance-based annual salary, allowances and subsidies and various social insurance, housing provident fund, and enterprise annuity paid by the Company. In particular, the performance-based annual salary includes the performance-based remuneration for previous years paid in 2019.

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### 2. Positions held by Directors and Supervisors in shareholder entities

Name	Name of shareholder entities	Position held in shareholder entities	Tenure	Whether receiving remuneration and allowances from shareholder entities
Chen Jianmin	Central Huijin Investment Ltd.	Designated director of securities institution management division/insurance institution management division	October 2016 to present	Yes
Ge Rongrong	Central Huijin Investment Ltd.	Designated director of securities institution management division/insurance institution management division	March 2019 to present	Yes
Ren Xiaotao	Central Huijin Investment Ltd.	Designated director of securities institution management division/insurance institution management division	March 2019 to present	Yes
Wen Feng	Ganzhou Yishen Investment Partners Inc. (limited partnership)	Executive partner representative	November 2013 to present	No
Gong Bo	Zhejiang China Commodities City Group Co., Ltd.	General manager of Huishang Investment Management Branch	April 2012 to present	Yes
Wei Yong	SAIC Motor Corporation Limited	Acting chief financial officer	October 2016 to present	Yes
		General manager of the financial business department, general manager of the securities business department	October 2016 to August 2019	
		Secretary of the board of directors	June 2018 to July 2019	
		Vice president	August 2019 to Present	

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### 3. Positions held by Directors, Supervisors and senior management in other entities

Name	Name of other entities	Position held in other entities	Tenure	Whether receiving remuneration and allowances from other entities
Chu Xiaoming	SWS Research Co., Ltd.	Vice chairman of the board of directors	March 2011 to December 2019	No
	Shenwan Hongyuan Securities Co., Ltd.	Chairman of the board of directors	January 2015 to present	Yes
	Shenwan Hongyuan (International) Holdings Limited	Chairman of the board of directors	March 2016 to September 2019	No
Chen Jianmin	Shenwan Hongyuan Securities Co., Ltd.	Director	February 2017 to present	No
Wang Honggang	Shanghai Shen-Tie Investment Co., Ltd.	General manager	November 2017 to present	Yes
	Jinghu Expressway Railway Company Limited	Vice president of the board of supervisors	November 2018 to present	No
Wang Fengchao	The People's Government of Sichuan Province	Deputy Governor, Member of the Party Group	September 2019 to present	Yes
	Sichuan Development Holding Co., Ltd.	Secretary of the Party Committee, chairman of the board of directors	June 2015 to present	No
	Sichuan Financial Holding Group Co., Ltd.	Secretary of the Party Committee, chairman of the board of directors	February 2017 to present	No
	General association of Sichuan entrepreneurs in Sichuan Province	Part-time co-chairman of the board		
Ge Rongrong	Shenwan Hongyuan Securities Co., Ltd.	Director	June 2019 to present	No
	ICBC Credit Suisse Asset Management Co., Ltd.	Independent director	March 2018 to June 2019	Ceased to receive remuneration since March 2019
Ren Xiaotao	Shenwan Hongyuan Securities Co., Ltd.	Director	June 2019 to present	No



## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Name of other entities	Position held in other entities	Tenure	Whether receiving remuneration and allowances from other entities
Ye Mei	Bekaert SA	Independent director	May 2014 to present	Yes
	New York Military Academy	Director	January 2016 to present	No
	Stanford Global Projects Center	Director	January 2016 to present	No
	Oxford University Rhodes Trust (Rhodes Scholarships)	Advisor	January 2018 to present	No
Xie Rong	China Everbright Bank Company Limited	Independent director	January 2013 to July 2019	Yes
	China Traditional Chinese Medicine Holdings Co. Limited	Independent director	February 2013 to present	Yes
	Shanghai Bairun Investment Holding Group Co., Ltd.	Independent director	June 2015 to present	Yes
	Shanghai International Trust Co., Ltd.	Independent director	May 2016 to present	Yes
	Baoshan Iron & Steel Co., Ltd.	Independent director	May 2018 to present	Yes
Huang Danhan	DBS Bank (China) Limited	Independent director	February 2016 to present	Yes
	Beijing FenXun Partners	Senior consultant	July 2016 to June 2019	Ceased to receive remuneration since July 2018
Yang Qiumei	Hang Seng Index Advisory Committee	Member	January 2019 to present	Yes
Xu Yiyang	Shenwan Hongyuan Securities Co., Ltd.	Chairman of the board of supervisors	January 2015 to present	Yes

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Name of other entities	Position held in other entities	Tenure	Whether receiving remuneration and allowances from other entities
Wen Feng	Ganzhou Merchants Zhiyuan No.1 Equity Investment Management Co., Ltd.	General manager	June 2013 to present	No
	Ganzhou Merchants Zhiyuan No.1 Equity Investment Partners Inc. (limited partnership)	Executive partner representative	June 2013 to present	No
	Shenwan Hongyuan Securities Co., Ltd.	Supervisor	January 2015 to present	No
	Chizhou CMS Zhong An Equity Investment Management Co., Ltd.	General manager	November 2015 to present	Yes
	Chizhou CMS Zhong An Equity Investment Partners Inc. (limited partnership)	Executive partner representative	November 2015 to present	No
	Taikang Insurance Group Inc.	Supervisor	September 2018 to present	No
	Shanghai Dobe Cultural & Creative Industry Development (Group) Co., Ltd.	Director	September 2018 to present	No
	Gong Bo	Yiwu Huishang Zijing Equity Investment Company Limited	General manager	April 2014 to present
Shenwan Hongyuan Securities Co., Ltd.		Supervisor	January 2015 to present	No
Zhejiang Chouzhou Financial Leasing Co., Ltd.		Director	June 2016 to present	No
Yiwu Huishang Zijing Capital Management Company Limited		Director	August 2016 to present	No
Yiwu China Commodities City Investment Management Co., Ltd.		Director	May 2017 to present	No

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Name of other entities	Position held in other entities	Tenure	Whether receiving remuneration and allowances from other entities
Wei Yong	Sailing Capital International (Shanghai) Co., Ltd.	Director	March 2012 to present	No
	SAIC Equity Investment Company Limited	Director	September 2014 to present	No
	SAIC Venture Capital Corporation	Director	September 2014 to present	No
	SAIC Finance Corporation Limited	Director	October 2016 to present	No
	SAIC Insurance Sales Company Limited	Chairman of the board of directors	October 2016 to present	No
	SAIC-GMAC	Chairman of the board of directors	October 2016 to Present	No
	SAIC Motor HK Investment Limited	Director, general manager	October 2016 to Present	No
	Shanghai Chexiangjia Automotive Technology Service Co., Ltd.	Director	June 2017 to present	No
	Time SAIC Power Battery Co., Ltd.	Supervisor	June 2017 to present	No
Wang Yanyang	Shenwan Hongyuan Investment Co., Ltd.	Supervisor	November 2017 to present	No
	Hongyuan Huizhi Investment Co., Ltd.	Supervisor	December 2017 to present	No
Xie Kun	Shenwan Hongyuan Securities Co., Ltd.	Deputy director (general manager of the headquarter level) of the compliance and risk management center and general manager of the legal and compliance headquarter	February 2017 to May 2019	Yes
		General manager of the internal review and appraisal headquarter and manager of the review and appraisal department	May 2019 to March 2020	Yes

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Name	Name of other entities	Position held in other entities	Tenure	Whether receiving remuneration and allowances from other entities
An Gejun	Shenwan Hongyuan Industrial Investment Management Company Limited	Deputy general manager	April 2015 to present	Yes
Xu Zhibin	Shenwan Hongyuan (International) Holdings Limited	Director, chairman of the board of directors	September 2019 to present	No
	Shenwan Hongyuan Securities Co., Ltd.	Deputy general manager (acted as the general manager in the period from October 2018 to August 2019)	January 2015 to November 2019	Yes
Yang Changyun	Shenwan Hongyuan Investment Co., Ltd.	Executive Director	January 2015 to present	No
	Hongyuan Huizhi Investment Co., Ltd.	Director, chairman of the board of directors	July 2018 to present	No
Liu Yue	Shenwan Hongyuan Industrial Investment Management Company Limited	Executive Director	December 2016 to present	No

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### (II) Main work experience of directors, supervisors and senior management

#### 1. Main work experience of directors

##### *Executive Directors*

Mr. Chu Xiaoming (儲曉明) currently serves as an executive director and the chairman of the Board of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: successively held various positions at the Industrial and Commercial Bank of China from August 1984 to June 2002, including staff member, deputy chief section member of the business credit department, the principal and deputy head of the project appraisal office of the technology renovation and loan department, deputy head of the investigation and appraisal office of the technology renovation and loan department, head of the investigation and appraisal office of the fixed assets loan department, head of the infrastructure appraisal office of the valuation and consultancy department, the general manager of Yintong Investment Consulting Company Limited, and the researcher at the deputy general manager level of the banking asset risk management department successively. Mr. Chu worked at China National Offshore Oil Corporation (“CNOOC”) from June 2002 to August 2010, successively held the positions of deputy general manager of CNOOC Finance Corporation Limited, executive deputy general manager, secretary of the Party Committee and general manager of Zhonghai Trust and Investment Co., Ltd.; secretary of the Party Committee of Shenyin & Wanguo Securities Co., Ltd.\* (申銀萬國證券股份有限公司) from August 2010 to December 2014; general manager of Shenyin & Wanguo Securities Co., Ltd. from October 2010 to January 2015; vice chairman of the board of directors of Shenyin & Wanguo Securities Co., Ltd. from December 2010 to February 2015; he also successively took the positions of vice chairman of the board of directors and general manager of Shenyin Wanguo (H.K.) Limited and vice chairman of the board of directors and general manager of Shenwan Hongyuan (International) Holdings Limited from December 2010 to March 2016; chairman of the board of directors of Shenyin Wanguo (H.K.) Limited, chairman of the board of directors of Shenwan Hongyuan (H.K.) Limited from December 2010 to March 2016 successively; vice chairman of the board of directors of SWS Research Co., Ltd. from March 2011 to December 2019; the secretary of the Party Committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. since December 2014 till now; the executive director and chairman of the board of directors of Shenwan Hongyuan Securities Co., Ltd. since January 2015 till now; the executive director and chairman of the Board of Shenwan Hongyuan Group Co., Ltd. since February 2015 till now; and the chairman of the board of Shenwan Hongyuan (International) Holdings Limited from March 2016 to September 2019. Mr. Chu obtained the bachelor’s degree in economics from Central Institute of Finance and Banking\* (中央財政金融學院, now known as Central University of Finance and Economics) in July 1984 and his MBA (International Curriculum) degree from the University of Hong Kong in November 2003.

Mr. Yang Wenqing (楊文清) currently serves as an executive director and the vice chairman of the Board of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: from September 1997 to March 2003, he successively served as department cadre of Executive Office of the China Development Bank and the office director of the business department. From April 2003 to June 2005, he served as member of the Party Committee, vice president and Secretary of Committee for Discipline Inspection of the Hainan Branch of the China Development Bank. From June 2005 to March 2008, he served as deputy director of the Party Committee Office and deputy director of the General Office of the China Development Bank. From March 2008 to December 2013, he served as Party Secretary and president of the Gansu Branch of the China Development Bank. From December 2013 to July 2015, he served as Minister of the CPC organization department and director general of Human Resources

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Department of the China Development Bank. From July 2015 to January 2019, he served as Secretary of Committee for Discipline Inspection and member of the Party Committee of the China Investment Corporation. Since March 2019 till now, he has served as executive director and the vice chairman of the Board of Shenwan Hongyuan Group Co., Ltd.. Mr. Yang obtained a bachelor's degree in economics from Shanxi University of Finance and Economics in July 1986 majoring in finance. Mr. Yang is a senior economist.

### *Non-executive Directors*

Mr. Chen Jianmin (陳建民) currently serves as a non-executive director of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Chen served as the deputy head of the Audit Office of Yunnan Province from April 1994 to March 1998. He served as the deputy head and researcher of the Office of People's Government of Yunnan Province and deputy head of leading group office for the rectification of securities institution of People's Government of Yunnan Province from March 1998 to August 2001; the deputy general manager of Yunnan International Trust Investment Corporation\* (雲南省國際信託投資公司) from October 2001 to March 2002; the vice president of Hongta Securities Co., Ltd. from March 2002 to October 2010 and served in the non-banking division of Central Huijin Investment Ltd. as designated board member for invested companies from October 2010 to December 2012; the non-executive director of Shenyin & Wanguo Securities Co., Ltd. from November 2010 to December 2012; deputy general manager of Shenyin & Wanguo Securities Co., Ltd. from December 2012 to January 2015; the chairman of the board of directors of Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司) from April 2013 to September 2016; the deputy general manager of Shenwan Hongyuan Securities Co., Ltd. from January 2015 to August 2016; the chairman of the board of directors of Shenyin & Wanguo Futures Co., Ltd. from December 2015 to October 2016; the chairman of the board of directors of Shenyin & Wanguo Investment Co., Ltd. from March 2016 to September 2016; and served in the securities institution management division/insurance institution management division of Central Huijin Investment Ltd. as designated board member for invested companies since October 2016 till now. He has been a non-executive director of Shenwan Hongyuan Group Co., Ltd. and a non-executive director of Shenwan Hongyuan Securities Co., Ltd. since February 2017 till now. Mr. Chen obtained the bachelor degree of agricultural economics from Nanjing Agricultural College\* (南京農學院, now known as Nanjing Agricultural University) in July 1984, and the master's degree in business administration from Kunming University of Science and Technology in April 2002.

Mr. Wang Honggang (王洪剛) currently serves as a non-executive director of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Wang served as the accountant of the budgeting and finance department of Shanghai Jiushi Corporation\* (上海久事公司) from July 1998 to February 2001. From March 2001 to November 2001, he worked in the capital management department of Shanghai Jiushi Corporation. From December 2001 to February 2004, he continued working in the budgeting and finance department of Shanghai Jiushi Corporation. From March 2004 to February 2005, he served as the assistant to manager of capital management department of Shanghai Jiushi Corporation. He successively served as the senior manager, deputy manager of the finance management department of Shanghai Jiushi Corporation from March 2005 to May 2015, the manager of the planning and finance department of Shanghai Juss International Events Management Company Limited\* (上海久事國際賽事管理有限公司) from April 2008 to October 2009, the director of Shanghai Shen-Tie Investment Co., Ltd. since March 2012 till now, the general manager of the

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

finance management department of Shanghai Jiushi Corporation from May 2015 to October 2015, general manager of the finance management department of Shanghai Jiushi (Group) Co., Ltd. from October 2015 to February 2017, the chief supervisor of Shanghai Jiushi Investment Management Co., Ltd.\* (上海久事投資管理有限公司) from December 2015 to April 2017. He has been the non-executive director of Shenwan Hongyuan Group Co., Ltd. since September 2016 till now. He served as the executive deputy general manager of Shanghai Shen-Tie Investment Co., Ltd. from February 2017 to November 2017 and general manager of Shanghai Shen-Tie Investment Co., Ltd. since November 2017 till now, and the vice president of the board of supervisors of Jinghu Expressway Railway Company Limited since November 2018 till now. Mr. Wang obtained the bachelor's degree in economics from Shanghai University of Finance and Economics in June 1998 and the MBA degree from Shanghai Jiao Tong University in March 2008.

Mr. Wang Fengchao (王鳳朝) currently serves as a non-executive director of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Wang served as the vice chairman of the board of directors of Sichuan Changhong Electronic Group Co., Ltd. (四川長虹電子集團有限公司), and vice chairman of the board of directors, general manager of Sichuan Changhong Electric Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600839) from July 2004 to September 2005; the deputy mayor of Neijiang, Sichuan Province from September 2005 to October 2007; the deputy head and member of the standing committee of the Party Committee of State-owned Assets Supervision and Administration Commission of Sichuan Province from October 2007 to August 2010; the vice chairman of the board of directors and member of the standing committee of the Party Committee of Sichuan Airlines Group Co., Ltd. from August 2010 to November 2010; the vice chairman of the board of directors, member of the standing committee of the Party Committee and the general manager of Sichuan Airlines Group Co., Ltd. from November 2010 to August 2011; the vice chairman of the board of directors, deputy secretary of the Party Committee and general manager of Sichuan Airlines Group Co., Ltd. from August 2011 to December 2013; the chairman of the board of directors and secretary of the Party Committee of Sichuan Airlines Group Co., Ltd. from December 2013 to December 2015; the chairman of the board of directors and secretary of the Party Committee of Sichuan Development Holding Co., Ltd. since June 2015 till now; the chairman of the board of directors and secretary of the Party Committee of Sichuan Financial Holding Group Co., Ltd. and the co-chairman of the board of the general association of Sichuan entrepreneurs in Sichuan Province since February 2017 till now; non-executive director of Shenwan Hongyuan Group Co., Ltd. since January 2019 till now; and the deputy governor and member of the Party group of the People's Government of Sichuan Province since September 2019 till now. Mr. Wang obtained a bachelor's degree in engineering from the mechatronic department of Chengdu Institute of Radio Engineering\* (成都電訊工程學院, now known as University of Electronic Science and Technology of China) in July 1986 majoring in special machinery and equipment for wireless, a master's degree in management from University of Electronic Science and Technology of China in September 2005 majoring in business management, and a doctorate degree in management from University of Electronic Science and Technology of China in September 2012 majoring in business management. Mr. Wang is a senior engineer.

Ms. Ge Rongrong (葛蓉蓉) currently serves as a non-executive director of Shenwan Hongyuan Group Co., Ltd.. Her main work experience includes: Ms. Ge served as a staff member in the finance division of foreign trade and economic bureau in Huangshan City from July 1989 to August 1991; a lecturer for the School of Economics and Management in Beijing University of Technology from July 1994 to

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

August 1998; an associate research fellow in the research department of Dapeng Securities Company (Beijing)\* (大鵬證券公司北京) from August 1998 to September 2001; director officer of the department of public offering supervision of the CSRC from September 2001 to March 2005; senior manager and deputy head of the Department of China Construction Bank Shareholding Management of Central Huijin Investment Ltd. successively from March 2005 to September 2007; deputy officer and officer of China Construction Bank Shareholding Management Division of the Banking Department at Central Huijin Investment Ltd. successively from September 2007 to February 2011; employee supervisor of the board of supervisors of Central Huijin Investment Ltd. from September 2008 to November 2011; board member of the Banking Department at Central Huijin Investment Ltd. from February 2011 to January 2012; non-executive director of Industrial and Commercial Bank of China Limited from January 2012 to June 2017; division chief and director of Research Support Division of Banking Institutions Department I of Central Huijin Investment Ltd. successively from January 2013 to July 2017; deputy officer and managing director of Banking Institutions Department I of Central Huijin Investment Ltd. successively from June 2015 to December 2017; and an independent director of ICBC Credit Suisse Asset Management Co. Ltd. from March 2018 to June 2019. She has been the designated director of securities institution management division/insurance institution management division of Central Huijin Investment Ltd. since March 2019 till now; a non-executive director of Shenwan Hongyuan Group Co., Ltd. since March 2019 till now; and a non-executive director of Shenwan Hongyuan Securities Co., Ltd. since June 2019 till now. Ms. Ge obtained a bachelor's degree in engineering from Zhejiang University in July 1989 majoring in materials science and engineering, a master's degree in economics from Beijing Normal University in June 1994 majoring in political economics and a doctorate degree in management from the School of Management of University of Science and Technology of China in December 2006. Ms. Ge is a senior economist.

Mr. Ren Xiaotao (任曉濤) currently serves as a non-executive director of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Ren served as a teacher of the division of senior high school mathematics at Jian Ping High School in Shanghai from July 1994 to August 1999; actuarial analyst and actuarial manager of the finance department and actuarial senior manager of the actuarial department of China Pacific Insurance (Group) Co., Ltd. successively from July 2002 to September 2010; senior deputy manager of the non-banking division of Central Huijin Investment Ltd. from September 2010 to February 2012; senior deputy manager of the securities institution management division/insurance institution management division of Central Huijin Investment Ltd. from February 2012 to July 2014. He has been the division chief, senior deputy manager, senior manager and director of Insurance Institutions Equity Department II of the securities institution management division/insurance institution management division of Central Huijin Investment Ltd. from July 2014 to March 2019, and worked as the deputy general manager of the development and planning department of China Continent Property & Casualty Insurance Company Ltd. from February 2015 to August 2015; deputy general manager of the assets management department of China Continent Property & Casualty Insurance Company Ltd. and deputy general manager of China (Shanghai) Pilot Free Trade Zone Branch from September 2015 to December 2015. Mr. Ren has been a designated director of securities institution management division/insurance institution management division of Central Huijin Investment Ltd. since March 2019 till now; a non-executive director of Shenwan Hongyuan Group Co., Ltd. since March 2019 till now; and non-executive director of Shenwan Hongyuan Securities Co., Ltd. since June 2019 till now. Mr. Ren obtained a bachelor's degree in science from Northeast Normal University in June 1994, and a master's degree in economics from the Central University of Finance and Economics in June 2002 majoring in finance.



## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### *Independent Non-executive Directors:*

Ms. Ye Mei (葉梅) currently serves as an independent non-executive director of Shenwan Hongyuan Group Co., Ltd.. Her main work experience includes: Ms. Ye served in McKinsey & Company as a senior expert from February 2003 to May 2013. She was an independent non-executive director of Shenyin & Wanguo Securities Co., Ltd. from December 2012 to January 2015. She has served as an independent non-executive director of Bekaert SA (a company listed on Euronext Brussels, stock code: BEKB) since May 2014 till now and an independent non-executive director of Shenwan Hongyuan Group Co., Ltd. since January 2015 till now. Ms. Ye is currently a member of the board of directors of trustees of New York Military Academy, an advisor of Oxford University Rhodes Trust (Rhodes Scholarships) and a member of the Advisory Committee of the Globe Project Center of Stanford University. Ms. Ye obtained a bachelor's degree in laws in international politics from Fudan University in July 1986, and the master's degree in public administration from the University of North Carolina at Chapel Hill in May 1993.

Mr. Xie Rong (謝榮) currently serves as an independent non-executive director of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Xie successively served in positions such as the lecturer, associate professor, professor, instructor of doctorate students and associate head of the department of Accounting School of Shanghai University of Finance and Economics from December 1985 to December 1997, partner of KPMG Huazhen LLP (Shanghai) from December 1997 to October 2002. From October 2002 to November 2017, he served as a professor of Shanghai National Accounting Institute, during which, he served as a deputy dean of Shanghai National Accounting Institute from October 2002 to August 2012. He has been non-executive director of SAIC Motor Corporation Limited (a company listed on Shanghai Stock Exchange, stock code: 600104) from June 2008 to June 2018. He served as an independent non-executive director of Shenyin & Wanguo Securities Co., Ltd. from December 2012 to January 2015; independent non-executive director of Shanghai Baosight Software Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600845) from April 2010 to March 2016; independent non-executive director of China Everbright Bank Company Limited (a company listed on Hong Kong Stock Exchange, stock code: 6818; and a company listed on Shanghai Stock Exchange, stock code: 601818) from January 2013 to July 2019; independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited (a company listed on Hong Kong Stock Exchange, stock code: 570) from February 2013 till now; independent non-executive director of Shenwan Hongyuan Group Co., Ltd. since January 2015 till now; independent non-executive director of Shanghai Bairun Investment Holding Group Co., Ltd (a company listed on Shenzhen Stock Exchange, stock code: 002568) since June 2015 till now and independent non-executive director of Shanghai International Trust Co., Ltd. since May 2016 till now. He has been an independent non-executive director of Baoshan Iron & Steel Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600019) since May 2018 till now. Mr. Xie obtained the bachelor's degree in economics from Shanghai College of Finance and Economics in July 1983, the master's degree in economics from Shanghai University of Finance and Economics in March 1986 and the doctorate degree in economics from Shanghai University of Finance and Economics in January 1993.

Ms. Huang Danhan (黃丹涵) currently serves as an independent non-executive director of Shenwan Hongyuan Group Co., Ltd.. Her main work experience includes: Ms. Huang successively served as deputy researcher and deputy head of the Policy Research Department and the Department of Treaty and Law of Ministry of Foreign Economic Relations and Trade (now Ministry of Commerce) from

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

July 1987 to July 1992; member of the First Session of the Public Offering Examination and Approval Commission under the CSRC from May 1993 to May 1995; attorney and partner of Beijing Bridge Law Office (北京市博宇律師事務所, now known as Sinobridge PRC Lawyers) from July 1993 to July 1999; general manager of the legal department of China Construction Bank Corporation from August 1999 to March 2001; chief counsel and head of the legal department of China Galaxy Securities Co., Ltd. from March 2001 to September 2004; independent non-executive director of Bank of China Limited (a company listed on the Shanghai Stock Exchange, stock code: 601988; and a company listed on the Hong Kong Stock Exchange, stock code: 3988) from November 2007 to September 2013; independent non-executive director of Shenyin & Wanguo Securities Co., Ltd. from December 2012 to January 2015; and a senior consultant of Beijing FenXun Partners from July 2016 to June 2019. She has been an independent non-executive director of Shenwan Hongyuan Group Co., Ltd. since January 2015 till now, and an independent non-executive director of DBS Bank (China) Limited since February 2016 till now. Ms. Huang served as a senior expert and the chief expert in service and trading for EU-China Trade Project. Ms. Huang also served as PRC director of West African Development Bank. Ms. Huang obtained the bachelor's degree in English from the Foreign Language School of Central China Normal University in January 1982, the master's degree in international law from the Law School of the University of Strasbourg, France in March 1984, and the State Doctorate degree in law in March 1987.

Ms. Yang Qiumei (楊秋梅) currently serves as an independent non-executive director of Shenwan Hongyuan Group Co., Ltd.. Her main work experience includes: Ms. Yang served as an executive of mainland business division of Hong Kong Exchanges and Clearing Limited from October 2010 to April 2013, an executive vice-president of Asia Pacific Region of the Investment Company Institute from May 2013 to June 2014; chief executive president of Asia Pacific Region of the Investment Company Institute from July 2014 to September 2018, member of the Hang Seng Index Advisory Committee since January 2019, and she acted as independent non-executive director of Shenwan Hongyuan Group Co., Ltd. since February 2019 till now. Ms. Yang has many years of experience in the supervision of China's securities industry. She has served as a vice-director of the Department of International Affairs, vice-director of the Department of Fund and the member of the planning and development committee of the China Securities Regulatory Commission. Ms. Yang also served as a member of senior management committee and vice-executive of market development division of Hong Kong Exchanges and Clearing Limited. Ms. Yang obtained a bachelor's degree in economics from international economic department of Peking University in July 1987, a master's degree in economics from international economic department of Peking University in January 1990 and a doctorate degree of philosophy from University of Illinois in USA in October 1996.

### 2. Main work experience of supervisors

Mr. Xu Yiyang (徐宜陽) currently serves as a supervisor and the chairman of the board of supervisors of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Xu worked at PetroChina Changqing Oilfield Company in Qingyang, Gansu Province from September 1980 to March 1983. He worked at Dagang Petroleum Administration Bureau from March 1983 to October 1998, and successively served as deputy secretary and secretary of the Communist Youth League at Well Drilling Corporation, deputy secretary and secretary of the Communist Youth League at Dagang Petroleum Administration Bureau, and deputy Party committee secretary, secretary of the discipline inspection committee and deputy director at the Oil Refinery Plant. From October 1998 to April 2002, Mr. Xu served as Party committee secretary, director and general manager of Shanghai Ai Shi Co., Ltd.\* (上海

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

愛使股份有限公司) (now known as Shanghai U9 Game Limited Liability Company.\* (上海遊久遊戲股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600652). From April 2002 to February 2004, he was a member of the Party committee and deputy general manager of Shanghai Securities Co., Ltd. From March 2004 to May 2010, he was a member of the Party committee, deputy general manager, a member of the management committee, secretary to the board of directors and deputy chief of the leading group of emergency response to crisis of Shanghai Aijian Co., Ltd.\* (上海愛建股份有限公司) (now known as Shanghai Aijian Group Co., Ltd.\* (上海愛建集團股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600643). He held concurrent posts successively as Party committee secretary, chairman of the board of directors, chief of the leading group of emergency response to crisis, vice chairman of the board of directors and acting general manager of Shanghai Aijian Securities Co., Ltd.\* (上海愛建證券有限責任公司) from March 2004 to May 2010. From September 2004 to June 2010, he held concurrent posts successively as the director and vice chairman of the board of directors of Shanghai Aijian Trust Investment Co., Ltd.\* (上海愛建信託投資有限責任公司). From June 2010 to December 2014, he successively served as deputy Party committee secretary and secretary of the discipline inspection committee of Shenyin & Wanguo Securities Co., Ltd. Since December 2014, Mr. Xu has been a member of the Party committee and secretary of the discipline inspection committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. Since January 2015, he has been chairman of the board of supervisors of Shenwan Hongyuan Securities Co., Ltd. From June 2015 to July 2019, he concurrently worked as chairman of the labor union of Shenwan Hongyuan Securities Co., Ltd. From June 2017 to March 2019, he concurrently served as principal of Party school of Shenwan Hongyuan Securities Co., Ltd. From December 2010 to January 2016, Mr. Xu served as vice chairman of the board of directors of Shenyin Wanguo (H.K.) Limited (now known as Shenwan Hongyuan (International) Holdings Limited). From January 2011 to March 2016, he concurrently served as chairman of the board of directors of Shenyin & Wanguo Investment Co., Ltd. From July 2015 to March 2016, he concurrently served as chairman of the board of supervisors of SWS MU Fund Management Co., Ltd. From January 2016 to August 2019, Mr. Xu concurrently served as chairman of the board of supervisors of Shenwan Hongyuan (International) Holdings Limited. He has been a supervisor and the chairman of the board of supervisors of Shenwan Hongyuan Group Co., Ltd. since October 2019. Mr. Xu graduated from Central TV University (Tianjin) in August 1985. In June 1997, he obtained the master degree in economics from the Department of International Economics of Nankai University. In June 2013, he obtained the EMBA degree from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University. Mr. Xu is a qualified Senior Economist and Senior Political Official.

Mr. Wen Feng (溫鋒) currently serves as a supervisor of the Company. His main work experience includes: Mr. Wen had served as a director, deputy general manager and secretary to the board of directors of Sisha Co., Ltd.\* (四砂股份有限公司) from September 1998 to June 2000; principal of the direct investment business preparation team of China Merchants Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange, stock code: 6099; and a company listed on Shanghai Stock Exchange, stock code: 600999) from December 2006 to July 2009; general manager of China Merchants Zhiyuan Capital Investment Co., Ltd.\* (招商致遠資本投資有限公司) from August 2009 to May 2013. Mr. Wen has been the general manager of Ganzhou Merchants Zhiyuan No.1 Equity Investment Management Co., Ltd.\* (贛州招商致遠壹號股權投資管理有限公司) since June 2013, the executive partner representative of Ganzhou Merchants Zhiyuan No.1 Equity Investment Partners Inc. (limited partnership)\* (贛州招商致遠壹號股權投資合夥企業 (有限合夥)) since June 2013, the executive partner representative of

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Ganzhou Yishen Investment Partners Inc. (limited partnership)\* (贛州壹申投資合夥企業 (有限合夥)) since November 2013, supervisor of Shenwan Hongyuan Securities Co., Ltd. since January 2015, supervisor of Shenwan Hongyuan Group Co., Ltd. since February 2015, general manager of Chizhou CMS Zhong An Equity Investment Management Co., Ltd.\* (池州中安招商股權投資管理有限公司) since November 2015, executive partner representative of Chizhou CMS Zhong An Equity Investment Partners Inc. (limited partnership)\* (池州中安招商股權投資合夥企業 (有限合夥)) since November 2015, supervisor of Taikang Insurance Group Inc. since September 2018, and director of Shanghai Dobe Cultural & Creative Industry Development (Group) Co., Ltd.\* (上海德必文化創意產業發展 (集團) 股份有限公司) since September 2018. Mr. Wen obtained the bachelor's degree in economics from Xiamen University in July 1990 majoring in accounting and the MBA degree from China Europe International Business School in September 2007.

Mr. Gong Bo (龔波) currently serves as a supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Gong had served as staff of the supply and distribution division of Yiwu Petroleum Pump Plant\* (義烏市石油油泵廠) from September 1988 to October 1991; section member of Yiwu Foreign Economy and Trade Commission from October 1991 to October 1997; head of the Hangzhou Office of Zhejiang China Commodities City Group Co., Ltd.\* (浙江中國小商品城集團股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600415) from October 1997 to October 2004; manager of the securities department of Zhejiang China Commodities City Group Co., Ltd from October 2004 to April 2012. He has held the position of general manager of Huishang Investment Management Branch\* (惠商投資管理分公司) of Zhejiang China Commodities City Group Co., Ltd. since April 2012. He was a supervisor of Shenyin & Wanguo Securities Co., Ltd. from December 2012 to January 2015. Besides, Mr. Gong has been general manager of Yiwu Huishang Zijing Equity Investment Company Limited\* (義烏惠商紫荊股權投資有限公司) since April 2014, director of Mashang Consumer Finance Co., Ltd. from April 2015 to October 2017, supervisor of Shenwan Hongyuan Securities Co., Ltd. and supervisor of Shenwan Hongyuan Group Co., Ltd. since January 2015, director of Zhejiang Chouzhou Financial Leasing Co., Ltd. since June 2016, director of Yiwu Huishang Zijing Capital Management Company Limited\* (義烏惠商紫荊資本管理有限公司) since August 2016, and director of Yiwu China Commodities City Investment Management Co., Ltd.\* (義烏中國小商品城投資管理有限公司) since May 2017. Mr. Gong obtained the bachelor's degree of engineering in science of metallic materials and engineering of Zhejiang University in July 1988, and the MBA degree from Macau University of Science and Technology in January 2006.

Mr. Wei Yong (衛勇) currently serves as a supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Wei had successively served as deputy section chief, section chief and researcher (deputy-director level) of the comprehensive affairs division, and deputy director of the economy division of the Research Office of CPC Shanghai Committee from March 1996 to October 2003; special officer of the strategy committee under the board of directors of Shanghai Automotive Industry Corporation (Group) from October 2003 to December 2004; deputy head of the president office, executive director of the capital operation department, securities business representative and director of the board of directors office of SAIC Motor Corporation Limited (a company listed on Shanghai Stock Exchange, stock code: 600104) from December 2004 to August 2015; director of the board of directors office, executive director of the securities business department and representative of securities business of SAIC Motor Corporation Limited from August 2015 to October 2016; the general manager of the financial business department and general manager of the securities business

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

department of SAIC Motor Corporation Limited from October 2016 to July 2019; secretary of the board of directors of SAIC Motor Corporation Limited from June 2018 to July 2019; and general manager of the securities business department and general manager of the financial business department of SAIC Motor Corporation Limited from July 2019 to August 2019. He has held the positions of director of Sailing Capital International (Shanghai) Co., Ltd. since March 2012; director of SAIC Venture Capital Corporation\* (上海汽車創業投資有限公司) and SAIC Equity Investment Company Limited\* (上海汽車集團股權投資有限公司) since September 2014; supervisor of Shenwan Hongyuan Group Co., Ltd. since September 2016; acting chief financial officer of SAIC Motor Corporation Limited, director of SAIC Finance Corporation Limited\* (上海汽車集團財務有限責任公司), chairman of the board of directors of SAIC Insurance Sales Company Limited\* (上海汽車集團保險銷售有限公司), chairman of the board of directors of SAICGMAC\* (上海通用汽車金融有限責任公司), director and general manager of SAIC Motor HK Investment Limited since October 2016 until now; director of Shanghai Chexiangjia Automotive Technology Service Co., Ltd.\* (上海車享家汽車科技服務有限公司) and supervisor of Time SAIC Power Battery Co., Ltd.\* (時代上汽動力電池有限公司) since June 2017 until now; vice president of SAIC Motor Corporation Limited since August 2019 until now. Mr. Wei obtained the bachelor's degree of economics from School of Finance of Shanghai University of Finance and Economics in June 1993 majoring in insurance and the master's degree of economics from Shanghai University of Finance and Economics in December 1995 majoring in money and banking.

Mr. Huang Qi (黃琦) currently serves as an employee representative supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Huang had served as deputy director of the propaganda department, deputy director of office and office director of the Planning and Design Institute of Coal Industry\* (煤炭工業規劃設計總院) from August 1986 to January 1998; office director of Beijing Coal Design Institute\* (北京煤炭設計研究院) from February 1998 to January 2000; director of the human resources division of China Coal International Engineering Design Research Institute\* (中煤國際工程設計研究總院) from February 2000 to February 2004; general manager of the human resources headquarter, director of the supervision office and director of the Party Committee organization department of Hong Yuan Securities Co., Ltd. successively from August 2004 to February 2011; vice chairman of the board of directors of Hongyuan Futures Co., Ltd. from March 2011 to November 2017; director of the general manager office of Hong Yuan Securities Co., Ltd. from June 2013 to April 2015. He has been director of the general manager office of Shenwan Hongyuan Group Co., Ltd. since April 2015, employee representative supervisor of Shenwan Hongyuan Group Co., Ltd. since May 2015 and general manager of the Beijing Branch of Shenwan Hongyuan Group Co., Ltd. since June 2017. Mr. Huang obtained the bachelor's degree of engineering from China Institute of Mining and Technology\* (中國礦業學院, now known as China University of Mining and Technology) in July 1986 majoring in mining machinery design, and the master's degree of economics from Nankai University in June 2004 majoring in world economy.

Mr. Wang Yanyang (王艷陽) currently serves as an employee representative supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Wang had served as a staff in the finance division of Beijing Urban Construction Archives\* (北京市城建檔案館) from July 1994 to December 1996; staff in the finance division of trust and securities business at headquarter of the China Construction Bank\* (中國建設銀行總行) from January 1997 to March 1998; deputy manager of the finance department of Xinjiang Hongyuan Trust Investment Co., Ltd.\* (新疆宏源信託投資股份有限公司) from July 1997 to March 1998; manager of the finance department of the Beijing Office, manager of

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

the risk control division of securities investment department, manager of the risk control division of the institutional management headquarter and deputy general manager of the Guilin Branch of Hong Yuan Securities Co., Ltd. from March 1998 to June 2002; deputy general manager of the Beijing Beiwa Road Securities Branch of Hong Yuan Securities Co., Ltd. from June 2002 to June 2008; deputy general manager of the audit headquarter of Hong Yuan Securities Co., Ltd. from June 2008 to October 2010; general manager of the Beijing Finance Street Securities Branch of Hong Yuan Securities Co., Ltd. from November 2010 to March 2012; general manager of the investigation and audit department of Hong Yuan Securities Co., Ltd. from March 2012 to June 2015; joint general manager of the investigation and audit headquarter of Shenwan Hongyuan Securities Co., Ltd. from June 2015 to April 2016. He has been general manager of the investigation and audit department of Shenwan Hongyuan Group Co., Ltd. since April 2016 until now, employee representative supervisor of Shenwan Hongyuan Group Co., Ltd. since May 2016 until now, supervisor of Shenwan Hongyuan Investment Co., Ltd.\* (申萬宏源投資有限責任公司) since November 2017 and supervisor of Hongyuan Huizhi Investment Co., Ltd.\* (宏源匯智投資有限公司) since December 2017. Mr. Wang obtained a bachelor's degree in engineering from Shenyang University of Technology in July 1994 majoring in accounting.

Mr. Xie Kun (謝鯤) currently serves as an employee representative supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Xie had served as a staff in the legal affairs department of the Shanghai management headquarter of Hengtai Securities Limited from January 2004 to May 2007; senior manager of the risk management department of Hong Yuan Securities Co., Ltd. from May 2007 to December 2007; senior manager of the legal and compliance department of Hong Yuan Securities Co., Ltd. from January 2008 to April 2010; assistant to general manager of legal and compliance headquarter of Hong Yuan Securities Co., Ltd. from April 2010 to September 2012; deputy general manager of the legal and compliance department of Hong Yuan Securities Co., Ltd. from September 2012 to May 2015; general manager of the legal and risk control department of Shenwan Hongyuan Group Co., Ltd. from May 2015 to February 2017. He has been employee representative supervisor of Shenwan Hongyuan Group Co., Ltd. since May 2015. He served as deputy director (general manager of the headquarter level) of the compliance and risk management center and general manager of the legal and compliance headquarter of Shenwan Hongyuan Securities Co., Ltd. from February 2017 to May 2019 and the general manager of the internal review and appraisal headquarter and a manager of the review and appraisal department of Shenwan Hongyuan Securities Co., Ltd. from May 2019 to March 2020. He has been the general manager of the legal risk control department of Shenwan Hongyuan Group Co., Ltd. since March 2020. Mr. Xie obtained a bachelor's degree in economics from Chongqing College of Commerce\* (重慶商學院, now known as Chongqing Technology and Business University) in July 2000 majoring in trade and economy, and a master's degree in Laws from East China College of Political Science and Law\* (華東政法學院, now known as East China University of Political Science and Law) in June 2003 majoring in law.

Mr. An Gejun (安歌軍) currently serves as an employee representative supervisor of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. An had served as customer manager of Dewai Street Branch of Beijing Branch of Guotai Junan Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange, stock code: 2611; a company listed on Shanghai Stock Exchange, stock code: 601211) from December 2001 to November 2002; senior business manager of investment management department and asset management department of China National

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

Environmental Protection Corporation\* (中國環境保護公司) from November 2002 to November 2003; business manager of China Shenhua Energy Company Limited (a company listed on Shanghai Stock Exchange, stock code: 601088; and a company listed on Hong Kong Stock Exchange, stock code: 1088) from December 2003 to September 2008; director, secretary to the board of directors and assistant to general manager of Shenhua Australia Holdings Pty Limited\* (神華澳大利亞控股有限公司) from September 2008 to March 2013; deputy general manager of the Beijing Branch of Shenyin & Wanguo Securities Co., Ltd. and deputy general manager of the Beijing Branch of Shenwan Hongyuan Securities Co., Ltd. from March 2013 to April 2015 successively. He has been the deputy general manager of Shenwan Hongyuan Industrial Investment Management Company Limited\* (申萬宏源產業投資管理有限責任公司) since April 2015, and employee representative supervisor of Shenwan Hongyuan Group Co., Ltd. since May 2015. Mr. An graduated from Harbin Ship Engineering Institute\* (哈爾濱船舶工程學院) in July 1987 majoring in chemical engineering & machinery, obtained the master's degree from Shanghai Jiao Tong University in March 2001 majoring in philosophy of scientific technology. He also graduated as doctoral candidate from Northwest University in June 2012 majoring in world economy.

### 3. Main work experience of senior management

Mr. Xu Zhibin (徐志斌) currently serves as the general manager of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: He worked for Goldman Sachs Group from August 2001 to March 2010, during which he successively served as a senior analyst, a project manager and a team manager of the global control department, the person in charge of the European region, the director and an executive director of the operations risk management department, an executive director of the market risk management department and other positions; he worked for China Jiayin Investment Ltd. from April 2010 to May 2013, during which he successively served as the director, the general manager and the senior director of the risk management department; he served as the deputy general manager of Hong Yuan Securities Co. Ltd. from June 2013 to December 2014; he served as the deputy general manager of Shenwan Hongyuan Securities Co., Ltd. from January 2015 to November 2019, during which he discharged the duties on behalf of the general manager from October 2018 to August 2019; he has been a member of the party committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. since July 2016; and he has been the chairman and a member of the board of directors of Shenwan Hongyuan (International) Holdings Limited since September 2019 and the general manager of Shenwan Hongyuan Group Co., Ltd. since November 2019. Mr. Xu obtained a bachelor's degree in economics from Zhongshan University in June 1999, a master's degree in science from the University of Edinburgh in the United Kingdom in September 2000, and a master's degree in philosophy from the University of Cambridge in the United Kingdom in July 2001.

Mr. Yang Changyun (陽昌雲) currently serves as the deputy general manager, chief financial officer and secretary to the Board of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Yang had served as lecturer of the Department of Accounting of Ningbo University from July 1993 to September 1999; project manager of the investment banking division of Guosen Securities Co., Ltd.\* (國信證券股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002736) from May 2000 to November 2000; manager of the listed company division of Shanghai Stock Exchange from February 2001 to March 2007; secretary to the board of directors and chief financial officer of Hong Yuan Securities Co., Ltd. from September 2009 to January 2015 successively; non-executive director of Hongyuan Huizhi Investment Co., Ltd.\* (宏源匯智投資有限公司) from April 2012

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

to November 2017; and chairman of the board of directors of Hongyuan Huifu Capital Co., Ltd.\* (宏源匯富創業投資有限公司) from October 2013 to October 2018. Mr. Yang has held the positions of deputy general manager, chief financial officer and secretary to the Board of Shenwan Hongyuan Group Co., Ltd. since January 2015 until now, executive director of Shenwan Hongyuan Investment Co., Ltd. since January 2015 until now, and director and chairman of the board of directors of Hongyuan Huizhi Investment Co., Ltd.\* (宏源匯智投資有限公司) since July 2018 till now. Mr. Yang served as the audit manager of Pan-China Certified Public Accountants LLP. Mr. Yang obtained the bachelor's degree in economics from Lanzhou University of Finance and Economics in June 1993, the master's degree in economics from the Research Institute for Fiscal Science of Ministry of Finance (now known as Chinese Academy of Fiscal Sciences) in July 1999 and the doctorate degree in management from the Research Institute for Fiscal Science of Ministry of Finance (now known as Chinese Academy of Fiscal Sciences) in June 2011.

Mr. Liu Yue (劉躍) currently serves as the assistant to general manager of Shenwan Hongyuan Group Co., Ltd.. His main work experience includes: Mr. Liu had served as an engineer of Harbin Power Station Import and Export Corporation\* (哈爾濱電站進出口公司) from March 1992 to February 1994; deputy manager (person in charge) of the Securities Branch of Beijing Jinsong of Shenyin & Wanguo Securities Co., Ltd. from September 2000 to March 2003; manager of the Securities Branch of Beijing Jinsong Ninth District of Shenyin & Wanguo Securities Co., Ltd. from March 2003 to January 2007; manager of the Securities Business Branch of Beijing Anding Road of Shenyin & Wanguo Securities Co., Ltd. from January 2007 to June 2010; deputy general manager and general manager of Beijing headquarter of Shenyin & Wanguo Securities Co., Ltd. from April 2007 to December 2009 successively; general manager of Beijing Branch of Shenyin & Wanguo Securities Co., Ltd. from December 2009 to January 2015; chief market officer of Shenyin & Wanguo Securities Co., Ltd. from November 2011 to January 2015; general manager of Beijing Branch of Shenwan Hongyuan Securities Co., Ltd. from January 2015 to June 2016; assistant to general manager of Shenwan Hongyuan Securities Co., Ltd. from September 2015 to August 2016. He has held the positions of assistant to general manager of Shenwan Hongyuan Group Co., Ltd. since August 2016 until now, and executive director of Shenwan Hongyuan Industrial Investment Management Company Limited since December 2016 until now. Mr. Liu obtained the bachelor's degree in industry management engineering from Harbin Institute of Technology in July 1989, the master's degree in technology economics from Harbin Institute of Technology in March 1992, and the EMBA degree from Peking University in July 2012.

In the last three years, none of the current and resigned directors, supervisors and senior management during the Reporting Period of Shenwan Hongyuan Group Co., Ltd. was subject to penalty imposed by any securities regulatory authorities.



## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### (III) Changes in the directors, supervisors and senior management of the Company

Name	Position	Type	Date	Reasons
Wang Fengchao	Non-executive Director	Appointed	January 14, 2019	Elected at the general meeting
Yang Qiumei	Independent non-executive Director	Appointed	February 20, 2019	Elected at the general meeting
Ge Rongrong	Non-executive Director	Appointed	March 21, 2019	Elected at the general meeting
Ren Xiaotao	Non-executive Director	Appointed	March 21, 2019	Elected at the general meeting
Yang Wenqing	Executive Director	Appointed	March 21, 2019	Elected at the general meeting
	Vice Chairman	Appointed	March 29, 2019	Elected by directors
Xu Yiyang	Supervisor	Appointed	October 25, 2019	Elected at the general meeting
	Chairman of the Board of Supervisors	Appointed	October 25, 2019	Elected by supervisors
Xu Zhibin	General manager	Appointed	November 29, 2019	Appointed by the Board of Directors
Feng Rong	Executive Director, Vice Chairman	Resigned	March 19, 2019	Work arrangements
Qu Yanping	Non-executive Director	Resigned	March 19, 2019	Work arrangements
Chen Liang	Executive Director, general manager	Resigned	June 9, 2019	Work arrangements
Yang Yucheng	Supervisor, Chairman of the Board of Supervisors	Resigned	July 18, 2019	Work arrangements

#### 1. Changes in Directors of the Company

- (1) On December 28, 2018, the Company held the 36th meeting of the fourth session of the Board of Directors, nominated Mr. Wang Fengchao as the candidate of non-independent director of the fourth session of the Board of Directors, and submitted the proposal to the general meeting of the Company for election.

On January 14, 2019, the Company held the first extraordinary general meeting for the year 2019 and elected Mr. Wang Fengchao as the non-independent director of the fourth session of the Board of Directors.

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

- (2) On January 10, 2019, the Company held the 37th meeting of the fourth session of the Board of Directors, nominated Ms. Yang Qiumei as the candidate of independent director of the fourth session of the Board of Directors, and submitted the proposal to the general meeting of the Company for election.

On February 20, 2019, the Company held the second extraordinary general meeting for the year 2019 and elected Ms. Yang Qiumei as an independent director of the fourth session of the Board of Directors. Ms. Yang Qiumei has obtained the qualifications for independent director. After Ms. Yang Qiumei was elected as an independent director, she was appointed as a member of the Remuneration and Nomination Committee of the Board.

- (3) On February 26, 2019, the Company held the 38th meeting of the fourth session of the Board of Directors, nominated Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing as the candidates of non-independent directors of the fourth session of the Board of Directors and submitted the proposal to the general meeting of the Company for election.

On March 21, 2019, the Company held the 2018 annual general meeting and elected Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing as the non-independent directors of the fourth session of the Board of Directors.

On March 29, 2019, the Company held the 39th meeting of the fourth session of the Board of Directors, at which Mr. Yang Wenqing was elected as the vice chairman of the fourth session of the Board of Directors.

- (4) On March 19, 2019, Mr. Feng Rong and Ms. Qu Yanping submitted resignation in writing to the Board of Directors due to work arrangement. Mr. Feng Rong resigned his positions as vice chairman of the fourth session of the Board of Directors, director and the member of the Strategic Committee of the Board of Directors. Ms. Qu Yanping resigned her positions as the director of the fourth session of the Board of Directors and the member of the Remuneration and Nomination Committee as well as the Risk Control Committee of the Board of Directors. The resignation of Mr. Feng Rong and Ms. Qu Yanping has become effective upon delivery of resignation report to the Board of Directors.

- (5) On June 9, 2019, Mr. Chen Liang, being the director and general manager of the Company, submitted resignation in writing to the Board of Directors due to work arrangement. Mr. Chen Liang resigned his positions as the director of the fourth session of the Board of Directors, the member of the Strategy Committee of the Board of Directors as well as the general manager. The resignation of Mr. Chen Liang has become effective upon delivery of resignation report to the Board of Directors. On June 10, 2019, the Company convened the 41st meeting of the fourth session of the Board of Directors, at which the Proposal on Mr. Chen Liang's Cessation to Serve as the General Manager of the Company was considered and approved and Mr. Chen Liang was approved to cease to serve as the general manager of the Company. Before the new general manager takes his office, Mr. Chu Xiaoming, being the chairman of the Board of Directors, acted as general manager of the Company.

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### 2. Changes in supervisors of the Company

- (1) On July 18, 2019, Mr. Yang Yucheng, being the chairman of the Board of Supervisors of the Company, submitted resignation in writing to the Board of Supervisors due to work arrangement. Mr. Yang Yucheng resigned his positions as the chairman and supervisor of the fourth session of the Board of Supervisors and the chairman of the Performance Supervision and Inspection Committee under the Board of Supervisors. The resignation of Mr. Yang Yucheng has become effective upon delivery of resignation report to the Board of Supervisors. According to the relevant requirements of the Articles of Association, supervisor Huang Qi as selected by more than one half of the supervisors shall convene and preside over the meeting of the Board of Supervisors before the new chairman of the Board of Supervisors is elected.
- (2) On August 12, 2019, the Company held the 27th meeting of the fourth session of the Board of Supervisors, nominated Mr. Xu Yiyang as the candidate of supervisor, and submitted the proposal to the general meeting for consideration.

On October 25, 2019, Mr. Xu Yiyang was elected as a supervisor of the fourth session of the Board of Supervisors at the third extraordinary general meeting for the year 2019 of the Company. On the same date, Mr. Xu Yiyang was elected as the chairman of the fourth session of the Board of Supervisors and the chairman of the Performance Supervision and Inspection Committee under the Board of Supervisors at the 29th meeting of the fourth session of the Board of Supervisors.

### 3. Changes in senior management of the Company

- (1) For the changes of positions of Mr. Chen Liang, being a director and the general manager of the Company, please refer to the “Changes in Directors of the Company” in this section.
- (2) On November 29, 2019, Mr. Xu Zhibin was elected as the general manager of the Company and it was approved to nominate Mr. Xu Zhibin as a candidate for director (executive Director) of the fourth session of the Board of Directors at the 47th meeting of the fourth session of the Board of Directors of the Company.

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### (IV) Remuneration of directors, supervisors and senior management

#### 1. Basic system and decision-making procedures of remuneration management

According to the Articles of Association, the general meeting determines matters on the remunerations of relevant directors and supervisors; the Board of Directors determines matters on the remunerations of senior management of the Company. The Remuneration and Nomination Committee of the Company evaluates the performance of directors and senior management according to the performance evaluation standards and procedures, and puts forward the compensation amount and forms of reward for directors and senior management according to the work performance evaluation results and compensation distribution policies. The remuneration plan for directors is submitted to the general meeting for consideration and approval after being approved by the Board of Directors, and the remuneration distribution plan for senior management is submitted to the Board of Directors for approval.

#### 2. Assessment mechanism for senior management during the Reporting Period, and establishment and implementation of incentive mechanism

For the assessment and evaluation of the Company's senior management, the Party Committee of China Investment Corporation and the Board of Directors shall implement comprehensive assessment and evaluation in accordance with the plan of the Company on assessment of leading group and leaders. The assessment results shall be an important basis for remuneration incentives for senior management. The Remuneration and Nomination Committee of the Board of Directors considers the assessment and remuneration management system for senior management and makes recommendations to the Board of Directors. The Board of Directors of the Company considers the matters including assessment of senior management, remuneration management system, and remuneration distribution. The remuneration distribution for senior management of the Company is comprehensively determined based on contributions on the job, personal assessment results, etc. after giving consideration to the national compensation policies and market competition. The remuneration distribution plan for senior management shall be considered and determined by the Board of Directors.

#### 3. Distribution of total annual remuneration among directors, supervisors and senior management

During the Reporting Period, the total amount of remuneration before tax received by the directors, supervisors and senior management of the Company amounted to RMB27.0463 million. In particular, the remuneration before tax of directors, supervisors and senior management of the Company accounts for 37.60%, 39.25% and 23.15% of the total amount of remuneration, respectively.

#### 4. Actual payment of remuneration to directors, supervisors and senior management: For details, please refer to the "Particulars of Directors, Supervisors and Senior Management".

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### II. COMPOSITION OF THE SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD

#### **Strategy Committee of the Board of Directors**

Chairman: Chu Xiaoming; members: Feng Rong (former member), Chen Liang (former member), Chen Jianmin

#### **Remuneration and Nomination Committee of the Board of Directors**

Chairman: Ye Mei; members: Chu Xiaoming, Qu Yanping (former member), Xie Rong, Yang Qiumei

#### **Audit Committee of the Board of Directors**

Chairman: Xie Rong; members: Ye Mei, Huang Danhan, Wang Honggang

#### **Risk Control Committee of the Board of Directors**

Chairman: Chen Jianmin; members: Qu Yanping (former member), Huang Danhan, Wang Honggang

### III. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into Service Contracts for Directors and Service Contracts for Supervisors with each of the 11 Directors of the current fourth session of the Board of Directors and each of the 8 Supervisors of the current fourth session of the Board of Supervisors. The term of office of the Directors and Supervisors was effective from the date of approval by the general meeting until the expiry date of the term of office for the fourth session of the Board of Directors and the fourth session of the Board of Supervisors. The Service Contracts for Directors and Service Contracts for Supervisors provide the agreed terms on the duties and responsibilities, term of office and remuneration of the directors and supervisors during their term of office. Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contract with any director or supervisor of the Company in their respective capacities as directors/supervisors (except for contracts expiring within one year or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

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

Please refer to “IV. Interests and Short Positions of Directors, Supervisors and Chief Executives in the Shares, Underlying Shares or Debentures of the Company and Associated Corporations” under Section VI “Changes in Shares and Shareholders” in this report.

### V. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS

Save as disclosed above, none of the Company or any of its subsidiaries has participated at any time during the year in any arrangement through which the directors and supervisors of the Company may benefit by purchasing shares or bonds of the Company or any other entities.

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### VI. EMPLOYEES OF THE COMPANY

(I) As of December 31, 2019, the Group had a total of 13,022 employees (including 3,246 brokerage agents), of which Shenwan Hongyuan Group had 104 employees, Shenwan Hongyuan Securities and its subsidiaries had 12,373 employees (including 9,547 employees of Shenwan Hongyuan Securities and a total of 2,826 employees of the subsidiaries of Shenwan Hongyuan Securities), and other subsidiaries had total of 545 employees.

Personnel Structure	Number (Person)	Percentage in the total number of employees		Statistical graph of composition		
		Number (Person)	(%)			
<b>Professional structure and distribution of employees</b>	Research	231	1.77			
	Investment banking	650	4.99			
	Brokerage business	9,013	69.21			
	Asset management business	375	2.88			
	Securities investment business	272	2.09			
	Investment	67	0.51			
	Finance	212	1.63			
	Information technology	780	5.99			
	Compliance risk	570	4.38			
	Administration	413	3.17			
	Audit	62	0.48			
	Settlement	169	1.30			
	Others	208	1.60			
	<b>Education level (by education background)</b>	Master's degree and above	3,197		24.54	
		Bachelor's degree	7,203		55.31	
Associate degree		1,941	14.91			
Technical secondary school education and below		681	5.24			

## Section VII Particulars of Directors, Supervisors, Senior Management and Employees (continued)

### (II) Remuneration policy for employees

With the focus on a remuneration distribution system that combines security and incentives, the Company has established its remuneration system with both internal fairness and external competitiveness according to the business development strategy, as well as the principal of marketization. The remuneration provided by the Company includes basic remuneration, annual performance-based remuneration, benefits, special allowances, long-term incentives, etc. Based on the Company's ability to pay, the Company conducts overall management and control of labor costs, so that the growth of the Company's labor costs will effectively support operating performance and promote the Company's sustainable, stable and healthy development. In light of the differences in qualifications and abilities of employees, the Company has established a basic remuneration system for employees with job requirements and performance standards as the core, and directly links employees' compensation with the performance of the Company, departments and employees through performance evaluation, reflecting incentives orientation in line with responsibility, risk and return. Employees' remuneration and benefits are adjusted in a timely manner with reference to the Company's strategic positioning and actual ability to pay, as well as the average salary of the society and remuneration in the market.

### (III) Training program

With a view to building a vivid and efficient training system for all employees, the Company will effectively build a long-term mechanism for training. Relying on the three-level training management, the training of all departments and personnel at all levels is advanced as a whole. For senior management, the training focuses on leadership; for middle management, the training stresses improvement of management and business skills; the training for core business backbones aims at strengthening systematic training; for new hires, more efforts are exerted on integration into the company culture. At the same time, the Company strives to build a team of internal trainers who can effectively inherit the Company's policies and business.

### (IV) Number of the retired employees for whom the Company is required to pay costs

As of December 31, 2019, there were 539 retired employees for whom the Company (including the parent company and wholly-owned subsidiaries) is required to pay costs.

## Section VIII Corporate Governance

### I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

The Company has completed the initial public offering of H Shares on April 26, 2019 and became listed on the Main Board of the Hong Kong Stock Exchange. As an “A+H” listed company, the Company continuously adheres to scientific, rigorous and standard operation as its value. It has established and developed corporate governance structure and improved corporate governance mechanism in strict compliance with laws, regulations and regulatory documents applicable in places where the shares of the Company are listed and in PRC. The general meeting, Board of Directors, Board of Supervisors and the management of the Company perform their respective duties, and have fully fulfilled their obligations and responsibilities. Compliance operation of the Company has been continuously enhanced to ensure business development in a sustainable and normative manner. Such operations include, among others, the establishment and improvement of the corresponding systems, optimization and improvement of internal organizational structure and authorization management system. Currently, the Company has formulated the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors, the Management Policy of Related Party Transactions, the Internal Control Policy, the Internal Control Evaluation Policy, the Internal Audit Policy, the Finance Management Policy, the Accounting Policy and the working rules of the committees of the Board of Directors as the foundation of compliance operation, pursuant to relevant laws and regulations, such as the Company Law, the Securities Law and regulations of the places in which the shares of the Company are listed and the Articles of Association. During the Reporting Period, the Company has strictly followed all the provisions under the CG Code, and satisfied the requirements of most of the recommended best practices set out in the CG Code.

During the Reporting Period, the company held 4 general meetings, 12 meetings of the Board of Directors, 6 meetings of the Board of Supervisors, 6 meetings of the Audit Committee of the Board of Directors, 5 meetings of the Remuneration and Nomination Committee of the Board of Directors, and 3 meetings of the Risk Control Committee of the Board of Directors. The convening, proposal, holding, voting, and resolutions of the previous general meetings, meetings of the Board of Directors meetings of the Board of Supervisors, and meetings of the special committees under the Board of Directors were all in compliance with laws and regulations, normative documents, as well as the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, and the Rules of Procedure of the Board of Supervisors. Each of the Directors and Supervisors has performed its duties and obligations with diligence and each of the independent non-executive Directors has considered the proposals and provided independent opinion with due care in accordance with the Working System for independent Directors, assuring the 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.

### II. INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANISATION, FINANCE, ETC.

Shenwan Hongyuan Group is completely separated from the controlling shareholder in terms of business, personnel, assets, organization and finance, maintaining the integrity of the organization and independence of business. The Company has independent and complete business and independent operation capabilities, including independent operation, independent accounting, independent competition in the market, and independent assumption of responsibility and risk.

- (l) Business independence: The Company’s business is independent from the controlling shareholder and other enterprises controlled by it, and there is no obviously unfair related party transaction with the controlling shareholder and other enterprises controlled by it.



## Section VIII Corporate Governance (continued)

- (II) Personnel independence: Senior management of the Company, including general manager, deputy general managers, chief financial officer, and secretary of the Board of Directors, does not hold any position in the controlling shareholder and other enterprises controlled by it, and does not receive any remuneration from the controlling shareholder and other enterprises controlled by it; also the financial personnel of the Company does not hold any concurrent positions in the controlling shareholder and other enterprises controlled by it.
- (III) Asset independence: The Company independently and completely owns the business system and relevant assets related to operation, and is independent from the controlling shareholder and other enterprises controlled by it.
- (IV) Organisation independence: The Company has established and improved its internal operation and management organisations, which independently exercise operation and management functions, and there is no confusion of organization with the controlling shareholder and other enterprises controlled by it.
- (V) Financial independence: The Company has established an independent financial accounting system which can make financial decisions independently. It has a standardized financial accounting system and a financial management system for branches and subsidiaries; the issuer does not share bank accounts with the controlling shareholder and other enterprises controlled by it.

### III. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

#### (1) Shareholders and general meetings

The general meeting shall be the authority of power of the Company, through which the shareholders shall exercise their functions. The Articles of Association and the Rules of Procedure of the General Meetings have provided for the rights and obligations of shareholders, the authority of the general meetings, the convening, voting and resolutions of the general meetings, which ensure the standard operation of the general meetings and protect the interests of shareholders, especially those of the minority shareholders.

According to Article 79 of the Articles of Association, shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general

## Section VIII Corporate Governance (continued)

meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall put forward such request to the Board of Supervisors in writing. If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the Board of Supervisors shall be deemed as failing to convene and preside over the general meeting. In that event, the shareholder(s) severally or jointly holding 10% or above shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

According to Article 84 of the Articles of Association, where the Company convenes a general meeting, the Board, the Board of Supervisors, and shareholder(s) severally or jointly holding more than 3% of the shares of the Company may make proposals to the Company. Shareholder(s) severally or jointly holding more than 3% of the shares of the Company may submit written provisional proposals to the convener 10 days before the convening of a general meeting. The convener shall serve a supplementary notice of the general meeting within two days after receipt of a provisional proposal, and announce the contents of the proposal. Otherwise, the convener shall not change the proposal set out in the notice of the general meeting or add any new proposal after the said notice announcement is served.

### (II) General meetings held during the Reporting Period

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
2019 first extraordinary general meeting	January 14, 2019	1. The Resolution Regarding the Election of a Non-independent Director (Mr. Wang Fengchao)	Approved	For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times, Shanghai Securities News as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated January 15, 2019.
		2. The Resolution Regarding the Non-public Issuance of Corporate Bonds by Shenwan Hongyuan Group Co., Ltd. (voted item by item)	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
2019 second extraordinary general meeting	February 20, 2019	1. The Resolution Regarding the Election of an Independent Director (Ms. Yang Qiumei)	Approved	For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times and Shanghai Securities News as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated February 21, 2019.
		2. The Resolution Regarding the Amendment to the Rules of the Independent Non-executive Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		3. The Resolution Regarding the Amendment to the Proceeds Management System of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		4. The Resolution Regarding the Amendment to the Management Rules of Related Party Transactions of Shenwan Hongyuan Group Co., Ltd. Applicable upon Issuance of H Shares	Approved	
		5. The Resolution Regarding the Amendment to the Management Rules of External Guarantee of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
2018 annual general meeting	March 21, 2019	1. The Resolution of Considering the 2018 Working Report of the Board of Directors of the Company	Approved	For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times and Shanghai Securities News as well as the website of Cninfo at www.cninfo.com.cn dated March 22, 2019.
		2. The Resolution of Considering the 2018 Working Report of the Board of Supervisors of the Company	Approved	
		3. The Resolution of Considering the 2018 Annual Financial Report of the Company	Approved	
		4. The Resolution of Considering the 2018 Profit Distribution Plan of the Company	Approved	
		5. The Resolution of Considering the 2018 Annual Report of the Company and the Summary Thereof	Approved	
		6. The Resolution of Considering the Plan of Granting Authorization by the General Meeting to the Board of Directors of Shenwan Hongyuan Group Co., Ltd. (2019)	Approved	
		7. The Resolution Regarding the Forecast of the Related Party Transactions in the Ordinary Course of Business in 2019	Approved	
		8. The Resolution Regarding the Conclusion of the Framework Agreement with China Jianyin Investment Ltd. (中國建銀投資有限公司) in Relation to Securities, Financial Products, Transactions and Service	Approved	
		9. The Resolution Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恆利(上海)實業有限公司)	Approved	
		10. The Resolution Regarding the Election of the Non-independent Directors (Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing)	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
2019 third extraordinary general meeting	October 25, 2019	<ol style="list-style-type: none"> <li>1. The Resolution Regarding the Appointment of Auditors of the Company for 2019</li> <li>2. The Resolution Regarding the Election of a Supervisor (Mr. Xu Yiyang)</li> </ol>	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on October 26, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on October 25, 2019.

As an A + H listed company, in order to ensure that the shareholders have the full right to know and to ensure that information disclosure is open, fair, and just, the Company has created conditions to further expand channels for communication with investors and continuously improved the quality of communication with investors. The Company has appointed the secretary of the Board of Directors and the Company secretary to be responsible for information disclosure. The securities representative and the office of the Board of Directors assist in information disclosure and maintenance of investor relations. The Company interacts and communicates with investors in a variety of forms, mainly including phone calls, emails, investor relations channel on the Company's website, the interaction platform of the SZSE, site visits, attending investor presentations and overseas road shows. Shareholders may make queries and express their views to the Board of Directors through the Company secretary and the office of the Board of Directors. Where appropriate, shareholders' inquiries and comments will be forwarded to the Board of Directors and/or the relevant special committees of the Board of Directors of the Company to address shareholders' questions, to ensure that shareholders, especially minority shareholders, can fully exercise their rights (for contact information of the Company, please refer to "II. Contact Persons and Contact Methods" in Section II in this report).

## Section VIII Corporate Governance (continued)

### IV. MEETINGS OF THE BOARD OF DIRECTORS CONVENED DURING THE REPORTING PERIOD

#### (I) In respect of Directors, Board of Directors and the management

The existing Articles of Association and the Rules of Procedure of the Board of Directors have provided for the qualification, obligations and responsibilities of directors, the authority of the Board of Directors, the convening, voting and resolutions of the meeting of the Board of Directors, etc., which ensure the standard operation of the Board of Directors.

#### 1. The composition of the Board of Directors

The Company appoints and replaces the directors strictly in accordance with the relevant regulations and the provisions of its Articles of Associations. The Board of Directors shall exercise its power and functions according to laws, ensuring that the convening, voting, resolutions of the meetings of the Board of Directors comply with the Company Law, the Articles of Association and other regulations. The Board of Directors of the Company currently comprises 11 directors, among which two are executive directors, five are non-executive directors and four are independent non-executive directors. The number of independent non-executive directors exceeds one-third of the total number of the Company's directors.

The directors shall be elected or replaced at the general meeting and their term of office shall be three years. The term of office of a director shall be calculated from the date upon which the director assumes office to the expiry of the current Board of Directors. If the term of office of a director expires but reelection is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and Articles of Association until a new director is elected. A director may serve consecutive terms if re-elected upon the expiry of his/her term. The duties of independent non-executive directors and other relevant matters shall be carried out according to the requirements of laws, administrative regulations, departmental rules and the listing rules of the place(s) where the shares of the Company are listed. Independent non-executive directors shall have independence as required under Rule 3.13 of the Hong Kong Listing Rules. As of the date of this annual report, the Company has received the written confirmation of independence from each of the independent non-executive Directors on their independence. The Company will continue to confirm their independent status, based on the aforesaid confirmation and the relevant information available to the Board of Directors.

#### 2. Duties of the Board of Directors

The Board of Directors is the decision-maker of the Company, responsible for the general meeting of shareholders, and shall discharge their duties in accordance with laws, regulations, the Articles of Association of the Company and the listing rules of the place(s) where the shares of the Company are listed. The Board of Directors is responsible for the formulation of the Company's strategies and corporate governance policies, implementation of risk management and internal control system as well as corporate financial decisions.

According to the Articles of Association of the Company, the Board shall exercise the following functions and powers: to convene general meetings and report to general meetings; to execute resolutions of general meetings; to resolve on the Company's business plans and investment plans;

## Section VIII Corporate Governance (continued)

to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to formulate the adjustment plan on profit distribution policy; to prepare plans for the increase or reduction of the registered capital of the Company, the issuance of bonds or other securities and the listing; to formulate plans for material acquisitions, purchase of shares of the Company, or merger, division, transformation and dissolution of the Company; to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, asset write-off, disposal of non-performing assets, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to resolve on the establishment of internal management organizations and branches of the Company; to appoint or dismiss the Company's general manager and the secretary to the Board; to appoint or dismiss the Company's deputy general manager, chief financial officer and other senior management members as nominated by the general manager; and determine their remunerations and rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to formulate the share incentive scheme; to prepare proposals regarding the amount and distribution method of the emoluments of directors for approval at the general meeting; to manage the disclosure of information by the Company; to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to listen to the work report of the general manager of the Company and examine the general manager's work; to review major risk management policies such as risk appetite; to exercise other functions and powers as conferred by laws, administrative regulations, departmental rules, listing rules at the place(s) where the Company's shares are listed or the Articles of Association.

According to the resolution of the annual general meeting of the Company for the year of 2015, the Company purchased liability insurance in relation to directors, supervisors and senior management for its directors, supervisors, senior management and other relevant responsible personnel to provide protection for possible compensation liability in the course of performing their duties and to promote their full performance of duties.

### 3. Major initiatives on corporate governance by the Board of Directors

In terms of corporate governance, the Board of Directors or its subordinated specific committees shall perform the following responsibilities: to formulate and review the policy and practice of corporate governance, and make proposals to the Board; to review and monitor training and continued professional development of the directors and senior management personnel; to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; and to review its compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, and the disclosure in the Corporate Governance Report as set out in Appendix 14 therein. During the Reporting Period, the major initiatives carried out by the Board of the Directors of the Company on corporate governance are as follows:

- (1) The Company amended the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors, the Management Policy of Related Party Transactions, the Internal Control Policy, the Internal Audit Policy, the Risk Management Policy, the Rules of the Independent Non-executive Directors, the Proceeds Management System, the Management Rules of External Guarantee, the Management System for Registration of Insiders, the Accountability System for Material Errors in

## Section VIII Corporate Governance (continued)

Information Disclosure in the Annual Report, the Annual Reporting System of Independent Non-executive Directors, the Regulations on Annual Reporting of the Audit Committee, the Information Disclosure Management System, the Investor Relations Management System and the working rules of the special committees of the Board of Directors, applicable upon the issuance of H shares, as the foundation of compliance operation, pursuant to relevant laws and regulations, such as the Company Law, the Securities Law and regulations of the places in which the shares of the Company are listed.

- (2) The Company provides professional training to its directors, supervisors and senior management of the Company for their performance of duties, provides them with the semi-monthly Newsletters for the Directors and Supervisors that are compiled by the Company, to improve their understanding of the securities industry and the Company's business and to facilitate its directors, supervisors and senior management of the Company for the performance of their duties.

Before the publication of this report, the Board of Directors has reviewed the Corporate Governance section herein (the corporate governance report), and the Board is of the view that this corporate governance report complies with the relevant requirements of the Hong Kong Listing Rules.

#### 4. Chairman and general manager

The chairman of the Board is Mr. Chu Xiaoming, and the general manager of the Company is Mr. Xu Zhibin. The general manager is the legal representative of the Company. The Articles of Association, the Rules of Procedure of the Board of Directors and the Working Rules of the General Manager clearly stipulate the duties of the chairman and general manager.

Functions and powers of the chairman: to preside over general meetings, convene and preside over the Board meetings; to monitor and check the implementation of the Board's resolutions; to sign securities issued by the Company as required by the securities regulatory authorities at the place(s) where the shares of the Company are listed and by the stock exchanges; to exercise other functions and powers conferred by the Board.

The general manager shall be accountable to the Board and exercise the following functions and powers: to manage the daily business operations of the Company, organize and implement the Board's resolutions, and report to the Board; to organize and implement the Company's annual business plans and investment plans; to prepare the plan for the establishment of internal management of the Company; to prepare the plan of the basic management system of the Company; to formulate the Company's specific rules; to recommend the appointment or dismissal of deputy general manager, chief financial officer; to decide to appoint or dismiss executives other than those appointed or dismissed by the Board; to exercise other functions and powers conferred in the Articles of Association or by the Board.



## Section VIII Corporate Governance (continued)

### 5. The meetings of the Board of Directors during the Reporting Period

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 37th meeting of the fourth session of the Board of Directors	January 10, 2019	1. The Resolution Regarding the Nomination of Candidates for Independent Directors	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on January 11, 2019.
		2. The Resolution Regarding the Increase in Members of the Remuneration and Nomination Committee of the Board of Directors	Approved	
		3. The Resolution Regarding the Appointment of Joint Company Secretaries	Approved	
		4. The Resolution Regarding the Amendment to the Rules of the Independent Non-executive Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		5. The Resolution Regarding the Amendment to the Proceeds Management System of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		6. The Resolution Regarding the Amendment to the Management Rules of Related Party Transactions of Shenwan Hongyuan Group Co., Ltd. Applicable upon Issuance of H Shares	Approved	
		7. The Resolution Regarding the Amendment to the Management Rules of External Guarantee of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		8. The Resolution Regarding the Amendment to the Working Rules of the Remuneration and Nomination Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
		9. The Resolution Regarding the Amendment to the Working Rules of the Audit Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		10. The Resolution Regarding the Amendment to the Working Rules of the Risk Control Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		11. The Resolution Regarding the Amendment to the Management System for Registration of Insiders of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		12. The Resolution Regarding the Amendment to the Information Disclosure Management System of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		13. The Resolution Regarding the Amendment to the Accountability System for Material Errors in Information Disclosure in the Annual Report of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		14. The Resolution Regarding the Amendment to the Annual Reporting System of Independent Non-executive Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
		15. The Resolution Regarding the Amendment to the Regulations on Annual Reporting of the Audit Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		16. The Resolution Regarding the Amendment to the Investor Relations Management System of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		17. The Resolution Regarding the Amendment to the Internal Control Policy of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		18. The Resolution Regarding the Amendment to the Risk Management Policy of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		19. The Resolution Regarding Consideration of the Working Rules of the General Manager of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		20. The Resolution Regarding Consideration of the 2018 Work Plan on Internal Control Evaluation of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares	Approved	
		21. The Resolution Regarding Consideration of the Remuneration Settlement Plan for Senior Management of Shenwan Hongyuan for 2017	Approved	
		22. The Resolution Regarding Authorisation to Convene the 2019 Second Extraordinary General Meeting	Approved	

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 38th meeting of the fourth session of the Board of Directors	February 26, 2019	<ol style="list-style-type: none"> <li>1. The Working Report of the Board of Directors</li> <li>2. The Working Report of the General Manager</li> <li>3. The 2018 Annual Financial Report of the Company</li> <li>4. The 2018 Profit Distribution Proposal of the Company</li> <li>5. The 2018 Annual Report of the Company and the Summary Thereof</li> <li>6. The 2018 Internal Control Evaluation Report of the Company</li> <li>7. The 2018 Social Responsibility Report of the Company</li> <li>8. The 2018 Special Report on the Deposit and Use of Proceeds of the Company</li> <li>9. The Plan of Granting Authorization by the General Meeting to the Board of Directors (2019)</li> <li>10. The Plan of Granting Authorization by the Board of Directors to the General Manager (2019)</li> <li>11. The Resolution Regarding the Forecast of the Related Party Transactions in the Ordinary Course of Business in 2019</li> <li>12. The Resolution Regarding the Conclusion of the Framework Agreement with China Jianyin Investment Ltd. (中國建銀投資有限責任公司) in Relation to Securities, Financial Products, Transactions and Service</li> <li>13. The Resolution Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恆利(上海)實業有限公司)</li> </ol>	Approved Approved Approved Approved Approved Approved Approved Approved Approved Approved Approved Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on February 28, 2019.

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
		14. The Resolution Regarding the Nomination of Candidates for Non-independent Directors	Approved	
		15. The Resolution Regarding the Time, Venue and Topics of the 2018 Annual General Meeting	Approved	
The 39th meeting of the fourth session of the Board of Directors	March 29, 2019	1. The Resolution Regarding the Determination of the Global Offer of H Shares (Hong Kong Public Offering and International Offering) and Listing on the Hong Kong Stock Exchange 2. The Resolution Regarding the Election of the Vice Chairman 3. The Resolution Regarding the Consideration of the 2019 Business Plan of the Company	Approved Approved Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on March 30, 2019.
The 40th meeting of the fourth session of the Board of Directors	April 29, 2019	The Resolution Regarding the Consideration of the 2019 First Quarterly Report of the Company	Approved	For details, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on April 30, 2019.

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 41st meeting of the fourth session of the Board of Directors	June 10, 2019	<ol style="list-style-type: none"> <li>The Resolution Regarding the Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.</li> <li>The Resolution Regarding Mr. Chen Liang's Cessation to Serve as the General Manager of the Company</li> </ol>	<p>Approved</p> <p>Approved</p>	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on June 11, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on June 10, 2019.
The 42nd meeting of the fourth session of the Board of Directors	July 23, 2019	The 2018 Environmental, Social and Governance Report of Shenwan Hongyuan Group Co., Ltd.	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcement disclosed by the Company on the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on July 23, 2019.
The 43rd meeting of the fourth session of the Board of Directors	August 20, 2019	<ol style="list-style-type: none"> <li>The Resolution Regarding the Appointment of Auditors of the Company for 2019</li> <li>The Resolution Regarding the Authorisation to Convene the 2019 Third Extraordinary General Meeting of the Company</li> </ol>	<p>Approved</p> <p>Approved</p>	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on August 21, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on August 20, 2019.

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 44th meeting of the fourth session of the Board of Directors	August 30, 2019	<ol style="list-style-type: none"> <li>1. The 2019 Interim Report of the Company</li> <li>2. The Special Report on the Deposit and Use of Proceeds of the Company for the First Half of 2019</li> </ol>	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on August 31, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on August 30, 2019.
The 45th meeting of the fourth session of the Board of Directors	September 20, 2019	The Resolution Regarding the Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on September 21, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on September 20, 2019.

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 46th meeting of the fourth session of the Board of Directors	October 30, 2019	The 2019 Third Quarterly Report of the Company	Approved	For details, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on October 31, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on October 30, 2019.
The 47th meeting of the fourth session of the Board of Directors	November 29, 2019	<ol style="list-style-type: none"> <li>1. Consideration of the Resolution Regarding the Appointment of the General Manager of the Company</li> <li>2. Consideration of the Resolution Regarding the Nomination of Candidates for Directors of the Company</li> </ol>	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on November 30, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on November 29, 2019.



## Section VIII Corporate Governance (continued)

<b>Session of meeting</b>	<b>Convening date</b>	<b>Titles of resolutions of the meeting</b>	<b>Status of resolutions</b>	<b>Disclosure date and disclosure index</b>
The 48th meeting of the fourth session of the Board of Directors	December 30, 2019	Consideration of the Resolution Regarding the Remuneration Settlement Plan for Senior Management of Shenwan Hongyuan for 2018	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on December 31, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on December 30, 2019.

## Section VIII Corporate Governance (continued)

### V. MEETINGS OF THE BOARD OF SUPERVISORS CONVENED DURING THE REPORTING PERIOD

#### 1. In respect of supervisors and the Board of Supervisors

The Articles of Association and the Rules of Procedure of the Board of Supervisors have provided provisions regarding the composition, authority, the convening of the meeting, notice of meeting and minutes of the Board of Supervisors, etc., which ensure the standard operation of the Board of Supervisors.

#### 2. The meetings of the Board of Supervisors held during the Reporting Period

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 25th meeting of the fourth session of the Board of Supervisors	February 26, 2019	<ol style="list-style-type: none"><li>1. The 2018 Annual Financial Report of Shenwan Hongyuan Group Co., Ltd.</li><li>2. The 2018 Profit Distribution Proposal of Shenwan Hongyuan Group Co., Ltd.</li><li>3. The 2018 Annual Report of Shenwan Hongyuan Group Co., Ltd. and the Summary Thereof</li><li>4. The 2018 Internal Control Evaluation Report of Shenwan Hongyuan Group Co., Ltd.</li><li>5. The 2018 Working Report of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd.</li></ol>	Approved Approved Approved Approved Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcement disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on February 28, 2019.
The 26th meeting of the fourth session of the Board of Supervisors	April 29, 2019	The 2019 First Quarterly Report of Shenwan Hongyuan Group Co., Ltd.	Approved	Announcements of resolution were exempt from disclosure.

## Section VIII Corporate Governance (continued)

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
The 27th meeting of the fourth session of the Board of Supervisors	August 12, 2019	The Resolution Regarding the Nomination of Candidates for Supervisors of the Company	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcement disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on August 13, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on August 12, 2019.
The 28th meeting of the fourth session of the Board of Supervisors	August 30, 2019	The Resolution Regarding Consideration of the 2019 Interim Report of Shenwan Hongyuan Group Co., Ltd. and the Summary Thereof	Approved	Announcements of resolution were exempt from disclosure.

## Section VIII Corporate Governance (continued)

<b>Session of meeting</b>	<b>Convening date</b>	<b>Titles of resolutions of the meeting</b>	<b>Status of resolutions</b>	<b>Disclosure date and disclosure index</b>
The 29th meeting of the fourth session of the Board of Supervisors	October 25, 2019	<ol style="list-style-type: none"> <li>1. The Resolution Regarding the Election of the Chairman of the Board of Supervisors;</li> <li>2. The Resolution Regarding the Election of the Chairman of the Performance Supervision and Inspection Committee under the Board of Supervisors</li> </ol>	Approved	For details of the resolutions considered at the meeting, please refer to the relevant announcement disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on October 26, 2019 and the website of the Stock Exchange of Hong Kong Limited at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on October 25, 2019.
The 30th meeting of the fourth session of the Board of Supervisors	October 30, 2019	The 2019 Third Quarterly Report of Shenwan Hongyuan Group Co., Ltd.	Approved	Announcements of resolution were exempt from disclosure.

## VI. PERFORMANCE OF DUTIES BY THE BOARD OF DIRECTORS AND DIRECTORS

## (I) Composition of the Board of Directors

In accordance with the Articles of Association, as of the end of the Reporting Period, the Board of Directors of the Company comprises 11 directors, including two executive directors, five non-executive directors and four independent non-executive directors, of which Mr. Chu Xiaoming was the chairman and Mr. Yang Wenqing was the vice chairman. Details are as follows:

Executive directors: Mr. Chu Xiaoming and Mr. Yang Wenqing;

Non-executive directors: Mr. Chen Jianmin, Mr. Wang Honggang, Mr. Wang Fengchao, Ms. Ge Rongrong and Mr. Ren Xiaotao;

Independent non-executive directors: Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei.

## (II) Directors' attendance of the meetings of the Board of Directors and general meetings

Name of Director	Position	Number of meetings of the Board of Directors attended this year	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by proxy	Number of absence	Voting results	Number of on-site general meetings attended
Chu Xiaoming	Chairman, executive director	12	12	0	0	Approved	4
Yang Wenqing	Vice chairman, executive director	10	10	0	0	Approved	1
Feng Rong	Vice chairman, executive director (resigned)	2	2	0	0	Approved	2
Chen Liang	Executive director, general manager (resigned)	4	4	0	0	Approved	3
Qu Yanping	Non-executive director (resigned)	2	2	0	0	Approved	1
Chen Jianmin	Non-executive director	12	12	0	0	Approved	3
Wang Honggang	Non-executive director	12	12	0	0	Approved	2

## Section VIII Corporate Governance (continued)

Name of Director	Position	Number of meetings of the Board of Directors attended this year	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by proxy	Number of absence	Voting results	Number of on-site general meetings attended
Wang Fengchao	Non-executive director	11	11	0	0	Approved	0
Ge Rongrong	Non-executive director	10	10	0	0	Approved	1
Ren Xiaotao	Non-executive director	10	10	0	0	Approved	1
Ye Mei	Independent non-executive director	12	12	0	0	Approved	0
Xie Rong	Independent non-executive director	12	12	0	0	Approved	1
Huang Danhan	Independent non-executive director	12	12	0	0	Approved	2
Yang Qiumei	Independent non-executive director	11	11	0	0	Approved	1

### (III) Performance of duties by independent non-executive directors

#### 1. Positions of independent non-executive directors in 2019

During the Reporting Period, the Board of Directors of the Company comprises four independent non-executive directors, i.e. Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei.

#### 2. Expression of independent opinions by independent non-executive directors

During the Reporting Period, the independent non-executive Directors abided by the relevant national laws, regulations and relevant provisions of the Articles of Association, and earnestly attended every meeting of the Board of Directors. They voted independently on all resolutions considered by the Board of Directors, and carefully discussed and raised independent opinions on relevant resolutions in accordance with regulatory requirements and the Independent Director System of the Company.

#### 3. Objections raised by independent non-executive directors on relevant matters of the Company

During the Reporting Period, the independent non-executive directors did not raise any objections on the resolutions of the meetings of the Board of Directors in the year and other resolutions of the Company.

## VII. TRAINING OF DIRECTORS

The Company attaches great importance to continuous training of directors, to ensure understanding of the Company's business operations and development by directors, and their comprehensive understanding of the applicable laws, decrees and regulations of the place where the shares of the Company are listed. During the Reporting Period, in addition to attending training organized by the regulatory bodies periodically, the Company's directors were also proactively involved in seminars and symposiums of trade associations and other self-regulatory organizations, which enabled the exchange of experience within the same industry to promote the capacity of fulfilling their duties. The Company prepares the Newsletters for Directors and Supervisors on a semi-monthly basis, assists directors in getting comprehensive knowledge of the latest regulatory regulations, industry development trends, and operations of the Company, and creates conditions and provide guarantee for the performance of duties by directors.

The details of directors' training in 2019 are as follows:

<b>Name</b>	<b>Position</b>	<b>Training method and content</b>
Chu Xiaoming	Chairman, executive director	On January 10, 2019, he attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company; On June 17, 2019, he attended the training on the standard operation, information disclosure and compliance after the listing in Hong Kong organised by the Company; From October 27 to November 15, 2019, he attended the 2019 follow-up vocational training for securities practitioners of Securities Association of China.
Yang Wenqing	Vice chairman, executive director	On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company; On June 17, 2019, he attended the training on the standard operation, information disclosure and compliance after the listing in Hong Kong organised by the Company; From October 27 to November 15, 2019, he attended the 2019 follow-up vocational training for securities practitioners of Securities Association of China.
Chen Jianmin	Non-executive director	On January 10, 2019, he attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company; From October 27 to November 15, 2019, he attended the 2019 follow-up vocational training for securities practitioners of Securities Association of China.

## Section VIII Corporate Governance (continued)

Name	Position	Training method and content
Wang Honggang	Non-executive director	On January 10, 2019, he attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company;
Wang Fengchao	Non-executive director	On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company;
Ge Rongrong	Non-executive director	From April 16 to 18, 2019, she attended the 33rd session of training of dispatched directors and supervisors organised by Central Huijin; On April 19, 2019, she attended the training on compliance for listing in Hong Kong organised by the Company; On June 17, 2019, she attended the training on the standard operation, information disclosure and compliance after the listing in Hong Kong organised by the Company; From November 11 to 15, 2019, she attended the 35th session of training of dispatched directors and supervisors organised by Central Huijin.
Ren Xiaotao	Non-executive director	From April 16 to 18, 2019, he attended the 33rd session of training of dispatched directors and supervisors organised by Central Huijin; On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company; On June 17, 2019, he attended the training on the standard operation, information disclosure and compliance after the listing in Hong Kong organised by the Company; From August 24 to September 6, 2019, he attended the 34th session of training of dispatched directors and supervisors organised by Central Huijin; From November 7 to 8, 2019, he attended the training of new directors organised by Central Huijin; From November 11 to 15, 2019, he attended the 35th session of training of dispatched directors and supervisors organised by Central Huijin.
Ye Mei	Independent non-executive director	On January 10, 2019, she attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, she attended the training on compliance for listing in Hong Kong organised by the Company; On June 17, 2019, she attended the training on the standard operation, information disclosure and compliance after the listing in Hong Kong organised by the Company;



## Section VIII Corporate Governance (continued)

Name	Position	Training method and content
Xie Rong	Independent non-executive director	On January 10, 2019, he attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, he attended the training on compliance for listing in Hong Kong organised by the Company; From May 7 to 9, 2019, he attended the 2019 second session of follow-up training for independent directors of listed companies organised by the Shanghai Stock Exchange.
Huang Danhan	Independent non-executive director	On January 10, 2019, she attended the training on the responsibilities of directors, supervisors and senior management of companies listed in Hong Kong and company compliance organised by the Company; On April 19, 2019, she attended the training on compliance for listing in Hong Kong organised by the Company;
Yang Qiumei	Independent non-executive director	On April 19, 2019, she attended the training on compliance for listing in Hong Kong organised by the Company; From July 24 to 26, 2019, he attended the 105th training course for independent directors of listed companies (first training) organised by the ChiNext Training Center of the Shenzhen Stock Exchange.

### VIII. PERFORMANCE OF DUTIES BY THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

- (l) The Company has established four special committees of the Board of Directors, namely the Strategy Committee of the Board of Directors, the Remuneration and Nomination Committee of the Board of Directors, the Audit Committee of the Board of Directors and the Risk Control Committee of the Board of Directors in accordance with relevant PRC laws, regulations, the Articles of Association and corporate governance requirements in the Hong Kong Listing Rules. The special committees are accountable to the Board of Directors and carry out their works with the authorization of the Board of Directors. The clear division of power and responsibility of the special committees guarantees effective operation and makes the decision division of the Board of Directors more refined. The special committees of the Board of Directors provide opinions and suggestions on the decision-making of the Board of Directors and play a good role in the Company's major decision-making. As of the end of the Reporting Period, the details of the composition of each special committee of the Board of Directors are in "II. Composition of the Special Committees under the Board of Directors during the Reporting Period" as set out in Section VII "Particulars of Directors, Supervisors, Senior Management and Employees" of this report.
1. The main responsibilities of the Strategy Committee are as follows: Understanding, analyzing and mastering the current status regarding domestic and international industries and relevant policies of the state, understanding and mastering the overall situation of the Company's operation and management; studying the Company's short-term, medium-term and long-term development strategies, providing advice on major decisions such as major investment and financing, mergers and acquisitions, and discussing relevant matters on a regular or an irregular basis; reviewing the Company's development strategy plans, and proposing suggestions to the Board of Directors; reviewing the matters in relation to

## Section VIII Corporate Governance (continued)

specific development plans as needed, and proposing suggestions to the Board of Directors; reviewing and evaluating the soundness of the governance structure of the Company, and reporting to the Board of Directors; Other duties as provided in the Articles of Association and other matters authorized by the Board of Directors.

2. The main responsibilities of the Remuneration and Nomination Committee are as follows: to review the structure of the Board, number of directors and composition of the Board (including skills, knowledge and experience) at least once a year, and make recommendations on any proposed changes to the Board to complement the corporate strategy; to review and put forward opinions on the criteria and procedures for selection of directors and senior management personnel; find candidates with appropriate qualifications for directors and senior management personnel; review and make recommendations on the qualification and conditions of candidates for directors and senior management personnel; formulate and, where appropriate, review policies on the diversity of Board members, and disclose the relevant policies or policy summaries in the annual report every year; to review and put forward opinions on the assessment and remuneration management system for directors and senior management personnel, and make recommendations to the Board on the establishment of formal and transparent procedures to formulate such remuneration policies; to assess the independence of independent non-executive directors; to make recommendations to the Board on the appointment or reappointment of directors and succession plans for directors (especially the chairman and general manager); to review, assess and make suggestions on the duty performance of directors and senior management personnel of the Company; to review the remuneration proposals of the management according to the corporate policies and objectives set by the Board; to make recommendations to the Board on the personal remuneration packages of executive directors and senior management personnel, including benefits in kind, pension rights and compensation payment (including compensation payable for loss or termination of their office or appointment); to make recommendations to the Board on the remuneration of non-executive directors; to consider remuneration paid by comparable companies, time commitment and responsibilities and the employment conditions for other positions in the group; to consider the compensation payable to executive directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the terms of the contracts; if it fails to comply with the terms of the contract, the compensation shall also be fair and reasonable and not excessive; to consider the compensation arrangements involved in the dismissal or removal of directors due to their misconduct to ensure consistency with the terms of the contract; if it fails to comply with the terms of the contract, the relevant compensation shall also be reasonable and appropriate; to ensure that no director or any of his/her associates shall participate in determining his/her own remuneration; and other duties stipulated in the Articles of Association and other matters authorized by the Board.
3. The main responsibilities of the Audit Committee are as follows: proposing on the appointment or change of the external auditor, making recommendations on the remuneration and terms of engagement of the external auditor, and supervising the practice of the external auditor; reviewing the financial information and its disclosure of the Company; reviewing the Company's annual audit work. Coordinating the communication between internal audit and external audit, and making judgments on the authenticity, accuracy and completeness of the financial report information after the annual audit, and submitting it to the Board of Directors for deliberation; reviewing the completeness and effectiveness of the Company's accounting system, audit system, capital management system

## Section VIII Corporate Governance (continued)

and financial control system, supervising the implementation of the Company's relevant systems; ensuring that the internal audit function is sufficiently resourced within the Company and has appropriate standing, and reviewing and monitoring its effectiveness; reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the auditing procedures in accordance with applicable standards; before the commencement of any audit work, the Audit Committee shall discuss with the external auditor about the nature and scope of audit and the related reporting obligations; formulating and implementing policy on the provision of non-audit services by the external auditor. The Audit Committee shall report such actions or improvements as it deems necessary to the Board of Directors and make recommendations; monitoring the completeness of the Company's financial statements as well as annual reports and accounts, interim reports and quarterly reports, and reviewing significant financial reporting opinions contained therein. Reviewing the issuer's financial control and internal control systems; having the right to fully discuss the issues related to the Company's financial conditions and internal control content at the meeting of the Board of Directors, and having the right to request the Company's management to explain, respond to, and accept enquiries on relevant issues, and making recommendations to the Board of Directors on such basis to ensure that management has fulfilled its responsibility to establish and maintain an effective internal control system. The discussion shall include the Company's adequacy of resources, staff qualifications and experience, training programmes received by employees and relevant budget in accounting and financial reporting functions; considering significant investigation findings and the respective management responses on internal control matters as delegated by the Board of Directors or on its own initiatives; reviewing the group's financial and accounting policies and practices; reviewing the external auditor's management letter, any material queries raised by the external auditor to management in respect of accounting records, financial accounts and control systems and management's responses; ensuring that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter; other duties as provided in the Articles of Association and other matters authorized by the Board of Directors; reporting the abovementioned matters to the Board of Directors; studying other topics defined by the Board of Directors.

4. The main responsibilities of the Risk Control Committee are as follows: to review and make suggestions on the overall goals and basic policies for risk management of the Company; to review and make suggestions on the organization design and duties of risk management; to evaluate and make suggestions on the risks of important decisions and solutions to significant risks which require review by the Board; to formulate the significant risk limits centering on internal process controls, and to monitor, review and make suggestions to the Board on the internal control systems under the overall risk management; to be delegated by the Board to review the effectiveness of risk management and internal monitoring systems of the Company and its subsidiaries at least once a year, and to report to shareholders that it has completed the review in the Corporate Governance Report. The review shall cover all important monitoring aspects including the financial monitoring, operation monitoring and compliance monitoring, which shall specifically include the followings: (a) the changes in the nature and extent of significant risks, and the ability of the Company to respond to changes in its business and external environment since the review of last year; (b) the scope and quality of management's ongoing monitoring of risks and of internal control system, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board (or Board committees) which enables it to assess the monitoring of the Company and the effectiveness of risk management; (d) significant monitoring failings or weaknesses that have

## Section VIII Corporate Governance (continued)

been identified during the period. and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; (e) the effectiveness of the Company's procedures for financial reporting and compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; to perform other duties as required by the Articles of Associations and other matters as authorized by the Board.

### (II) Convened meetings of the special committees

#### 1. Audit Committee of the Board of Directors

No.	Date	Title of meeting	Content of meeting
1	January 10, 2019	2019 first meeting of the Audit Committee of the Board of Directors	<ol style="list-style-type: none"><li>1. Consideration of the 2018 Work Plan on Internal Control Evaluation of the Company;</li><li>2. Consideration of the Resolution Regarding the Amendment to the Working Rules of the Audit Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares</li></ol>
2	January 22, 2019	2019 second meeting of the Audit Committee of the Board of Directors and the first meeting between independent directors and certified public accountants responsible for annual audit	<ol style="list-style-type: none"><li>(I) Audit Committee:<ol style="list-style-type: none"><li>1. Reviewed the 2018 unaudited financial statements of the Company;</li><li>2. Reviewed the audit schedule for annual financial report;</li><li>3. Reviewed the 2018 Report on Performance of Duties by the Audit Committee of the Board of Directors;</li><li>4. Communicated with the accountants responsible for annual audit.</li></ol></li><li>(II) Meeting between independent directors and certified public accountants responsible for annual audit:<ol style="list-style-type: none"><li>1. Heard the report of the management of the Company on the work of the Company in 2018;</li><li>2. Heard the report on the financial position and operating results of the Company for the year;</li><li>3. Heard the annual audit work arrangement and communicated with the certified public accountants responsible for annual audit on the audit focuses.</li></ol></li></ol>

## Section VIII Corporate Governance (continued)

No.	Date	Title of meeting	Content of meeting
3	February 20, 2019	2019 third meeting of the Audit Committee of the Board of Directors and the meeting between independent directors and certified public accountants responsible for annual audit	(I) Audit Committee: <ol style="list-style-type: none"> <li>1. Considered the 2018 Financial Statements of the Company;</li> <li>2. Considered the 2018 Special Report on the Deposit and Use of Proceeds of the Company;</li> <li>3. Considered the 2018 Internal Control Evaluation Report of the Company.</li> </ol> (II) Meeting between independent directors and certified public accountants responsible for annual audit: <ol style="list-style-type: none"> <li>1. Examined the procedures for convening the meetings of the Board of Directors, necessary documents, and adequacy of the materials and information required to make reasonable and accurate judgments;</li> <li>2. Communicated with the certified public accountants responsible for annual audit on the audit focuses.</li> </ol>
4	April 22, 2019	2019 fourth meeting of the Audit Committee of the Board of Directors	Considered the 2019 First Quarterly Financial Statements of the Company;
5	August 13, 2019	2019 fifth meeting of the Audit Committee of the Board of Directors	<ol style="list-style-type: none"> <li>1. Considered the 2019 Interim Financial Statements of the Company;</li> <li>2. Considered the Special Report on the Deposit and Use of Proceeds of the Company for the First Half of 2019;</li> <li>3. Considered the Resolution Regarding the Appointment of Auditors of the Company for 2019;</li> <li>4. Attended the meeting of the Risk Control Committee of the Board of Directors and heard the report of the Company on risk management.</li> </ol>
6	October 23, 2019	2019 sixth meeting of the Audit Committee of the Board of Directors	Considered the 2019 Third Quarterly Financial Report of the Company

## Section VIII Corporate Governance (continued)

### 2. Remuneration and Nomination Committee of the Board of Directors

No.	Date	Title of meeting	Content of meeting
1	January 10, 2019	2019 first meeting of the Remuneration and Nomination Committee of the Board of Directors	Considered the Resolution Regarding the Consideration of the Qualifications of the Candidates for Independent directors of the Company
2	February 20, 2019	2019 second meeting of the Remuneration and Nomination Committee of the Board of Directors	<ol style="list-style-type: none"> <li>1. Considered the Resolution Regarding the Consideration of the Qualifications of the Candidates for Non-independent Directors of the Company;</li> <li>2. Reviewed the 2018 Report on Performance of Duties by the Remuneration and Nomination Committee of the Board of Directors;</li> </ol>
3	February 26, 2019	2019 third meeting of the Remuneration and Nomination Committee of the Board of Directors	Considered the Resolution Regarding the Consideration of the Qualifications of the Candidates for Non-independent Directors of the Company
4	November 22, 2019	2019 fourth meeting of the Remuneration and Nomination Committee of the Board of Directors	<ol style="list-style-type: none"> <li>1. Considered the Resolution Regarding the Consideration of the Qualifications of Senior Management of the Company;</li> <li>2. Considered the Resolution Regarding the Consideration of the Qualifications of the Candidates for Non-independent Directors of the Company.</li> </ol>
5	December 24, 2019	2019 fifth meeting of the Remuneration and Nomination Committee of the Board of Directors	Considered the Resolution Regarding the Remuneration Settlement Plan for Senior Management of Shenwan Hongyuan for 2018

### 3. Risk Control Committee of the Board of Directors

No.	Date	Title of meeting	Content of meeting
1	January 10, 2019	2019 first meeting of the Risk Control Committee of the Board of Directors	Considered the Resolution Regarding the Amendment to the Working Rules of the Risk Control Committee of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares.
2	February 20, 2019	2019 second meeting of the Risk Control Committee of the Board of Directors	<ol style="list-style-type: none"> <li>1. Heard the Report on Risks of Shenwan Hongyuan Group Co., Ltd. for 2018</li> <li>2. Reviewed the 2018 Report on Performance of Duties by the Risk Control Committee of the Board of Directors.</li> </ol>

## Section VIII Corporate Governance (continued)

No.	Date	Title of meeting	Content of meeting
3	August 13, 2019	2019 third meeting of the Risk Control Committee of the Board of Directors	Heard the Report on Risks of Shenwan Hongyuan Group Co., Ltd. for the First Half of 2019.

### (III) Attendance of special committees of the Board of Directors

#### 1. Audit Committee of the Board of Directors

Name of member	Position	Attendance/Numbers of meeting shall be present
Xie Rong	Independent non-executive Director Chairman of the Audit Committee	6/6
Ye Mei	Independent non-executive Director Member of the Audit Committee	6/6
Huang Danhan	Independent non-executive Director Member of the Audit Committee	6/6
Wang Honggang	Non-executive Director Member of the Audit Committee	6/6

#### 2. Remuneration and Nomination Committee of the Board of Directors

Name of member	Position	Attendance/Numbers of meeting shall be present
Ye Mei	Independent non-executive Director Chairman of the Remuneration and Nomination Committee	5/5
Chu Xiaoming	Executive Director Member of the Remuneration and Nomination Committee	5/5
Xie Rong	Independent non-executive Director Member of the Remuneration and Nomination Committee	5/5
Yang Qiumei	Independent non-executive Director Member of the Remuneration and Nomination Committee	3/3
Qu Yanping (former member)	Non-executive Director Member of the Remuneration and Nomination Committee	3/3

## Section VIII Corporate Governance (continued)

### 3. Risk Control Committee of the Board of Directors

<b>Name of member</b>	<b>Position</b>	<b>Attendance/Numbers of meeting shall be present</b>
Chen Jianmin	Non-executive Director Chairman of the Risk Control Committee	3/3
Qu Yanping (former member)	Non-executive Director Member of the Risk Control Committee	2/2
Huang Danhan	Independent non-executive Director Member of the Risk Control Committee	3/3
Wang Honggang	Non-executive Director Member of the Risk Control Committee	3/3

## IX. BOARD DIVERSITY POLICY

To satisfy and implement the requirements regarding board diversity set out in the Hong Kong Listing Rules and to ensure a more scientific and reasonable composition of the Board of Directors, the Company has formulated the Board Diversity Policy of Shenwan Hongyuan Group Co., Ltd. covering purpose, scope of application, policies and principles, measurable objectives, management responsibilities, etc. which has been published on the website of the Company. The Company recognises the importance of diversity of the Board to corporate governance and the effectiveness of the Board of Directors. To realise a sustainable and balanced development, the Company believes that a diversified Board enables the Company to reach its strategic goals and promote sustainable development. When deciding the Board member composition, the Company takes several elements into the consideration, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge and service tenure. The Board of Directors sticks to the principle of meritocracy for all appointments and focuses on assessing what skills, experience and diverse opinions and perspectives a candidate can bring to the Board of Directors, and what contributions they can made to the Board of Directors, etc. The final decision will be made on the merits of the candidates and the contribution brought to the Board of Directors. The Company confirms that the composition of the Board of Directors satisfies the requirements regarding board diversity set out in the Hong Kong Listing Rules as well as the policy on board diversity formulated by the Company.

## X. DIRECTORS NOMINATION POLICY AND NOMINATION PROCEDURES

According to Article 121 of the Articles of Association, election of directors and supervisors shall meet the following requirements:

- (I) the list of candidates for director and supervisor shall be proposed to the general meeting for voting.
- (II) shareholder(s) individually or in aggregate holding 3% or more of the total shares of the Company may nominate the candidates for directors to a general meeting, as well as the candidates for supervisors to be elected by a general meeting; employee representative supervisors shall be elected by an employees' representative assembly.



## Section VIII Corporate Governance (continued)

- (III) before a general meeting is held, the Board shall disclose the detailed information about the director and supervisor candidate(s) by announcement.
- (IV) persons who intend to nominate an independent non-executive director shall obtain the consent of the intended nominee therefor prior to his/her nomination. The nominator shall have full knowledge of the nominee's general information such as profession, educational background, professional title, detailed working experience and all other posts he or she concurrently holds, and give opinion on the nominee's qualifications and the independence required as an independent non-executive director. The nominee as an independent non-executive director candidate shall make a public statement that he/she has no relationship with the Company that may affect his/her independent objective judgment. The Board of Directors of the Company shall make public the abovementioned content regarding the candidate for independent non-executive director prior to the general meeting at which the independent non-executive director is elected.
- (V) when voting on the election of directors and supervisors at a general meeting, cumulative voting system in accordance with requirements of these Articles of Association or resolutions of general meeting may be adopted. Cumulative voting system shall be adopted where the shareholding ratio of the controlling shareholder of the Company is 30% or more and the general meeting votes on the election of more than two directors or supervisors (not being employee representative supervisor). The cumulative voting means that every share shall, on the occasion of electing directors or supervisors at the general meeting, have the same voting rights with the number of the candidate directors or supervisors and the voting rights possessed by the shareholders may be exercised uniformly.
- (VI) if the proposal with respect to election of directors or supervisors is approved at the general meeting, unless otherwise resolved by the general meeting, the term of office of a new director or supervisor shall commence on the date on which resolutions of the general meeting are approved (where the qualification for office of such new director or supervisor is not approved by the relevant securities regulatory authorities, his or her term of office shall commence no earlier than the time when he or she is qualified).

According to Article 15 of the Working Rules of the Remuneration and Nomination Committee of the Board of Directors, when the Remuneration and Nomination Committee studies the selection of directors, general managers and other senior management personnel, the procedures are as follows:

- (I) the Remuneration and Nomination Committee actively communicates with relevant departments of the Company to study the Company's demand for new directors, general managers and other senior management personnel, and forms written materials thereof;
- (II) the Remuneration and Nomination Committee may extensively search for candidates for directors, general managers and other senior management personnel within the Company and through channels such as talent markets.
- (III) the Remuneration and Nomination Committee shall gather information about the occupation, academic qualifications, post titles, detailed working experience and all the concurrent posts of the initially selected candidate and present such information in writing;

## Section VIII Corporate Governance (continued)

- (IV) the Remuneration and Nomination Committee shall seek for the consent of the nominee for his/her nomination. Otherwise, the nominee may not be nominated as a candidate for director, general manager or other senior management personnel;
- (V) the Remuneration and Nomination Committee shall convene a meeting to review the qualification of the candidate at an initial screening based on the appointment criteria for directors, general managers or other senior management personnel;
- (VI) the Remuneration and Nomination Committee shall provide suggestions and relevant information to the Board on candidates for directors, new general managers and other senior management personnel within one (1) to two (2) months before the election of new directors and the appointment of new general managers and other senior management personnel;
- (VII) the Remuneration and Nomination Committee shall carry out other follow-up works according to the decision and opinions of the Board.

## XI. WORK OF THE BOARD OF SUPERVISORS

### (I) Supervisors' attendance of the meetings of the Board of Supervisors

Name	Position	Number of meetings of the Board of Supervisors to be attended this year	Number of meetings of the Board of Supervisors attended in person	Number of meetings of the Board of Supervisors attended by proxy	Number of absence	Voting results
Xu Yiyang	Chairman of the Board of Supervisors	2	2	0	0	Approved
Yang Yucheng	Chairman of the Board of Supervisors (former)	2	2	0	0	Approved
Wen Feng	Supervisor	6	5	1	0	Approved
Gong Bo	Supervisor	6	6	0	0	Approved
Wei Yong	Supervisor	6	6	0	0	Approved
Huang Qi	Employee Representative Supervisor	6	6	0	0	Approved
Wang Yanyang	Employee Representative Supervisor	6	6	0	0	Approved
Xie Kun	Employee Representative Supervisor	6	6	0	0	Approved
An Gejun	Employee Representative Supervisor	6	5	1	0	Approved

## Section VIII Corporate Governance (continued)

### (II) Existing risks of the Company identified by the Board of Supervisors during the Reporting Period

The Board of Supervisors did not raise any objections to supervision matters during the Reporting Period.

## XII. COMPLIANCE SYSTEM CONSTRUCTION OF THE COMPANY AND INSPECTION AND AUDIT BY COMPLIANCE AND AUDITING DEPARTMENTS DURING THE REPORTING PERIOD

The Company and Shenwan Hongyuan Securities attach great importance to the construction and improvement of the compliance management system, and continue to improve the compliance management system and the compliance management organization structure in accordance with laws, regulations and regulatory requirements and based on the actual situation of the Company's operation and management, thus to continuously deepen the compliance management of the Company and ensure the continuous and standardized development of various businesses of the Company.

### (I) Construction of compliance management system

Depending on the external regulatory environment and the actual situation of operation and management, the Company and its major subsidiaries have continuously established and improved the compliance management systems comprising basic compliance management system, supporting rules for compliance management, etc., and conducted dynamic revision and improvement according to the changes in laws and regulations, and the actual situation of the Company. In particular, the basic compliance management systems include the relevant systems considered and approved by the Board of Directors including the Basic Compliance Management System, the Related Party Transaction Management System, the Money Laundering and Terrorist Financing Risk Management System, and the Management System for Board of Directors' Authorization to the General Manager; the supporting rules of compliance management include: the Administrative Measures for Rules and Regulations, the Administrative Measures for Compliance Management, the Administrative Measures for Compliance and Risk Management Personnel of Business Departments, the Administrative Measures for Technical Monitoring of Employees' Practices, the Administrative Measures for Chinese Wall, the Administrative Measures for Money Laundering and Terrorist Financing Risks, the Administrative Measures for Compliance Treatment and Accountability, the Administrative Rules for the Persons in Charge of Subsidiaries' Compliance Management and Risk Management (Trial Implementation), the Implementation Rules on Compliance Inspection of Investment Banking Business, the Implementation Rules on Management of the Monitoring of Securities Trading and Internet Behaviors by Employees, the Implementation Rules on the Integrity of Employees (Trial Implementation), the Operating Regulations for Assessment of Money Laundering and Terrorist Financing Risks, and the Administrative Measures for Authorization of Daily Operation, etc. In addition, Shenwan Hongyuan Securities has also prepared and issued the Compliance Manual covering all its business segments as the basic norms and bottom line requirements for business development.

### (II) Construction of compliance management organization system

The Company and its main subsidiaries have established a compliance management organization system with the structure of "leadership (Board of Directors, Board of Supervisors, management), compliance director/executives, compliance department, departments, branches and subsidiaries" based on the actual situation of management. Compliance management organisations and personnel at all levels perform their duties effectively according to the division of responsibilities and duties.

## Section VIII Corporate Governance (continued)

The Board of Directors, Board of Supervisors, management of the Company perform duties related to compliance management in accordance with the laws, regulations, standards, and the Articles of Association. The Board of Directors of the Company assumes responsibility for the effectiveness of compliance management, the management of the Company is responsible for operation in line with laws and regulations, and the Board of Supervisors of the Company supervises the performance of compliance management duties by the Board of Directors and the management of the Company. The compliance director/executives, as the person(s) in charge of compliance of the Company, performs compliance management duties in strict accordance with laws, regulations and standards, provides support and assistance to the Board of Directors and management in performing compliance management duties, and coordinates the effective operation of the compliance management system. The Company has established a full-time compliance department to assist the compliance director/executives in carrying out work. The compliance department is accountable to the compliance director and performs compliance management duties in accordance with the regulations of the Company and arrangements by the compliance director. The persons in charge of departments, branches and subsidiaries are responsible for operation in line with laws and regulations of such departments, branches and subsidiaries, and supervise and manage the compliance of the practices of the staff of such departments, branches and subsidiaries. The departments and branches have set up compliance management positions, and improved staffing in accordance with relevant systems including the Administrative Measures for Compliance and Risk Management Personnel of Business Departments formulated and issued by the Company. The personnel on such positions are responsible for coordination of compliance management of the departments and branches, and assisting the persons in charge of the departments and branches in establishment and improvement of compliance management system and operation procedures, implementing the Company's compliance management requirements, and performing relevant duties including compliance review, compliance culture promotion, compliance training, compliance consulting, etc.

### (III) Operation of compliance management

The Company advocates the compliance culture concepts of proactive compliance, compliance creates value, compliance starts from the management, everyone assumes responsibility for compliance, and compliance is the Company's survival basis, etc. Compliance management follows the principles of comprehensiveness, compliance independence, and proactive compliance by all employees.

Compliance management includes provision of compliance consulting for the Company's directors, supervisors, management, business departments, branches and their staff; compliance review of the Company's internal management system, major decisions, new products and new business solutions, etc.; compliance monitoring of the practices of the Company's management and staff; regular and irregular inspections of the compliance management of all departments; tracking major changes in laws, regulations and standards; regular and irregular report of compliance management of the Company to the Board of Directors, the Board of Supervisors, management, and the securities regulatory authorities or self-regulation organizations; incorporation of compliance assessment into the performance assessment of senior management, departments, branches, subsidiaries and their staff; organizing internal assessment of the effectiveness of compliance management, etc.

The Company has established and improved an anti-money laundering work system, and formulated and issued the Management System for Money Laundering and Terrorist Financing Risks, the Administrative Measures for Money Laundering and Terrorist Financing Risks and the Operating Regulations for Assessment

## Section VIII Corporate Governance (continued)

of Money Laundering and Terrorist Financing Risks in accordance with regulatory requirements on anti-money laundering to clarify principles and work processes of anti-money laundering, ensure the effective implementation of anti-money laundering legal obligations such as customer identification, report of large and suspicious transactions, storage of customer identification data and transaction records, and assistance of regulatory authorities in inspections and law enforcement investigations.

The Company has established and perfected the Chinese wall work system, and formulated the administrative measures for Chinese wall, which clarifies departments' responsibilities and work processes. The Company's proprietary business, customer asset management business, investment banking business, brokerage business, and securities investment consulting service are separated from each other. The Company strictly implements management measures including approval of cross-wall (reverse) approval, restricted list and watch list management.

### (IV) Work of compliance inspection and audit

#### 1. Inspection by compliance department

During the Reporting Period, the compliance department of the Company proactively organised or participated in relevant inspections or self-inspections according to the regulatory requirements and the actual situation of the Company, mainly including inspection of bond underwriting and entrusted management business and asset securitization business, inspection of integrity in practice, self-inspection of appropriateness, inspection of asset management business including implementation of new regulations on asset management, inspection of investment business including bond investment transactions and OTC derivatives business, inspection of compliance and anti-money laundering of branches including Wenzhou Branch, Henan Branch, Hangzhou Branch, Guangzhou Jiangnan Avenue Securities Branch, Wuhan Xinhua Road Securities Branch, etc.

#### 2. Audit by audit department

During the Reporting Period, the Company and Shenwan Hongyuan Securities audit department completed a total of 314 audit projects, including:

- (1) Annual regular audits: a total of 182 regular audits were conducted, covering 1 functional department, 1 business department and 2 subsidiaries of the Company, as well as 7 headquarters of securities business divisions, 4 subsidiaries, 19 regional branches, and 148 securities business departments of Shenwan Hongyuan Securities.
- (2) Departure audits: 92 audits were completed for economic responsibilities of departure.
- (3) Special audits: five special audits were completed for proceeds, special basis trade, centralized procurement management, etc.
- (4) Internal control evaluation: Internal control evaluation was performed for the business and management matters of the Company, headquarter of Shenwan Hongyuan Securities 20 headquarters of securities business divisions, and 11 subsidiaries and in 2018.
- (5) Special compliance evaluation: Evaluation was conducted on the effectiveness of compliance management of Shenwan Hongyuan Securities and its 2 subsidiaries, i.e. Shenwan Hongyuan Financing Services and Shenwan Hongyuan Securities (Western).

## Section VIII Corporate Governance (continued)

### XIII. INTERNAL CONTROL CONSTRUCTION

The Company attaches great importance to the work related to internal control construction and earnestly implements the Basic Standards for Enterprise Internal Control and its supporting guidelines as well as relevant regulations on the implementation of internal control of listed companies. The Company has clarified the responsibilities and authorities of the Board of Directors, the Board of Supervisors, the management, the audit department, the legal risk control department and other internal organisations in terms of construction, supervision, inspection and evaluation of internal control. The Board of Directors of the Company is responsible for the effectiveness of the Company's internal control and its implementation; the Board of Supervisors independently exercises supervisory powers, and supervises and inquires about the Company's finance and the performance of duties by directors and senior management of the Company to safeguard the legitimate rights and interests of the Company and shareholders; the management is responsible for the daily operation of the Company's internal control. At the same time, the Company has set up functional departments including the audit department and the legal risk control department, which are responsible for the daily work of construction, supervision and inspection and follow-up evaluation of the company's internal control and conducting independent and objective inspection, supervision, evaluation and recommendation of the comprehensiveness and effectiveness of the internal control. The Company continuously improves the internal control environment and internal control structure of the Company in accordance with external regulatory requirements and the actual needs of the Company's operation and management, so as to gradually enhance the integrity, rationality and effectiveness of internal control and ensure the orderly operation management and business development of the Company.

The Company constantly improves various internal control systems in strict accordance with the Company Law, the Securities Law, the Basic Standards for Enterprise Internal Control and its supporting guidelines, regulatory requirements of the securities industry, etc. and based on the actual business development after giving comprehensive consideration to the internal environment, risk assessment, control activities, information and communication, internal supervision, etc., to provide reasonable guarantee for the Company's operation in compliance with laws and regulations, asset safety, financial reporting, etc. During the Reporting Period, the Company revised and improved basic systems including the Internal Control System, the Management Policy of Related Party Transactions, the External Guarantee System, and the Information Disclosure Management System, as well as a series of risk management and compliance management systems. We continued to improve the top-down authorization management system composed of general meetings (of shareholders), the Board of Directors, and the management, and also regularly organised authorised execution and inspections. The Company's operation management and business development were advanced in an orderly way within the scope of authorisation. In addition, we continuously optimized and improved the risk management system at group level with high penetration "involving all staff in all aspects throughout the entire business process and with full coverage" and built a multi-level risk management organization structure. Centralized management was carried out for the risk information of the same customer and the same business through the consolidated management of the Group's risks. Besides, subsidiaries were urged to establish and improve an effective internal control mechanism based on their internal and external environment and business development needs, to continuously improve their governance. During the Reporting Period, the overall internal control system of the Company ran well, which was in line with the governance structure, business scale and business nature of the Company.

### XIV. STATEMENT OF THE BOARD OF DIRECTORS ON RESPONSIBILITY OF INTERNAL CONTROL

The Company's internal control is a process implemented by the Board of Directors, the board of Supervisors, the management and all employees to achieve the control objectives. The Board of Directors is responsible for the establishment, improvement and effective implementation of internal control. The Board of Supervisors oversees the establishment and implementation of internal control by the Board of Directors. The management is responsible for organizing and leading the daily operation of the Company's internal control, and adjusting and improving the internal control of the Company within the scope of authorisation in due course according to the changes in the internal and external circumstances. All units of the Company perform their internal control duties within the scope of its own functions and powers, and are responsible for the effectiveness of their internal control. The goal of the Company's internal control is to reasonably ensure the operation management in accordance with laws and regulations, asset safety, financial reporting and authenticity and completeness of relevant information, to improve operating efficiency and effectiveness and promote the realization of development strategies. It is certain that, due to the inherent limitations of internal control, the Company can only provide reasonable guarantees to achieve the above goals, and conduct dynamic and continuous assessment of the Company's internal control system. If the internal control system established by the Company is found to be defective in evaluation, the Company will immediately carry out rectification and improvement.

The Board of Directors of the Company continues to improve its internal control system, evaluate its effectiveness, and truthfully discloses the internal control evaluation report in strict accordance with the standards for enterprise internal control, the listing rules of the places where the shares of the Company are listed and relevant laws and regulations. The Board of Directors of the Company has evaluated risk management and internal control in accordance with the requirements of the Basic Standards for Enterprise Internal Control. The Board of Directors believes that, as of the benchmark date of the internal control evaluation report (December 31, 2019), the internal control was in line with the Company's operating scale, scope of business, competition status and risk level, and the Company's risk management and internal control were effective.

In 2020, the Company will continue to improve the internal control construction and optimize internal control system in accordance with the provisions and requirements of the Basic Standards for Enterprise Internal Control and its supporting guidelines, the changing trend of the external operating environment and the actual needs of the Company's development, in order to standardize the implementation of the internal control system, strengthen internal control supervision and inspection and enhance the integrity, rationality and effectiveness of internal control, to provide reasonable guarantees for the Company's operation management and promote the Company's healthy and sustainable development.

### XV. STATEMENT OF THE BOARD OF DIRECTORS ON RISK MANAGEMENT

#### 1. Statement of the Board of Directors

The Company always believes that effective risk management and internal control are essential to the Company's legal and continuous operation, and it is the responsibility of the Board of Directors to establish, improve and effectively implement risk management and internal control. The objectives of the Company's risk management and internal control are: to reasonably guarantee the legal compliance of business management, asset safety, authenticity and integrity of financial reports and related information, improve operational efficiency and effectiveness, and promote the realization of development strategies. Due to the inherent limitations of risk management and internal control, it can only provide reasonable guarantees

## Section VIII Corporate Governance (continued)

for achievement of the above goals, and perform dynamic and continuous evaluation of the Company's risk control and internal control system. Any defect in the risk management and internal control system established by the Company as identified during the evaluation process will be rectified and improved immediately. The Board of Directors has evaluated risk management and internal control in accordance with the requirements of the Basic Standards of Enterprise Internal Control and is of the view that as of December 31, 2019, the Company's risk management and internal control are in line with the Company's operating scale, business scope, competition status and risk level. The Company's risk management and internal control are effective.

### 2. Risk management and internal control

The Company always adheres to the concept of "standardized operation and stable development", and continuously optimizes and improves the risk management system at group level with high penetration "involving all staff in all aspects throughout the entire business process and with full coverage". It has built a multi-level risk management organization and a full-coverage risk management system, and adopted effective risk management and control measures. As a result, the risk control capabilities are continuously enhanced and various risks in business management are better controlled as a whole.

- (1) The Company attaches great importance to risk management and has established a risk management organization structure comprising the Board of Directors, the Risk Control Committee, the Board of Supervisors, the management and risk management committee, the risk management department and other functional management departments, as well as business departments, branches and subsidiaries to guarantee the effective operation of the risk management system. The Board of Directors is the highest decision-maker in the Company's risk management, and ultimately responsible for the overall risk management of the Company. The Board of Directors governs the Risk Control Committee, which is accountable to and reports to the Board of Directors. By fully exerting the role of special committee, the Risk Control Committee formulates significant risk limits centering on internal process controls, and supervises and reviews the internal control systems under the overall risk management, and proactively promotes the construction and improvement of the internal control system of the Company. The Company reviews the effectiveness of risk management and internal control systems of the Company and its subsidiaries at least once a year, covering all important monitoring aspects including the financial monitoring, operation monitoring and compliance monitoring, and reports the completion of relevant reviews to shareholders in the Corporate Governance Report.
- (2) The Company has established a risk management mechanism composed of three lines of defense including the business departments, risk management department, and audit department of the Company. In particular, each business department serves as the first line of defense and is responsible for identifying, assessing, responding to and reporting related risks in a timely manner; the risk management department is the second line of defense and participates in risk management throughout the entire process; the audit department acts as the third line of defense to conduct independent review and evaluation. The "three lines of defense" mechanism strengthens the awareness of risk responsibility at the forefront, strengthens front-end risk control, and effectively promotes the formation of risk awareness among all employees, so as to put risk management responsibilities in place.



## Section VIII Corporate Governance (continued)

- (3) The Company establishes and improves the “three-level system” system of basic systems, main systems, and operating systems on an ongoing basis; in terms of risk management, it has built a risk management system with the Risk Management System as the basic system with various professional risk management measures and business-level operating procedures and specific risk management systems as supporting rules to regulate risk management, and can improve the risk management and internal control system in a timely manner according to laws and regulations, regulatory requirements and industry developments.
- (4) In terms of risk management and control measures, a comprehensive risk identification and analysis system has been established, and qualitative and quantitative methods have been used to analyze and evaluate the company’s risks. For internal and external major risk information that may affect the realization of business objectives, scientific and reasonable measurement models or evaluation methods are adopted for prudent assessment; the company has established a clear risk control indicators system, which effectively covers various business types and professional risk types, and realized dynamic monitoring and early warning of various business risk indicators and regulatory indicators through a risk management system; it has established a risk response strategy that is commensurate with risk appetite and a complete internal and external response mechanism, to basically and effectively control various types of risks. In addition, the company has established a smooth risk information communication mechanism to ensure transmission and feedback of relevant information in a timely, accurate, and complete manner.

### XVI. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

The Company has established a relatively complete business and financial management system in accordance with laws and regulations including the Company Law, the Securities Law, the Accounting Law, the Basic Standards for Enterprise Internal Control and its supporting guidelines, and the Guidelines on Internal Control of Securities Firms, and based on the actual situation of the Company. The Company has formulated rules and regulations in terms of accounting, financial management, financial reporting, etc. The authorization approval mechanism is constantly improved for all aspects of financial reporting through setting up a scientific organizational structure of financial accounting. In addition, the Company has standardized the financial reporting control process, clarified the responsibilities of each position, and fully utilized accounting information technology in management of business accounting, income and costs, etc. to ensure that the financial report prepared by the Company meets the requirements of accounting standards and can truly, accurately and completely reflect the Company’s financial position, operating results and other related information. During the Reporting Period, the Company’s internal control system and mechanism for financial reporting were sound and in good operation, and no major or significant deficiencies were identified in the Company’s internal control of financial reporting.

### XVII. INTERNAL CONTROL EVALUATION

#### 1. Details of the significant defects in internal control detected during the Reporting Period

According to the identification of major deficiencies in internal control of the Company’s financial report, there were no significant defects in the internal control of the financial report as at the benchmark date of the internal control evaluation report. The Board of Directors is of the view that the Company has maintained effective internal control of financial report in all major aspects in accordance with the requirements of the Company’s standard internal control system and relevant provisions.

## Section VIII Corporate Governance (continued)

According to the identification of major deficiencies in internal control of the Company's non-financial report, the Company found no significant defects in the internal control of the non-financial report as at the benchmark date of the internal control evaluation report.

### 2. Self-assessment report on internal control

Date of disclosure of the full text of internal control evaluation report	March 28, 2020	
Disclosure index of full text of internal control evaluation report	For detailed information, please visit the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> for the report dated March 28, 2020	
The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements	100%	
The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements	100%	
Defect identification criteria		
Category	Financial Report	Non-financial Report
Qualitative criteria	<p>Material defect:</p> <p>(1) Directors, supervisors and senior management have committed fraud related to financial report and have been investigated by the judicial authorities.</p> <p>(2) Misinformation may cause users to make significant wrong decisions or diametrically opposite decisions, causing significant losses.</p> <p>(3) Significant corrections to published financial reports.</p> <p>(4) Defects in internal control severely affect the authenticity, completeness and reliability of financial reports and safety of related assets.</p> <p>Major defect:</p> <p>One defect or a combination of defects in internal control of financial report that is with less severity than a material defect, but may still cause the Company to deviate from the objectives of internal control.</p> <p>General defect:</p> <p>Other defect other than a material defect or a major defect.</p>	<p>Material defect refers to one defect or a combination of control defects that may cause the Company to materially deviate from the objectives of internal control.</p> <p>Major defect refers to one defect or a combination of control defects that is with less severity and less severe economic consequences than a material defect, but may still cause the Company to deviate from the objectives of internal control.</p> <p>General defect refers to other defect other than a material defect or a major defect.</p>

## Section VIII Corporate Governance (continued)

<b>Defect identification criteria</b>		
<b>Category</b>	<b>Financial Report</b>	<b>Non-financial Report</b>
Quantitative criteria	<p>Material defect: The potential misstated amount is more than 3% (inclusive) of the total net assets, or more than 5% (inclusive) of the total profit before tax.</p> <p>Major defect: The potential misstated amount is between 1.5% (inclusive) and 3% of the total net assets, or between 3% (inclusive) and 5% of the total profit before tax.</p> <p>General defect: The potential misstated amount is less than 1.5% of the total net assets, or less than 3% of the total profit before tax.</p>	<p>Material defect: The direct property losses amount to 5% or more of the Company's total profit before tax.</p> <p>Major defect: The direct property losses are between 3% (inclusive) and 5% of the Company's total profit before tax.</p> <p>General defect: The direct property losses are less than 3% of the Company's total profit before tax.</p>
	The number of material defects in financial reports (piece)	0
	The number of material defects in non-financial reports (piece)	0
	The number of major defects in financial reports (piece)	0
	The number of major defects in non-financial reports (piece)	0

### XVIII. INTERNAL CONTROL AUDIT REPORT

Review of the internal control audit report: As at December 31, 2019, Shenwan Hongyuan Group had maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.	
Disclosure of internal control audit report	Disclosed
Disclosure date of full text of internal control audit report	March 28, 2020
Disclosure index of full text of internal control audit report	For detailed information, please visit the website of Cninfo at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> for the report dated March 28, 2020
Type of opinion of the internal control audit report	Standard and unqualified opinion
Whether there is any substantial defect in the non-financial report	No

### XIX. IMPLEMENTATION OF THE MANAGEMENT SYSTEM FOR REGISTRATION OF INSIDERS OF THE COMPANY

The Company is committed to establishing and improving a long-term mechanism to prevent insider trading. It has formulated the Management System for Registration of Insiders to further standardize the inside information management of the Company and the subsidiaries invested and controlled by it and enhance the confidentiality of inside information. According to the system, the Board of Directors of the Company is the decision-making body for the Company's inside information management. The secretary of the Board of Directors is in charge of coordinating and organizing the management of the Company's inside information. The office of the Board of Directors is responsible for monitoring of the Company's inside information, information disclosure, and insider file registration. Before the inside information is publicly disclosed in accordance with the law, in accordance with the relevant regulatory requirements, the Company will carry out the management, registration and filing of insiders

## Section VIII Corporate Governance (continued)

in a timely manner. The Company truthfully and completely records the list of insiders at each aspect before the disclosure, prepares a memorandum on the progress of major events based on actual conditions, and makes a memorandum for the time of each key point in the planning and decision-making process, the list of personnel involved in planning and decision-making, and the method of planning and decision-making and signs thereon for confirmation. Relevant files are properly kept for the Company's self-examination and inspection by relevant regulatory authorities.

### XX. OTHER ISSUES ON CORPORATE GOVERNANCE

#### (I) Responsibility to be borne by directors for the financial statements

The responsibility statement of the directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's directors shall compile genuine and fair consolidated financial statements according to the disclosure requirements under the China Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance. The Company's directors will also be responsible for the necessary internal monitoring of the consolidated financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

#### (II) Appointment and remuneration of the auditors

As considered and approved at the 2019 third extraordinary general meeting of the Company, the Company engaged KPMG Huazhen LLP and KPMG as the Company's auditors for 2019, respectively, to be responsible for the provision of the relevant audit and review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; KPMG Huazhen LLP was engaged as the Company's auditor for internal control for 2019 and the audit fee including the fee for internal control for 2019 was RMB5.5 million. Please see details of its employment and remuneration in "Appointment of Accounting Firm, Financial Advisor and Sponsor" in "Section V Significant Events" in this report.

#### (III) Securities transactions by directors, supervisors and relevant employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as its own code of conduct for directors and supervisors in conducting securities transactions. As at the end of the Reporting Period, after specific enquiry of the directors and supervisors of the Company, all directors and supervisors have strictly complied with the standards in the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

#### (IV) Joint Company Secretaries

At the 37th meeting of the fourth session of the Board of Directors of the Company, the Resolution Regarding the Appointment of Joint Company Secretaries was approved whereby Mr. Yang Changyun, the secretary of the Board of Directors of the Company, and Ms. Fok Po Yi from SWCS Corporate Services Group (Hong Kong) Limited were appointed as the joint Company secretaries of the Company. Such appointments took effect from the date of listing of the overseas listed foreign shares (H Shares) issued by the Company on the Hong Kong Stock Exchange for trading. Ms. Fok Po Yi is a Company secretary of external agency and

## Section VIII Corporate Governance (continued)

her main contact person is Mr. Yang Changyun, the secretary of the Board of Directors of the Company. Mr. Yang Changyun, the secretary of the Board of Directors of the Company, will be the main contact person of the Company with the Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Yang Changyun and Ms. Fok Po Yi had participated in relevant professional training for no less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

### (V) Amendments to the Articles of Association

As the Company proposed to issue overseas listed foreign shares (H Shares) and list the same on the main board of the Hong Kong Stock Exchange, the Company amended the Articles of Association in accordance with relevant domestic and overseas laws and regulations including the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas and normative documents, as well as the requirements of the Listing Rules. The Articles of Association (applicable upon issuance of H Shares) has been considered and approved at the 2018 second extraordinary general meeting of the Company, and has taken effect and been implemented on the date of listing of the overseas listed foreign shares (H Shares) publicly issued by the Company on the Hong Kong Stock Exchange for trading, i.e. April 26, 2019.

During the Reporting Period, depending on the actual issuance of H shares of the Company, the Company, as authorized at the 2018 second extraordinary general meeting, proceeded with the industrial and commercial registration procedures for changes of registered capital and amended related terms under the Articles of Association. The registered capital of the Company was changed from RMB22,535,944,560 to RMB25,039,944,560.

### (VI) Investor relations

The Company attaches great importance to investor relations management. It has formulated relatively complete rules and regulations including the Investor Relations Management System, and established a number of communication channels including on-site meeting, telephone and internet. The Company proactively strengthens interactive exchange with the capital market through a number of communication methods including results presentation, domestic road show, acceptance of investors' research and attendance of the meetings of brokers and through communication platforms including website of the Company, investor hotline, email and interaction website of stock exchange to enhance the Company's transparency and ensure investors' right to know and other legitimate rights and interests. If shareholders have any inquiries, they can send them to the Company's office address by mail, hotline or direct mail, and the Company will handle relevant inquiries appropriately in a timely manner.

In 2019, the Company received 9 analysts from the seller and institutional investment surveys, involving 16 institutions, and participated in 1 investor collective reception day held by Xinjiang Listed Companies Association.

## Section IX Corporate Bonds

Pursuant to the Reply on Approval for Shenwan Hongyuan Group Co., Ltd. to Publicly Offer Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2016] No. 813) (《關於核准申萬宏源集團股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2016]813號文)) from China Securities Regulatory Commission, the Company was approved to publicly offer corporate bonds with total nominal value of not more than RMB12.50 billion to qualified investors (hereafter referred to as “2016 Corporate Bonds”). These corporate bonds of the Company were offered in tranches, of which the offering of the first tranche would be completed within 12 months from the approval date of the CSRC, while the offering of the remaining tranches of bonds was completed within 24 months from the approval date of the CSRC.

In 2016, the Company has offered two tranches of bonds in total, among which, the first tranche of bonds commenced to be placed to off-line qualified investors from April 26, 2016, with the ultimate offering size of RMB5.00 billion and coupon rate of 3.45%. As of April 28, 2016, the offering expense of RMB20.00 million has been paid and the net of the proceeds received was RMB4.98 billion. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1600562. As of December 31, 2019, the principal repaid for the first tranche of bonds amounted to RMB2,979 million, the balance of bonds was RMB2,021 million and the coupon rate was adjusted to 3.70%.

The offering of the second tranche of corporate bonds was completed on September 12, 2016, with the final offering size of RMB7.50 billion, among which, type I was three-year term, with the offering size of RMB2.00 billion and coupon rate of 2.90%; and type II was five-year term, with the offering size of RMB5.50 billion and coupon rate of 3.20%. As of September 13, 2016, the offering expense of RMB15.00 million has been paid and the net proceeds received was RMB7,485 million. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1600944. As of December 31, 2019, the principal repaid for the second tranche of bonds (type I) amounted to RMB2 billion.

As of December 31, 2019, the Company has utilized RMB12,474,361,059.41 (including interests from bank deposits) of the proceeds in aggregate to replenish the Company’s operating capital, which was in consistent with the use of proceeds undertaken upon offering the corporate bonds and there was no change in the use of proceeds.

Pursuant to the Reply on Approval for Shenwan Hongyuan Group Co., Ltd. to Publicly Offer Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2018] No. 979) (《關於核准申萬宏源集團股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2018]979號文)) from China Securities Regulatory Commission, the Company was approved to publicly offer corporate bonds with total nominal value of not more than RMB7.00 billion to qualified investors (hereafter referred to as “2018 Corporate Bonds”). These corporate bonds of the Company were offered in tranches, of which the offering of the first tranche would be completed within 12 months from the approval date of the CSRC, while the offering of the remaining tranches of bonds was completed within 24 months from the approval date of the CSRC.

## Section IX Corporate Bonds (continued)

In 2018, the Company has offered one tranche of bonds in total, the offering of bonds was completed on July 17, 2018, with the final offering size of RMB7.00 billion. Type I was a fixed-rate bond with a five-year term, and the issuer should have the option to adjust the coupon rate and the investors should have the option to sell back the bonds at the end of the 3rd year term, with the offering size of RMB0.50 billion and coupon rate of 4.40%; type II was a fixed-rate bonds with a five-year term, with the offering size of RMB6.50 billion and coupon rate of 4.80%. As of July 17, 2018, the offering expense of RMB8.40 million has been paid and the net proceeds received was RMB6.992 billion. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1800351.

As of December 31, 2019, the Company has utilized RMB6,996,822,593.05 (including interests from bank deposits) of the proceeds in aggregate to replenish the Company's working capital, which was in consistent with the use of proceeds undertaken upon offering corporate bonds and there were no changes in the use of the proceeds.

Pursuant to the "No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Offering of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. in 2019" (Shen Zheng Han [2019] No. 62) (《關於申萬宏源集團股份有限公司2019年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2019]62號)) from the Shenzhen Stock Exchange, the Company non-publicly offered corporate bonds with total nominal value of not more than RMB10 billion (the "2019 Corporate Bonds"). These corporate bonds of the Company were offered in tranches. For each tranche, an application for transfer of bonds would be submitted to the Shenzhen Stock Exchange within 12 months from the date of issuance of the no-objection letter.

In 2019, the Company offered three tranches of bonds in total, among which, the first tranche of bonds commenced to be placed to off-line qualified investors from March 5, 2019 with the ultimate offering size of RMB1 billion, the nominal value of RMB100.00 each, the offer price of RMB100.00/piece and the coupon rate of 4.18%. As of March 8, 2019, the offering expense of RMB1.2 million had been paid and the net of the proceeds received was RMB999 million.

The offering of the second tranche of corporate bonds was completed on April 9, 2019 with the ultimate offering size of RMB3.2 billion and the coupon rate of 4.27%. As of April 12, 2019, the offering expense of RMB3.84 million had been paid and the net of the proceeds received was RMB3,196 million.

The offering of the third tranche of corporate bonds was completed on October 23, 2019 with the ultimate offering size of RMB5.8 billion. The corporate bonds were fixed-rate bond with a five-year term, and the issuer should have the option to adjust the coupon rate and the investors should have the option to sell back the bonds at the end of the 3rd year term, with the coupon rate of 3.94%. As of October 25, 2019, the offering expense of RMB6.96 million had been paid and the net of the proceeds received was RMB5,793 million.

As of December 31, 2019, the Company had utilized RMB5,249,331,509.03 (including interests from bank deposits) of the proceeds in aggregate to replenish the Company's operating capital, which was in consistent with the use of proceeds undertaken upon offering the corporate bonds and there was no change in the use of proceeds.

## Section IX Corporate Bonds (continued)

### I. BASIC INFORMATION OF THE CORPORATE BONDS

#### 1. Public Offering of Corporate Bonds in 2016

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche)	16 ShenHong 01	112386	2016-4-26	2021-4-26	202,100	3.70%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche)	16 ShenHong 02	112445	2016-9-9	2019-9-9	—	2.90%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche)	16 ShenHong 03	112446	2016-9-9	2021-9-9	550,000	3.20%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.



## Section IX Corporate Bonds (continued)

Trading places for the listing or transfer of the corporate bonds	Shenzhen Stock Exchange
Suitability arrangement of investors	<p>Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the “Administrative Measures on Corporate Bonds Offering and Trading” (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations).</p> <p>Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.</p>
Interest payment and repayment of principal of corporate bonds during the Reporting Period	<p>On April 26, 2019, the Company paid the interest of RMB34.50 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche) from April 26, 2018 to April 25, 2019.</p> <p>On September 9, 2019, the Company paid the interest of RMB29.00 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche) (type I) from September 9, 2018 to September 8, 2019.</p> <p>On September 9, 2019, the Company paid the interest of RMB32.00 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche) (type II) from September 9, 2018 to September 8, 2019.</p> <p>The corporate bonds (second tranche) (type I) (16 ShenHong 02) publicly offered to qualified investors in 2016 issued on September 9, 2016 matured and were repaid on September 9, 2019. Interest of RMB29.00 (with tax) was paid for every 10 bonds (16 ShenHong 02) (nominal value of RMB1,000), the principal repaid amounted to RMB1,000.00 and the total interest amounted to RMB1,029.00.</p>
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)	<p>The term of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the 3rd interest-bearing year. During the Reporting Period, the principal repaid for the bonds amounted to RMB2,979 million, the balance of the bonds was RMB2,021 million and the coupon rate was adjusted to 3.70%.</p>

## Section IX Corporate Bonds (continued)

### 2. Public Offering of Corporate Bonds in 2018

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche)	18 ShenHong 01	112728	2018-7-17	2023-7-16	50,000	4.40%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche)	18 ShenHong 02	112729	2018-7-17	2023-7-16	650,000	4.80%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.

Trading places for the listing or transfer of corporate bonds

Shenzhen Stock Exchange

Suitability arrangement of investors

Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations).

Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.

Interest payment and repayment of principal of corporate bonds during the Reporting Period

On July 17, 2019, the Company paid the interest of RMB44.00 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) (type I) from July 17, 2018 to July 16, 2019.

On July 17, 2019, the Company paid the interest of RMB48.00 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) (type II) from July 17, 2018 to July 16, 2019.

Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)

The term of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the third interest-bearing year. As of the date of this report, none of such terms were implemented.

## Section IX Corporate Bonds (continued)

### 3. Non-public Offering of Corporate Bonds in 2019

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (first tranche)	19 ShenHong 01	114443	2019-3-8	2022-3-7	100,000	4.18%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (second tranche)	19 ShenHong 02	114461	2019-4-12	2022-4-11	320,000	4.27%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (third tranche)	19 ShenHong 04	114590	2019-10-25	2024-10-24	580,000	3.94%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.

## Section IX Corporate Bonds (continued)

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Trading places for the listing or transfer of corporate bonds							Shenzhen Stock Exchange
Suitability arrangement of investors							<p>Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the “Administrative Measures on Corporate Bonds Offering and Trading” (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations).</p> <p>Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.</p>
Interest payment and repayment of principal of corporate bonds during the Reporting Period							<p>The interest on the first tranche, second tranche and third tranche of the Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 shall be calculated annually, while the principal shall be fully repaid upon maturity. As of the date of this report, the interest on corporate bonds has not yet due to pay and no payment of interest for corporate bonds has been made.</p>
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)							None

## II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

Bond trustee for Corporate Bonds Publicly Offered in 2016, Corporate Bonds Publicly Offered in 2018 and Corporate Bonds Non-publicly Offered in 2019:							
<b>Name</b>	Huatai United Securities Co., Ltd.	<b>Business address</b>	6/F, Block A, Fengming International Building, No. 22 Fengsheng Alley, Xicheng District, Beijing	<b>Contact person</b>	Li Xiang, Cui Yue	<b>Contact number</b>	010-56839300
Credit rating agency for tracking rating of corporate bonds during the Reporting Period:							
<b>Name</b>	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.			<b>Business address</b>	K-22, Room 103, Tower A, 1555 Kong Jiang Road, Yang Pu District, Shanghai		
Reason of change, procedures to be conducted and influence on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)				There were no changes in the bond trustee and credit rating agency.			

## III. USE OF PROCEEDS OF CORPORATE BONDS OFFERING

## 1. Public Offering of Corporate Bonds in 2016

<b>Use of proceeds from corporate bonds offering and its implementation procedure</b>	The proceeds from corporate bonds offering, after deducting the offering expenses, have been fully used to replenish the Company's operating capital and improve the Company's capital situation.
<b>Year-end balance (RMB'0,000)</b>	0.00
<b>Operation of special account for proceeds raised</b>	At the time of offering the 2016 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's operating capital according to the utilization schedule set forth in the prospectus. Such special account had been cancelled.
<b>Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus</b>	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

## Section IX Corporate Bonds (continued)

### 2. Public Offering of Corporate Bonds in 2018

Use of proceeds from corporate bonds offering and its implementation procedure	The proceeds from corporate bonds offering, after deducting the offering expenses, have been fully used to replenish the Company's operating capital and improve the Company's capital situation.
Year-end balance (RMB'0,000)	0.00
Operation of special account for proceeds raised	At the time of offering the 2018 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's operating capital according to the utilization schedule set forth in the prospectus. Such special account had been cancelled.
Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

### 3. Non-public Offering of Corporate Bonds in 2019

Use of proceeds from corporate bonds offering and its implementation procedure	The proceeds from corporate bonds offering, after deducting the offering expenses, have been used to replenish the Company's operating capital of RMB5.249 billion and improve the Company's cash position.
Year-end balance (RMB'0,000)	476,646.70
Operation of special account for proceeds raised	At the time of offering the 2019 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds of RMB5,249,331,509.03 have been used to replenish the Company's operating capital in aggregate according to the schedule set forth in the prospectus.
Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

#### IV. CREDIT RATING INFORMATION OF CORPORATE BONDS

##### 1. Public Offering of Corporate Bonds in 2016

At the time of the offering of 2016 Corporate Bonds, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as “Brilliance Credit Rating”) to provide a credit rating for the offered corporate bonds. On March 11, 2016, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2016) 010163) on the public offering of corporate bonds (first tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook. Brilliance Credit Rating also considered the tranche of bonds safe and secure in terms of repayment of its principal and payment of interest, and gave the bonds an AAA credit rating. The ratings indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the abovementioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks. On June 24, 2016, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2016) 100323) on the public offering of corporate bonds (first tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the tranche of corporate bonds, with a stable rating outlook.

On September 1, 2016, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2016) 010763) on the public offering of corporate bonds (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook. Brilliance Credit Rating also considered the tranche of bonds safe and secure in terms of repayment of its principal and payment of interest, and gave the bonds an AAA credit rating. The rating indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the above-mentioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks.

On May 24, 2017, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2017) 100124) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Public Offering of Corporate Bonds (First Tranche) and (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. to the Qualified Investors in 2016 published on the Cninfo website (<http://www.cninfo.com.cn>) on May 26, 2017).

On June 13, 2018, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2018) 100158) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Public Offering of Corporate Bonds (First Tranche) and (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. to the Qualified Investors in 2016 published on <http://www.cninfo.com.cn> on June 19, 2018).

## Section IX Corporate Bonds (continued)

On April 26, 2019, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2019) 100032) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on 16 ShenHong 01, 16 ShenHong 02, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on April 26, 2019).

Brilliance Credit Rating has published follow-up credit ratings for the bonds on the media designated by the regulatory authorities as well as its own website.

The follow-up credit rating arrangement involves regular follow-up, with the follow-up rating report issued annually, within 2 months following the publication of the Company’s annual report. In case of material events that may affect the issuer’s credit quality, Brilliance Credit Rating will initiate irregular tracking procedures.

### 2. Public Offering of Corporate Bonds in 2018

At the time of the offering of 2018 Corporate Bonds, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (“Brilliance Credit Rating”) to provide a credit rating for the offered corporate bonds. On May 14, 2018, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2018) 010337) on the public offering of corporate bonds by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2018. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook, and considered the tranche of bonds safe and secure in terms of repayment of its principal and interest, and gave the bonds an AAA credit rating. The ratings indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the above-mentioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks.

On April 26, 2019, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2019) 100032) on the public offering of corporate bonds by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2018. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “18 ShenHong 01” and “18 ShenHong 02”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Corporate Bonds 16 ShenHong 01, 16 ShenHong 02, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on April 26, 2019).

Brilliance Credit Rating has published follow-up credit ratings for the bonds on the media designated by the regulatory authorities as well as its own website.

The follow-up credit rating arrangement involves regular follow-up, with the follow-up rating report issued annually, within 2 months following the publication of the Company’s annual report. In case of material events that may affect the issuer’s credit quality, Brilliance Credit Rating will initiate irregular tracking procedures.



### V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER DEBT REPAYMENT GUARANTEE MEASURES FOR THE CORPORATE BONDS

#### 1. Public Offering of Corporate Bonds in 2016

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2016 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulating of the “Rules of The Bondholders Meetings”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

During the Reporting Period, there were no changes in the credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

The Company has set up a special debt repayment account and paid out of it in April 2017 the interest payable of “16 ShenHong 01” for the period from April 26, 2016 to April 25, 2017. In September 2017, the Company paid out of the special account the interest payable for “16 ShenHong 02” and “16 ShenHong 03” for the period from September 9, 2016 to September 8, 2017. In April 2018, the Company paid out of the special account the interest payable for “16 ShenHong 01” for the period from April 26, 2017 to April 25, 2018. In September 2018, the Company paid out of the special account the interest payable for “16 ShenHong 02” and “16 ShenHong 03” for the period from September 9, 2017 to September 8, 2018. In April 2019, the Company paid out of the special account the interest payable for “16 ShenHong 01” for the period from April 26, 2018 to April 25, 2019. In September 2019, the Company paid out of the special account the interest payable for “16 ShenHong 02” and “16 ShenHong 03” for the period from September 9, 2018 to September 8, 2019. (For details, please refer to the Company’s announcements published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on April 20, 2017, September 5, 2017, April 20, 2018, September 4, 2018, April 24, 2019 and September 5, 2019, respectively).

#### 2. Public Offering of Corporate Bonds in 2018

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2018 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

During the Reporting Period, there were no changes in the credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

In July 2019, the Company paid out of the special account the interest payable for “18 ShenHong 01” and “18 ShenHong 02” for the period from July 17, 2018 to July 16, 2019. (For details, please refer to the Company’s announcements published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on July 15, 2019, respectively).

## Section IX Corporate Bonds (continued)

### 3. Public Offering of Corporate Bonds in 2019

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2019 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

During the Reporting Period, there were no changes in the credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

## VI. BONDHOLDERS MEETINGS CONVENED DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not hold any bondholders meeting.

## VII. PERFORMANCE OF THE DUTY OF THE BOND TRUSTEE DURING THE REPORTING PERIOD

Huatai United Securities Co., Ltd. has been appointed as the entrusted bond manager of the corporate bonds “16 ShenHong 01”, “16 ShenHong 02”, “16 ShenHong 03”, “18 ShenHong 01”, “18 ShenHong 02”, “19 ShenHong 01” and “19 ShenHong 02”. During the Reporting Period, Huatai United Securities Co., Ltd. diligently performed its duties in accordance with the Agreement of the Entrusted Bond Manager and continued to track and oversee the Company. It continuously observed and probed into the Company’s operating conditions, financial conditions, credit status, use of proceeds and major issues that may affect the rights and interests of bondholders.

As the board of directors of the Company underwent changes in its composition that involved more than one third of the board members in 2019, on April 10, 2019, Huatai United Securities Co., Ltd. issued the The Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Offering of Corporate Bonds by the Company to Qualified Investors in 2016, Public Offering of Corporate Bonds by the Company to Qualified Investors in 2018 and Non-public Offering of Corporate Bonds (First Tranche) in 2019. (For details, please refer to the Company’s announcement published on April 10, 2019 on the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn))).

On June 27, 2019, Huatai United Securities Co., Ltd. issued The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2016, The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (Second Tranche) to Qualified Investors in 2016 and The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2018. (For details, please refer to the Company’s announcement published on June 27, 2019 on the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn))).

During the Reporting Period, Huatai United Securities Co., Ltd. issued entrusted management provisional reports on major issues of subsidiaries within the scope of the consolidated statements of the Company. For details, please refer to the Company’s announcements published on January 17, 2019, February 12, 2019, March 8, 2019, April 10, 2019, May 28, 2019, June 27, 2019, August 27, 2019, September 5, 2019, October 22, 2019, October 31, 2019 and December 18, 2019 on the Cninfo website ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

VIII. THE MAIN ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY AS OF THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR

Items	For the Reporting Period	For the same period of the previous year	Year-on-year change
EBITDA(RMB'0,000)	1,500,534.16	1,332,422.57	12.62%
Current ratio	1.51	1.64	Decreased by 0.13
Gearing ratio	72.77%	75.23%	Decreased by 2.46 percentage points
Quick ratio	1.50	1.64	Decreased by 0.14
Total debt to EBITDA ratio	0.12	0.07	Increased by 0.05
Interest coverage multiple	1.92	1.66	15.66%
Cash interest coverage multiple	2.48	-0.82	N/A
EBITDA interest coverage multiple	1.99	1.70	17.06%
Loan repayment ratio	100.00%	100.00%	—
Interest repayment ratio	100.00%	100.00%	—

IX. THE COMPANY DID NOT HAVE ANY OVERDUE DEBTS.

X. PAYMENT OF INTEREST ON OTHER BONDS AND DEBT FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

Other than the above-mentioned corporate bonds, the Company did not offer any other bonds or debt financing instruments.

Please refer to “XXIV Other Significant Matters of Subsidiaries of the Company” under “Section V Significant Events” in this report for the information about the bonds of the Company’s subsidiaries.

XI. THE BANK CREDIT OBTAINED, USE OF SUCH CREDIT AND REPAYMENT OF BANK LOANS DURING THE REPORTING PERIOD

The Company operates compliantly with strong profitability and solvency as well as a clean credit history. It maintains agreeable cooperative relations with a number of banks and other financial institutions and obtains credit facilities from them, demonstrating its strong financing capabilities. As of the end of 2019, the total credit obtained by the Company from the banks and other financial institutions amounted to nearly RMB422.0 billion, of which approximately RMB62.4 billion has been used. The Company will carry out financing activities within the credit line so as to support the development of its businesses.

During the Reporting Period, the Company used the funds in strict accordance with the requirements of the loans and repaid the principal and interest of the loans from the banks and other financial institutions on time and in full.

## Section IX Corporate Bonds (continued)

### XII. PERFORMANCE OF THE RELEVANT AGREEMENTS OR COMMITMENTS OF THE COMPANY UNDER THE BOND OFFERING PROSPECTUS DURING THE REPORTING PERIOD

During the Reporting Period, the Company diligently performed its agreements and commitments as provided in the abovementioned corporate bond offering prospectus, and did not have any negative impact on the bond investors due to poor performance of the relevant agreements or commitments provided by the corporate bond offering prospectus of the Company.

### XIII. MAJOR EVENTS DURING THE REPORTING PERIOD

During the Reporting Period, the Company as the bond issuer did not incur any major events listed in Article 45 of the Administration Measures on Corporate Bond Offering and Trading (《公司債券發行與交易管理辦法》); for the major events arising from subsidiaries within the scope of the Company's consolidated statements, please refer to "XXIV. Other Significant Matters of Subsidiaries of the Company" under "Section V Significant Events" in this report.

### IV. FOR THE BONDS OF SUBSIDIARIES OF THE COMPANY, PLEASE REFER TO "XXIV. OTHER SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY" UNDER "SECTION V SIGNIFICANT EVENTS" IN THIS REPORT

# Section X Financial Statements

## Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd.

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

### Opinion

We have audited the consolidated financial statements of Shenwan Hongyuan Group Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 308 to 447, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

# Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

## Assessing the fair value of financial instruments

Refer to Note 60 to the consolidated financial statements and the accounting policies in note 2(13).

The Key Audit Matter	How the matter was addressed in our audit
<p>The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.</p> <p>Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 3 financial instruments, estimates need to be developed which can involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"><li>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;</li><li>• assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data on a sample basis;</li><li>• engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</li><li>• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</li></ul>

# Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

## Consolidation of structured entities

Refer to Note 55 to the consolidated financial statements.

### The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security.

Management makes significant judgement to determine whether the Group controls these structured entities and these structured entities should be consolidated in the consolidated financial statements. When making the judgement, the management considers the Group's power over the relevant activities of the structured entity, the Group's variable return and its ability to use its power to influence the Group's variable return.

The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.

### How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting a sample of structured entities for each key product type and performing the following procedures for each item selected:
  - inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
  - evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;

## Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

### Consolidation of structured entities (continued)

Refer to Note 55 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</p>	<ul style="list-style-type: none"><li data-bbox="874 508 1428 793">— evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;</li><li data-bbox="874 847 1428 944">— evaluating management's judgement over whether the structured entity should be consolidated or not;</li><li data-bbox="810 998 1428 1129">• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li></ul>



# Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

## Loss allowances of financial assets measured at amortized cost

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2(11).

### The Key Audit Matter

The Group has applied the IFRS 9 Financial Instruments since 1 January 2018 and developed a new impairment model for financial assets measured at amortized cost.

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy.

The expected credit losses for financial assets measured at amortized cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.

### How the matter was addressed in our audit

Our audit procedures to assess loss allowances of financial assets measured at amortized cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortized cost, the credit grading process and the measurement of loss allowances;
- with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

## Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

### Loss allowances of financial assets measured at amortized cost (continued)

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2(11).

#### The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, the loan balances to collateral ratio and the stock holding concentration of the borrower, the industry sector and the operation of the issuer, and the liquidity, restriction on sales and price volatility of the stock will also be taken into account in the judgement.

We identified loss allowances of financial assets measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.

#### How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the loan balances to collateral ratio of the borrowers, the industry sector and the operation of the stock issuer, and the liquidity, restriction on sales and price volatility of the stock;

# Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

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

## Loss allowances of financial assets measured at amortized cost (continued)

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2(11).

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"><li data-bbox="810 508 1428 793">• for selected samples of the financial assets measured at amortized cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;</li><li data-bbox="810 847 1428 1095">• recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortized cost where the credit risk has not, or has, increased significantly since initial recognition, respectively;</li><li data-bbox="810 1149 1428 1280">• evaluating whether the disclosures on impairment of financial assets measured at amortized cost meet the disclosure requirements of prevailing accounting standards.</li></ul>

## Other information

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

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

## Independent auditor's report to the shareholders of Shenwan Hongyuan Group Co., Ltd. (continued)

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

- 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 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 Pang Shing Chor Eric.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
27 March 2020

# Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	2019	2018 (Note)
<b>Revenue</b>			
Fee and commission income	4	7,540,211	6,419,311
Interest income	5	11,026,802	11,446,166
Net investment gains	6	5,325,874	3,649,335
<b>Total revenue</b>		<b>23,892,887</b>	21,514,812
Other income and gains	7	9,358,654	2,594,805
<b>Total revenue and other income</b>		<b>33,251,541</b>	24,109,617
Fee and commission expenses	8	1,130,550	946,634
Interest expenses	9	7,807,128	8,089,087
Staff costs	10	5,991,456	5,177,943
Depreciation and amortization expenses	11	553,870	297,909
Tax and surcharges		145,938	130,449
Other operating expenses	12	10,117,526	3,833,181
Provision for impairment losses	13		
— Net provision for impairment loss on financial assets		720,118	617,243
— Net provision for impairment loss on other assets		139,862	41,502
<b>Total expenses</b>		<b>26,606,448</b>	19,133,948
<b>Operating profit</b>		<b>6,645,093</b>	4,975,669
Share of profit of associates and joint ventures		282,138	211,596
<b>Profit before income tax</b>		<b>6,927,231</b>	5,187,265
Income tax expense	14	1,123,890	939,457
<b>Profit for the year</b>		<b>5,803,341</b>	4,247,808
<b>Attributable to:</b>			
Shareholders of the Company	17	5,735,413	4,160,189
Non-controlling interests		67,928	87,619
<b>Total</b>		<b>5,803,341</b>	4,247,808
Basic and diluted earnings per share (in Renminbi per share)	17	0.2369	0.1863

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

## Consolidated statements of profit or loss and other comprehensive income (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	2019	2018 (Note)
<b>Profit for the year</b>		<b>5,803,341</b>	4,247,808
<b>Other comprehensive income for the year</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Financial assets at fair value through other comprehensive income			
— Net changes in fair value		<b>497,770</b>	539,374
— Reclassified to profit or loss		<b>(347,877)</b>	(234,834)
Share of other comprehensive income of associates		<b>5,489</b>	367
Exchange differences on translation of financial statements in foreign currencies		<b>82,609</b>	115,256
Income tax impact		<b>(32,246)</b>	(76,049)
<b>Items that will not be reclassified to profit or loss:</b>			
Equity investment at fair value through other comprehensive income			
— Net change in fair value		<b>1,453,411</b>	(1,440,720)
Income tax impact		<b>(363,353)</b>	360,180
<b>Total other comprehensive income for the year, net of tax</b>	52	<b>1,295,803</b>	(736,426)
<b>Total comprehensive income for the year</b>		<b>7,099,144</b>	3,511,382
Attributable to:			
Shareholders of the Company		<b>7,002,226</b>	3,360,539
Non-controlling interests		<b>96,918</b>	150,843
<b>Total</b>		<b>7,099,144</b>	3,511,382

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(5).

The Group has restated comparative figures to conform to changes in presentation in the current year.

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

# Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at 31 December	
		2019	2018 (Note)
<b>Non-current assets</b>			
Property and equipment	18	1,279,391	1,373,939
Right-of-use assets	19	793,825	—
Investment properties	20	99,724	66,683
Other intangible assets	21	143,715	148,749
Interest in associates and joint ventures	23	2,489,250	2,399,055
Financial assets measured at amortized cost	24	2,006,679	5,710,839
Financial assets at fair value through other comprehensive income	25	9,457,210	9,115,967
Financial assets held under resale agreements	26	9,335,549	20,992,802
Financial assets at fair value through profit or loss	27	5,203,804	3,419,715
Refundable deposits	28	8,878,241	5,830,612
Deferred tax assets	29	1,833,395	1,800,675
Other non-current assets	30	171,645	176,706
<b>Total non-current assets</b>		<b>41,692,428</b>	51,035,742
<b>Current assets</b>			
Accounts receivable	31	1,968,153	1,237,590
Other receivables and prepayments	32	2,598,927	1,839,251
Margin accounts receivable	33	53,048,414	44,147,977
Financial assets measured at amortized cost	24	5,306,046	4,481,242
Financial assets at fair value through other comprehensive income	25	44,017,312	22,436,522
Financial assets held under resale agreements	26	29,915,390	45,275,398
Financial assets at fair value through profit or loss	27	110,024,423	90,850,184
Derivative financial assets	34	481,835	453,915
Clearing settlement funds	35	3,230,861	3,095,507
Cash held on behalf of brokerage clients	36	71,197,312	57,521,637
Cash and bank balances	37	25,056,167	25,350,070
<b>Total current assets</b>		<b>346,844,840</b>	296,689,293
<b>Total assets</b>		<b>388,537,268</b>	347,725,035

The notes on page 317 to 447 are an integral part of these consolidated financial statements.



## Consolidated statements of financial position (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at 31 December	
		2019	2018 (Note)
<b>Current liabilities</b>			
Loans and borrowings	39	1,461,734	718,871
Short-term debt instruments issued	40	17,065,153	13,568,269
Placements from other financial institutions	41	10,315,074	11,694,003
Financial liabilities at fair value through profit or loss	42	383,170	2,787,870
Accounts payable to brokerage clients	43	77,053,335	60,275,347
Employee benefits payable	44	1,650,821	1,450,173
Other payables and accruals	45	15,044,688	13,396,280
Current tax liabilities		695,722	778,704
Financial assets sold under repurchase agreements	46	83,943,834	75,062,474
Lease liabilities	47	286,190	—
Derivative financial liabilities	34	614,656	456,300
Contract liabilities	48	115,369	86,750
Long-term bonds due within one year	49	21,549,900	23,940,520
<b>Total current liabilities</b>		<b>230,179,646</b>	204,215,561
<b>Net current assets</b>		<b>116,665,194</b>	92,473,732
<b>Total assets less current liabilities</b>		<b>158,357,622</b>	143,509,474
<b>Non-current liabilities</b>			
Loans and borrowings	39	—	650,800
Placements from other financial institutions	41	636,000	—
Long-term bonds	49	70,185,304	65,567,816
Non-current employee benefits payable	44	2,025,967	1,287,638
Deferred tax liabilities	29	2,558	242,110
Financial assets sold under repurchase agreements	46	—	4,300,000
Lease liabilities	47	493,541	—
Financial liabilities at fair value through profit or loss	42	1,000	44,017
Other non-current liabilities	50	181,845	221,164
<b>Total non-current liabilities</b>		<b>73,526,215</b>	72,313,545
<b>Net assets</b>		<b>84,831,407</b>	71,195,929

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

## Consolidated statements of financial position (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Section II Note	2019	2018 (Note)
<b>Equity</b>			
Share capital	51	<b>25,039,945</b>	22,535,945
Reserves	52	<b>34,702,070</b>	26,721,215
Retained profits	52	<b>23,464,175</b>	20,142,165
Total equity attributable to shareholders of the Company		<b>83,206,190</b>	69,399,325
Non-controlling interests		<b>1,625,217</b>	1,796,604
<b>Total equity</b>		<b>84,831,407</b>	71,195,929

Approved and authorised for issue by the board of directors on 27 March 2020.

**Chu Xiaoming**

*Executive Director, Chairman*

**Yang Wenqing**

*Executive Director, Vice Chairman*

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(5).

The Group has restated comparative figures to conform to changes in presentation in the current year.

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

# Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves							Sub-total			
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits				
(Note 51)	(Note 52)	(Note 52)	(Note 52)	(Note 52)	(Note 52)	(Note 52)	(Note 52)				
<b>As at 1 January 2019</b>	22,535,945	13,939,710	3,184,382	11,076,984	(1,479,434)	(427)	20,142,165	69,399,325	1,796,604	71,195,929	
<b>Changes in equity for 2019</b>	-	-	-	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	-	-	5,735,413	5,735,413	67,928	5,803,341	
Other comprehensive income	-	-	-	-	1,205,844	60,969	-	1,266,813	28,990	1,295,803	
Total comprehensive income	-	-	-	-	1,205,844	60,969	5,735,413	7,002,226	96,918	7,099,144	
Issuance of ordinary shares	2,504,000	5,164,656	-	-	-	-	-	7,668,656	-	7,668,656	
Appropriation to surplus reserve	-	-	206,045	-	-	-	(206,045)	-	-	-	
Appropriation to general reserve	-	-	-	1,199,027	-	-	(1,199,027)	-	-	-	
Dividends approved in respect of the previous year	-	-	-	-	-	-	(1,126,797)	(1,126,797)	(6,755)	(1,133,552)	
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	(118,466)	-	118,466	-	-	-	
Acquisition of non-controlling interests in subsidiaries	-	262,780	-	-	-	-	-	262,780	(261,550)	1,230	
<b>As at 31 December 2019</b>	25,039,945	19,367,146	3,390,427	12,276,011	(392,056)	60,542	23,464,175	83,206,190	1,625,217	84,831,407	

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(5).

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

## Consolidated statements of changes in equity (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves							Sub-total			
	Share capital (Note 51)	Capital reserve (Note 52)	Surplus reserve (Note 52)	General reserve (Note 52)	Fair value reserve (Note 52)	Translation reserve (Note 52)	Retained profits (Note 52)				
<b>As at 1 January 2018</b>	20,056,606	4,436,714	3,017,174	9,860,962	(295,204)	(52,459)	18,173,404	55,197,197	1,808,581	57,005,778	
<b>Impact on initial application of IFRS 9</b>	—	—	204	67,321	(332,548)	—	251,074	(13,949)	(113)	(14,062)	
<b>Adjusted balance as at 1 January 2018</b>	20,056,606	4,436,714	3,017,378	9,928,283	(627,752)	(52,459)	18,424,478	55,183,248	1,808,468	56,991,716	
<b>Changes in equity for 2018</b>											
Profit for the year	—	—	—	—	—	—	4,160,189	4,160,189	87,619	4,247,808	
Other comprehensive income	—	—	—	—	(851,682)	52,032	—	(799,650)	63,224	(736,426)	
Total comprehensive income	—	—	—	—	(851,682)	52,032	4,160,189	3,360,539	150,843	3,511,382	
Issuance of ordinary shares	2,479,339	9,502,996	—	—	—	—	—	11,982,335	—	11,982,335	
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	13,230	13,230	
Appropriation to surplus reserve	—	—	167,004	—	—	—	(167,004)	—	—	—	
Appropriation to general reserve	—	—	—	1,148,701	—	—	(1,148,701)	—	—	—	
Dividends approved in respect of the previous year	—	—	—	—	—	—	(1,126,797)	(1,126,797)	(175,937)	(1,302,734)	
<b>As at 31 December 2018</b>	22,535,945	13,939,710	3,184,382	11,076,984	(1,479,434)	(427)	20,142,165	69,399,325	1,796,604	71,195,929	

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

# Consolidated statements of cash flows

(Expressed in thousands of Renminbi, unless otherwise stated)

	2019	2018 (Note)
<b>Cash flows from operating activities:</b>		
Profit before income tax	<b>6,927,231</b>	5,187,265
Adjustments for:		
Interest expenses	<b>7,807,128</b>	8,089,087
Share of profit of associates and joint ventures	<b>(282,138)</b>	(211,596)
Depreciation and amortization expenses	<b>553,870</b>	297,909
Provision for impairment losses	<b>859,980</b>	658,745
Gains on disposal of property and equipment and other intangible assets	<b>(80)</b>	(58)
Foreign exchange gains	<b>(202,522)</b>	(4,715)
Net investment gains and interest income from financial assets at fair value through other comprehensive income	<b>(2,619,467)</b>	(2,146,695)
Net investment gains and interest income from financial assets measured at amortized cost	<b>(659,863)</b>	(798,991)
Unrealised fair value changes of financial instruments at fair value through profit or loss	<b>(6,136)</b>	(72,933)
Unrealised fair value changes of derivative financial instruments	<b>107,389</b>	140,060
<b>Operating cash flows before movements in working capital</b>	<b>12,485,392</b>	11,138,078
<i>Changes in operating assets</i>		
Increase in refundable deposits	<b>(3,047,629)</b>	(371,269)
(Increase)/decrease in margin accounts receivable	<b>(8,911,177)</b>	13,040,044
Increase in accounts receivable, other receivables and prepayments	<b>(1,335,275)</b>	(1,174,790)
Decrease/(increase) in financial assets held under resale agreements	<b>17,013,441</b>	(9,213,757)
Increase in financial instruments at fair value through profit or loss	<b>(24,131,964)</b>	(35,842,189)
Decrease/(increase) in derivative financial instruments	<b>23,048</b>	(163,217)
(Increase)/decrease in cash held on behalf of brokerage clients	<b>(11,119,974)</b>	4,485,162
<i>Changes in operating liabilities</i>		
Increase/(decrease) in accounts payable to brokerage clients	<b>16,777,988</b>	(3,358,208)
Increase/(decrease) in other payables and accruals and other non-current liabilities	<b>1,699,083</b>	(1,284,793)
Increase/(decrease) in employee benefits payable	<b>938,977</b>	(378,370)
Increase in financial assets sold under repurchase agreements	<b>4,581,360</b>	14,512,388
(Decrease)/increase in placements from other financial institutions	<b>(742,929)</b>	3,718,941
Cash generated from/(used in) operations	<b>4,230,341</b>	(4,891,980)
Income taxes paid	<b>(1,916,619)</b>	(868,536)
Interest paid for operating activities	<b>(3,317,788)</b>	(3,636,479)
<b>Net cash used in operating activities</b>	<b>(1,004,066)</b>	(9,396,995)

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

## Consolidated statements of cash flows (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	2019	2018 (Note)
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment and other intangible assets		9,877	5,709
Dividends received from associates and joint ventures		119,915	46,163
Interest income from financial assets measured at amortized cost		599,634	806,312
Net investment gains and interest income from financial assets at fair value through other comprehensive income		2,569,226	1,693,724
Proceeds on disposal of financial assets measured at amortized cost		2,676,917	326,844
Purchases of property and equipment, other intangible assets and other non-current assets		(222,871)	(260,694)
Purchases of associates and joint ventures		(100,767)	(362,600)
Purchases of financial assets at fair value through other comprehensive income		(20,334,528)	(2,425,339)
Decrease/(increase) in restricted bank deposits		7,081,753	(3,439,371)
Net cash used in investing activities		(7,600,844)	(3,609,252)
<b>Cash flows from financing activities:</b>			
Capital injection from issuance of ordinary shares		7,690,712	11,982,335
Capital injection from non-controlling shareholders of subsidiaries		—	13,230
Proceeds from issuance of long-term bonds		37,084,656	38,835,200
Proceeds from issuance of short-term debt instruments		42,505,109	39,607,528
Proceeds from loans and borrowings		1,160,307	717,585
Long-term bonds repaid		(35,662,006)	(17,249,700)
Short-term debt instruments repaid		(38,727,714)	(41,632,714)
Loans and borrowings repaid		(1,068,385)	(2,106,544)
Loans, bonds and debt instruments interest paid		(3,969,881)	(3,067,039)
Dividends paid		(1,133,553)	(1,302,734)
Payment of lease liabilities		(314,762)	—
Net cash generated from financing activities		7,564,483	25,797,147
Net (decrease)/increase in cash and cash equivalents		(1,040,427)	12,790,900
Cash and cash equivalents at the beginning of the year		39,786,707	26,991,092
Effect of foreign exchange rate changes		202,522	4,715
Cash and cash equivalents at the end of the year	38	38,948,802	39,786,707

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(5).

The notes on page 317 to 447 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 General information

Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) (the “Company”), formerly known as Shenyin Wanguo Securities Co., Ltd., had its origin in a merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai Wanguo Securities Co., Ltd. in 1996 with the approval of the People’s Bank of China. On 16 January 2015, the Company changed its name to Shenwan Hongyuan Group Co., Ltd., when Shenyin Wanguo Securities Co., Ltd. and Hongyuan Securities Co., Ltd. merged through share issuance and swap as approved by the China Securities Regulatory Commission (“CSRC”) (CSRC Xu Ke [2014] No. 1279).

On 26 January 2015, the common shares issued by the Company were listed on the Shenzhen Stock Exchange. The stock name was “Shenwan Hongyuan” and the stock code was “000166”.

On 6 July 2016, on the basis of the total outstanding shares of 14,856,744,977 shares as at 31 December 2015, the Company distributed 3.50 shares per 10 shares as stock dividends to shareholders, thus increasing its registered capital by RMB5,199,860,741 and increasing its total outstanding shares to 20,056,605,718 shares as at 31 December 2016 and 31 December 2017.

As of 16 January 2018, the Company raised a total of RMB11,972,900,760 from the non-public offering of shares, of which paid-in capital was RMB2,479,338,842 and share premium totaled RMB9,493,561,918, thus increasing the accumulated total outstanding shares of the Company to 22,535,944,560 shares as at 31 December 2018.

As of 26 April 2019, the Company issued 2,504,000,000 H shares on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), thus increasing the accumulated total outstanding shares of the Company to 25,039,944,560 shares as at 31 December 2019.

The Company is registered in the Xinjiang Uygur Autonomous Region. The Company and its subsidiaries are principally engaged in securities brokerage, margin financing and securities lending, securities-backed lending, proprietary securities business, securities underwriting and sponsoring, securities asset management, fund management, stock option market making, futures brokerage, direct investment, innovative investment etc.

## 2 Significant accounting policies

### (1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. Note 2(5) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2019 are set out in Note 61.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (2) Basis of measurement

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The methods used to measure fair value are discussed further in Note 2(13).

#### (3) Functional and presentation currency

These consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company and its subsidiaries established in the PRC. All consolidated financial statements presented in RMB has been rounded to the nearest thousands, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective presentation currencies into the Group’s presentation currency if the subsidiaries’ presentation currencies are not the same as that of the Group.

#### (4) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

##### A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in These consolidated financial statements are included in the following notes:

Note 2(6) — consolidation: whether the Group has control over a structured entity.

##### B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 2(11)(i) — measurement of ‘expected credit loss’ (ECL) allowance for financial assets;

Note 2(13) — measurement of fair value;

Note 2(17), Note 2(18) and Note 2(19) — depreciation rates for investment properties, property and equipment, and other intangible assets.

Note 2(11)(ii) — the impairment of non-financial assets;

Note 2(21) — recognition of deferred tax assets;



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Changes in significant accounting policies

The Group has initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated—i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

#### (a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(12).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

#### (b) As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases — i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Changes in significant accounting policies (continued)

##### (b) As a lessee (continued)

###### (i) Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 2(5)(d)(i)). Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

##### (c) As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Changes in significant accounting policies (continued)

##### (d) Impact on financial statements

###### (i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarised below.

In thousands of Renminbi	1 January 2019
Right-of-use assets — property, plant and equipment	866,295
Lease liabilities	866,295
Retained earnings	—

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied ranges from 3.55%–4.08%.

In thousands of Renminbi	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	951,030
Discounted using the incremental borrowing rate at 1 January 2019	866,295
Lease liabilities recognised at 1 January 2019	866,295

#### (6) Basis of consolidation

##### (i) Subsidiaries and non-controlling interests

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

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

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (6) Basis of consolidation (continued)

##### (i) Subsidiaries and non-controlling interests (continued)

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

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(10)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)(ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(11)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (ii) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (6) Basis of consolidation (continued)

##### (ii) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(6) and 2(11)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(10)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (7) Goodwill

Goodwill represents the excess of:

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(11)).

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

#### (8) Foreign currency

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

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

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognized in profit or loss, except for the differences arising from the translation of fair value in other comprehensive income, which are recognized as other comprehensive income in capital reserve.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (8) Foreign currency (continued)

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of the reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operations are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

#### (9) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

#### (10) Financial instruments

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI — debt investment; FVOCI — equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (10) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

###### *Financial assets (continued)*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Financial assets — Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (10) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

*Financial assets — Business model assessment (continued)*

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets — Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (10) Financial instruments (continued)

##### (iii) Derecognition

###### *Financial assets*

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

###### *Financial liabilities*

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### (v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate and other price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

##### (vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (10) Financial instruments (continued)

##### (vii) Asset-backed securities

The Group securitises the financial assets, which generally results in the sale of these financial assets to structured entities. The structured entities in turn issue asset-backed securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests. For asset securitization business, the Group has applied the accounting policies set out in Note 2(6) when assessing consolidation of the structured entities and applied the accounting policies described in Note 2(10)(iii) when assessing whether or not to derecognise the transferred financial assets.

#### (11) Impairment

##### (i) Non-derivative financial assets

*Financial instruments and contract assets*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (11) Impairment (continued)

##### (i) Non-derivative financial assets (continued)

*Financial instruments and contract assets (continued)*

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (11) Impairment (continued)

##### (i) Non-derivative financial assets (continued)

*Credit-impaired financial assets (continued)*

- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

##### (ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (12) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

#### **Policy applicable from 1 January 2019**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

##### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (12) Leases (continued)

##### Policy applicable from 1 January 2019 (continued)

###### (i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

##### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

###### (ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (12) Leases (continued)

##### Policy applicable from 1 January 2019 (continued)

###### (ii) As a lessor (continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(11)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

##### Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (12) Leases (continued)

##### Policy applicable from 1 January 2019 (continued)

(i) *As a lessee*

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) *As a lessor*

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

#### (13) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

## Notes to the consolidated financial statements (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 Significant accounting policies (continued)

#### **(14) Margin financing and securities lending**

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

The classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(10) and 2(11). Securities lent are not derecognized when the risks and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognized using the effective interest rate method.

The collateral is not recognized on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

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

#### **(15) Financial assets held under resale and sold under repurchase agreements**

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

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

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

#### **(16) Investments in subsidiaries**

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(6).

In the Company's statements of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(11)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (17) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(11)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

The estimated useful lives for the current and comparative years of significant items of investment properties are as follows:

<b>Types of assets</b>	<b>Estimated useful lives</b>	<b>Estimated residual values</b>	<b>Depreciation rates</b>
Buildings	20–35 years	5%	2.71%–4.75%

#### (18) Property and equipment and construction in progress

##### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

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

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

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

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (18) Property and equipment and construction in progress (continued)

##### (i) Recognition and measurement (continued)

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

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

##### (ii) Subsequent expenditure

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

##### (iii) Depreciation

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

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	20–35 years	5%	2.71%–4.75%
Motor vehicles	6 years	5%	15.83%
Machinery	10–11 years	5%	8.64%–9.50%
Electronic equipment	3–5 years	5%	19.00%–31.67%
Furniture and fixtures	5 years	5%	19.00%
Renovation	5 years	0%	20.00%

No depreciation is provided in respect of construction in progress.

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

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (19) Other intangible assets

Intangible assets are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 2(11)). For an intangible asset with finite useful life, its cost less impairment loss is amortized on the straight-line method over its estimated useful life.

The respective amortization periods for major intangible assets during the reporting period are as follows:

<b>Types of assets</b>	<b>Estimated useful lives</b>
Software	3 years
Others	10–40 years

An intangible asset is regarded as having an indefinite useful life and is not amortized when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

#### (20) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### (ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

##### (iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

##### (iv) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the reporting period, then they are discounted to their present value.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (21) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

##### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

##### (ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (21) Income tax (continued)

##### (iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### (22) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (23) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

#### (24) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (24) Revenue recognition (continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

##### (i) Commission income from brokerage business

Brokerage commission income is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognized when the related services are rendered.

##### (ii) Underwriting and sponsoring fees

Underwriting fee is recognized when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsoring fees are recognized progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

##### (iii) Advisory fees

Depending on the nature of the advisory services and the contract terms, advisory fees are recognized progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

##### (iv) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognized progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

##### (v) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (24) Revenue recognition (continued)

##### (vi) Dividend income

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.
  
- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

##### (vii) Other income

Other income is recognized on an accrual basis.

#### (25) Expenses recognition

##### (i) Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

##### (ii) Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

##### (iii) Other expenses

Other expenses are recognized on an accrual basis.

#### (26) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognized as a liability at the end of the reporting period but disclosed in the notes to the consolidated financial statements separately.

#### (27) Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expenses are recognized.

#### (28) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (28) Related parties (continued)

- (b) An entity is related to the Group if 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 an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities 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);
  - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (29) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial performance is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the Consolidated financial statements.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Taxation

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Value added tax ("VAT") <sup>(i)</sup>	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	2%–17%
City maintenance and construction	Based on business tax and value added tax paid	5%–7%
Education surcharge	Based on business tax and value added tax paid	3%–5%
Income tax <sup>(ii)</sup>	Based on taxable profits	15%–25%

(i) According to Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No. 140), Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No. 2) and Notice on Issues Relating to VAT on Fund Management Products (Cai Shui [2017] No. 56) issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simple tax computation method shall apply in the interim to VAT taxable acts arising in the course of operation of fund management products by managers of fund management products (hereinafter referred to as the "managers"), and VAT shall be payable in accordance with the 3% levy rate.

(ii) Obtained the GR201431000869 (2014–2016) and GR201731001218 (2017–2019) high-tech enterprise qualification certificate from Shanghai Science and Technology Commission, the corporate income tax rate applicable to SWS Research Co., Ltd., a subsidiary of the Company, is 15%. Except for SWS Research Co., Ltd., the income tax rate applicable to the Company and its domestic subsidiaries is 25%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

### 4 Fee and commission income

#### (a) Revenue streams

	2019	2018
Income from securities brokerage business	<b>4,704,612</b>	3,878,013
Income from asset management business	<b>1,293,748</b>	1,239,337
Income from underwriting and sponsorship business	<b>914,439</b>	652,741
Income from futures brokerage business	<b>355,558</b>	397,488
Income from financial advisory business	<b>271,854</b>	251,732
Total	<b>7,540,211</b>	6,419,311

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 Fee and commission income (continued)

#### (b) Disaggregation of revenue

In the following table, fee and commission income are disaggregated by timing of revenue recognition:

	2019		2018	
	At a point in time	Over time	At a point in time	Over time
Income from securities brokerage business	4,704,612	—	3,878,013	—
Income from asset management business	—	1,293,748	—	1,239,337
Income from underwriting and sponsorship business	891,216	23,223	652,741	—
Income from futures brokerage business	355,558	—	397,488	—
Income from financial advisory business	258,821	13,033	251,732	—
<b>Total</b>	<b>6,210,207</b>	<b>1,330,004</b>	<b>5,179,974</b>	<b>1,239,337</b>

### 5 Interest income

	2019	2018
Interest income from margin financing and securities lending	3,577,194	3,631,819
Interest income from financial institutions	2,484,610	2,414,827
Interest income from securities-backed lending	2,096,216	2,858,252
Interest income from debt instruments at fair value through other comprehensive income	1,715,991	1,196,239
Interest income from financial assets measured at amortized cost	654,972	798,991
Interest income from other financial assets held under resale agreements	497,819	546,038
<b>Total</b>	<b>11,026,802</b>	<b>11,446,166</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 Net investment gains

	2019	2018
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	451,704	324,246
Dividend income from financial instruments at fair value through other comprehensive income	451,772	626,210
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	195,664	(326,579)
Dividend income and interest income from financial instruments at fair value through profit or loss	4,406,102	3,248,483
Net realised gains from disposal of financial assets measured at amortized cost	4,891	—
Net realised losses from disposal of derivative financial instruments	(83,006)	(155,898)
Unrealised fair value changes of financial instruments at fair value through profit or loss	6,136	72,933
Unrealised fair value changes of derivative financial instruments	(107,389)	(140,060)
<b>Total</b>	<b>5,325,874</b>	<b>3,649,335</b>

### 7 Other income and gains

#### (a) Other income and gains streams

	2019	2018
Income from commodity trading business	8,890,705	2,394,073
Foreign exchange gains	202,522	4,715
Government grants <sup>(1)</sup>	146,571	122,201
Income from tax authorities for individual income tax withheld	38,199	18,244
Income from futures market-making	35,318	13,964
Rental income	20,560	28,326
Compensation received	822	6,005
Gains from disposal of property and equipment	661	301
Miscellaneous <sup>(2)</sup>	23,296	6,976
<b>Total</b>	<b>9,358,654</b>	<b>2,594,805</b>

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

(2) Miscellaneous comprise a number of items with small amounts and various natures arising from the Group's daily business operation.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 7 Other income and gains (continued)

#### (b) Disaggregation of other income and gains

In the following table, other income and gains are disaggregated by timing of revenue recognition:

	2019		2018	
	At a point in time	Over time	At a point in time	Over time
Income from commodity trading business	8,890,705	—	2,394,073	—
Foreign exchange gains	202,522	—	4,715	—
Government grants	146,571	—	122,201	—
Income from tax authorities for individual income tax withheld	38,199	—	18,244	—
Income from futures market-making	35,318	—	13,964	—
Rental income	—	20,560	—	28,326
Compensation received	822	—	6,005	—
Gains from disposal of property and equipment	661	—	301	—
Miscellaneous	23,296	—	6,976	—
<b>Total</b>	<b>9,338,094</b>	<b>20,560</b>	<b>2,566,479</b>	<b>28,326</b>

### 8 Fee and commission expenses

	2019	2018
Expenses for securities brokerage business	1,009,304	802,788
Expenses for asset management business	4,142	40,681
Expenses for underwriting and sponsorship business	23,824	27,092
Expenses for futures brokerage business	93,264	74,817
Expenses for financial advisory business	16	1,256
<b>Total</b>	<b>1,130,550</b>	<b>946,634</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 Interest expenses

	2019	2018
Interest expenses for		
– Long-term bonds	<b>4,113,319</b>	3,356,690
– Financial assets sold under repurchase agreements	<b>2,430,300</b>	2,738,898
– Placements from other financial institutions	<b>346,181</b>	412,634
– Short-term debt instruments issued	<b>295,876</b>	870,371
– Accounts payable to brokerage clients	<b>282,887</b>	250,035
– Other structured entities' holders	<b>215,805</b>	312,823
– Loans and borrowings	<b>84,533</b>	108,129
– Lease liabilities	<b>32,501</b>	—
– Others	<b>5,726</b>	39,507
<b>Total</b>	<b>7,807,128</b>	8,089,087

### 10 Staff costs

	2019	2018
Salaries, bonuses and allowances	<b>4,722,165</b>	3,953,589
Contribution to pension schemes	<b>320,556</b>	304,142
Other social welfare	<b>948,735</b>	920,212
<b>Total</b>	<b>5,991,456</b>	5,177,943

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labour and social welfare authorities. These social welfare plans are defined contribution plans and contributions to the plans are expensed as incurred.

### 11 Depreciation and amortization expenses

	2019	2018
Depreciation of right-of-use assets	<b>268,167</b>	—
Depreciation of property and equipment	<b>159,058</b>	176,621
Amortization of other intangible assets	<b>75,384</b>	67,153
Amortization of long-term deferred expenses	<b>46,831</b>	49,040
Amortization of investment properties	<b>4,430</b>	5,095
<b>Total</b>	<b>553,870</b>	297,909



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 12 Other operating expenses

	2019	2018
Cost of commodity trading business	<b>8,715,664</b>	2,298,034
Administrative and office operating expenses	<b>214,754</b>	222,363
Rental expenses and utilities	<b>190,677</b>	451,484
Postal and communication expenses	<b>155,200</b>	144,461
IT expenses	<b>130,389</b>	114,024
Consulting and professional services	<b>130,085</b>	62,886
Funds and asset management plans distribution expenses	<b>113,938</b>	72,777
Business travel expenses	<b>106,963</b>	99,674
Promotion and entertainment expenses	<b>106,541</b>	123,264
Stock exchanges management fees	<b>82,337</b>	72,187
Investor protection funds and risk reserves for futures business	<b>81,589</b>	78,530
Donation and sponsorship	<b>21,217</b>	13,074
Transaction cost of structured entities	<b>19,447</b>	22,483
Auditors' remuneration	<b>7,232</b>	5,388
Losses on disposal of property and equipment	<b>3,133</b>	3,184
Labor protection fee	<b>1,743</b>	5,841
Compensation paid	<b>528</b>	1,388
Miscellaneous <sup>(1)</sup>	<b>36,089</b>	42,139
<b>Total</b>	<b>10,117,526</b>	3,833,181

(1) Miscellaneous comprise a number of items with small amounts and various natures arising from the Group's daily business operation.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 Provision for impairment losses

	2019	2018
Provision for impairment losses against financial assets measured at amortized cost	<b>262,728</b>	23,166
Provision for impairment losses against accounts receivable	<b>203,574</b>	68,334
Provision for impairment losses against financial assets held under resale agreements	<b>161,015</b>	463,478
Provision for impairment losses against financial assets at fair value through other comprehensive income	<b>103,826</b>	89,410
Reversal of impairment losses against margin accounts receivable	<b>(4,185)</b>	(51,512)
(Reversal of)/provision for impairment losses against other receivables and prepayments	<b>(3,560)</b>	26,255
Reversal of impairment losses against cash and bank balances	<b>(3,280)</b>	(1,888)
Net provision for impairment loss on financial assets	<b>720,118</b>	617,243
Provision for impairment losses against Interest in associates and joint ventures	<b>178,285</b>	—
(Reversal of)/provision for impairment losses against Inventory	<b>(38,423)</b>	41,502
Net provision for impairment loss on other assets	<b>139,862</b>	41,502
Total	<b>859,980</b>	658,745

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 Income tax expense

#### (a) Taxation in the consolidated statements of profit or loss represents:

	2019	2018
Current tax		
– PRC income tax	1,758,775	1,382,974
– Hong Kong profits tax	20,359	4,468
	<b>1,779,134</b>	1,387,442
Adjustment in respect of prior years		
– PRC income tax	(26,862)	(36,158)
Deferred tax		
– Origination and reversal of temporary differences	(628,382)	(411,827)
Total	<b>1,123,890</b>	939,457

#### (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2019	2018
Profit before income tax	6,927,231	5,187,265
Notional tax calculated using the PRC statutory tax rate	1,731,808	1,296,816
Tax effect of non-deductible expenses	42,204	49,139
Tax effect of non-taxable income	(645,509)	(392,216)
Effect of different tax rates of subsidiaries	(13,012)	(9,237)
Temporary differences in deferred income tax not recognized in the current period	2,241	2,891
Tax effect of recognition of previously unrecognized temporary differences	(9,260)	–
Adjustment for prior years	(26,862)	(36,158)
Others	42,280	28,222
Actual income tax expense	<b>1,123,890</b>	939,457

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 Directors' and supervisors' remuneration

The remuneration of directors and supervisors paid by the Group who held office during the Year ended 31 December 2019 is as follows:

Name	2019				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension	Discretionary bonuses	
<b>Directors</b>					
Chu Xiaoming <sup>(1)</sup>	—	1,521	193	1,949	3,663
Yang Wenqing <sup>(2)</sup>	—	1,098	119	—	1,217
Feng Rong <sup>(3)</sup>	—	355	158	1,260	1,773
Chen Liang <sup>(4)</sup>	—	763	208	1,898	2,869
Qu Yanping <sup>(5)</sup>	—	—	—	—	—
Wang Honggang <sup>(6)</sup>	—	—	—	—	—
Chen Jianmin <sup>(7)</sup>	—	—	—	—	—
Wang Fengchao <sup>(8)</sup>	—	—	—	—	—
Ge Rongrong <sup>(9)</sup>	—	—	—	—	—
Ren Xiaotao <sup>(10)</sup>	—	—	—	—	—
<b>Independent directors</b>					
Ye Mei <sup>(11)</sup>	180	—	—	—	180
Xie Rong <sup>(12)</sup>	180	—	—	—	180
Huang Danhan <sup>(13)</sup>	150	—	—	—	150
Yang Qiumei <sup>(14)</sup>	138	—	—	—	138
<b>Supervisors</b>					
Yang Yucheng <sup>(15)</sup>	—	890	218	1,834	2,942
Xu Yiyang <sup>(16)</sup>	—	252	56	—	308
Wen Feng <sup>(17)</sup>	—	—	—	—	—
Gong Bo <sup>(18)</sup>	—	—	—	—	—
Wei Yong <sup>(19)</sup>	—	—	—	—	—
Huang Qi <sup>(20)</sup>	—	992	210	800	2,002
Wang Yanyang <sup>(21)</sup>	—	935	206	850	1,991
Xie Kun <sup>(22)</sup>	—	1,075	159	890	2,124
An Gejun <sup>(23)</sup>	—	727	184	337	1,248
<b>Total</b>	<b>648</b>	<b>8,608</b>	<b>1,711</b>	<b>9,818</b>	<b>20,785</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 Directors' and supervisors' remuneration (continued)

Name	2018				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension	Discretionary bonuses	
<b>Directors</b>					
Chu Xiaoming <sup>(1)</sup>	—	1,504	216	820	2,540
Feng Rong <sup>(3)</sup>	—	1,457	213	598	2,268
Chen Liang <sup>(4)</sup>	—	1,521	219	769	2,509
Qu Yanping <sup>(5)</sup>	—	—	—	—	—
Wang Honggang <sup>(6)</sup>	—	—	—	—	—
Chen Jianmin <sup>(7)</sup>	—	—	—	—	—
<b>Independent directors</b>					
Ye Mei <sup>(11)</sup>	180	—	—	—	180
Xie Rong <sup>(12)</sup>	180	—	—	—	180
Huang Danhan <sup>(13)</sup>	150	—	—	—	150
<b>Supervisors</b>					
Yang Yucheng <sup>(15)</sup>	—	1,521	215	750	2,486
Wen Feng <sup>(17)</sup>	—	—	—	—	—
Gong Bo <sup>(18)</sup>	—	—	—	—	—
Wei Yong <sup>(19)</sup>	—	—	—	—	—
Huang Qi <sup>(20)</sup>	—	983	177	800	1,960
Wang Yanyang <sup>(21)</sup>	—	927	173	800	1,900
Xie Kun <sup>(22)</sup>	—	1,064	183	849	2,096
An Gejun <sup>(23)</sup>	—	802	155	312	1,269
<b>Total</b>	<b>510</b>	<b>9,779</b>	<b>1,551</b>	<b>5,698</b>	<b>17,538</b>

(1) Appointed as director in December 2010.

(2) Appointed as director in March 2019.

(3) Appointed as director in February 2015 and resigned as director in March 2019.

(4) Appointed as director in February 2015 and resigned as director in June 2019.

(5) Appointed as director in November 2010 and resigned as director in March 2019.

(6) Appointed as director in September 2016.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 Directors' and supervisors' remuneration (continued)

- (7) Appointed as director in February 2017.
- (8) Appointed as director in January 2019.
- (9) Appointed as director in March 2019.
- (10) Appointed as director in March 2019.
- (11) Appointed as independent director in December 2012.
- (12) Appointed as independent director in December 2012.
- (13) Appointed as independent director in December 2012.
- (14) Appointed as independent director in February 2019.
- (15) Appointed as supervisor in February 2015 and resigned as supervisor in July 2019.
- (16) Appointed as supervisor in October 2019.
- (17) Appointed as supervisor in February 2015.
- (18) Appointed as supervisor in December 2012.
- (19) Appointed as supervisor in September 2016.
- (20) Appointed as supervisor in May 2015.
- (21) Appointed as supervisor in May 2016.
- (22) Appointed as supervisor in May 2015.
- (23) Appointed as supervisor in May 2015.

There were no amounts paid during the year ended 31 December 2019 to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year ended 31 December 2019.

### 16 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed in Note 15. The aggregate of the emoluments are as follows:

	2019	2018
Salaries and allowances	5,847	5,445
Discretionary bonuses	32,654	37,869
Employer's contribution to pension schemes	592	930
Total	39,093	44,244

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 Individuals with highest emoluments (continued)

The emoluments with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HKD6,000,001 to HKD7,000,000	1	—
HKD7,000,001 to HKD8,000,000	—	1
HKD8,000,001 to HKD9,000,000	2	1
HKD9,000,001 to HKD10,000,000	1	1
HKD10,000,001 to HKD11,000,000	—	—
HKD11,000,001 to HKD12,000,000	1	1
HKD12,000,001 to HKD13,000,000	—	—
HKD13,000,001 to HKD14,000,000	—	—
HKD14,000,001 to HKD15,000,000	—	—
HKD15,000,001 to HKD16,000,000	—	—
HKD16,000,001 to HKD17,000,000	—	1

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the year ended 31 December 2019.

### 17 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue.

	2019	2018
Profit attributable to shareholders of the Company	<b>5,735,413</b>	4,160,189
Weighted average number of ordinary shares in issue (thousands)	<b>24,205,278</b>	22,329,333
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)	<b>0.2369</b>	0.1863

During the year ended 31 December 2019, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 Property and equipment

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
<b>Cost</b>								
As at 1 January 2019	1,682,132	102,951	21,640	1,109,232	70,890	93,118	110,464	3,190,427
Additions	—	3,044	130	59,196	6,221	176	140,871	209,638
Transfer during the year	(5,462)	—	—	8,527	46	739	(107,169)	(103,319)
Disposals	(7,587)	(8,798)	(934)	(69,082)	(1,303)	(5,362)	—	(93,066)
As at 31 December 2019	1,669,083	97,197	20,836	1,107,873	75,854	88,671	144,166	3,203,680
<b>Accumulated depreciation</b>								
As at 1 January 2019	(677,086)	(88,558)	(16,821)	(883,953)	(63,521)	(68,396)	—	(1,798,335)
Transfer during the year	(32,009)	—	—	—	—	—	—	(32,009)
Charge for the year	(51,023)	(4,847)	(927)	(86,161)	(7,226)	(8,874)	—	(159,058)
Disposals	1,656	8,174	785	66,061	1,241	5,349	—	83,266
As at 31 December 2019	(758,462)	(85,231)	(16,963)	(904,053)	(69,506)	(71,921)	—	(1,906,136)
<b>Impairment</b>								
As at 1 January 2019	(18,153)	—	—	—	—	—	—	(18,153)
As at 31 December 2019	(18,153)	—	—	—	—	—	—	(18,153)
<b>Carrying amount</b>								
As at 31 December 2019	892,468	11,966	3,873	203,820	6,348	16,750	144,166	1,279,391



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 Property and equipment (continued)

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
<b>Cost</b>								
As at 1 January 2018	1,658,492	109,921	22,260	1,088,923	71,344	93,470	68,211	3,112,621
Additions	—	4,010	41	81,683	3,257	183	130,773	219,947
Transfer during the year	23,640	522	—	13,867	344	634	(88,520)	(49,513)
Disposals	—	(11,502)	(661)	(75,241)	(4,055)	(1,169)	—	(92,628)
As at 31 December 2018	1,682,132	102,951	21,640	1,109,232	70,890	93,118	110,464	3,190,427
<b>Accumulated depreciation</b>								
As at 1 January 2018	(612,655)	(93,560)	(16,266)	(856,519)	(60,813)	(58,585)	—	(1,698,398)
Transfer during the year	(10,292)	—	—	—	—	—	—	(10,292)
Charge for the year	(54,139)	(5,741)	(1,069)	(98,366)	(6,338)	(10,968)	—	(176,621)
Disposals	—	10,743	514	70,932	3,630	1,157	—	86,976
As at 31 December 2018	(677,086)	(88,558)	(16,821)	(883,953)	(63,521)	(68,396)	—	(1,798,335)
<b>Impairment</b>								
As at 1 January 2018	(18,153)	—	—	—	—	—	—	(18,153)
As at 31 December 2018	(18,153)	—	—	—	—	—	—	(18,153)
<b>Carrying amount</b>								
As at 31 December 2018	986,893	14,393	4,819	225,279	7,369	24,722	110,464	1,373,939

As at the end of 31 December 2019 and 2018, included in buildings, there is a carrying amount of RMB20,693 thousand and RMB21,424 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 Right-of-use assets

	Right-of-use assets
<b>Cost</b>	
As at 1 January 2019	866,295
Increases	195,697
Decreases	(7,488)
As at 31 December 2019	1,054,504
<b>Accumulated depreciation</b>	
As at 1 January 2019	—
Charge for the period	(268,167)
Decreases	7,488
As at 31 December 2019	(260,679)
<b>Carrying amount</b>	
As at 31 December 2019	793,825

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 Investment properties

	Buildings
<b>Cost</b>	
As at 1 January 2019	114,200
Additions	64,626
Disposals	(59,164)
As at 31 December 2019	119,662
<b>Accumulated amortization</b>	
As at 1 January 2019	(47,517)
Charge for the year	(4,430)
Transfer for the year	(21,203)
Disposals	53,212
As at 31 December 2019	(19,938)
<b>Carrying amount</b>	
As at 31 December 2019	99,724

	Buildings
<b>Cost</b>	
As at 1 January 2018	137,840
Additions	10,694
Disposals	(34,334)
As at 31 December 2018	114,200
<b>Accumulated amortization</b>	
As at 1 January 2018	(52,715)
Charge for the year	(5,095)
Transfer for the year	(5,868)
Disposals	16,161
As at 31 December 2018	(47,517)
<b>Carrying amount</b>	
As at 31 December 2018	66,683

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 Other intangible assets

	Software	Others <sup>(1)</sup>	Total
<b>Cost</b>			
As at 1 January 2019	455,013	330,097	785,110
Additions	70,064	288	70,352
Disposals	(238)	—	(238)
As at 31 December 2019	524,839	330,385	855,224
<b>Accumulated amortization</b>			
As at 1 January 2019	(331,124)	(304,561)	(635,685)
Charge for the year	(70,349)	(5,035)	(75,384)
Disposals	236	—	236
As at 31 December 2019	(401,237)	(309,596)	(710,833)
<b>Impairment</b>			
As at 1 January 2019	—	(676)	(676)
As at 31 December 2019	—	(676)	(676)
<b>Carrying amount</b>			
As at 31 December 2019	123,602	20,113	143,715
	Software	Others <sup>(1)</sup>	Total
<b>Cost</b>			
As at 1 January 2018	381,858	329,511	711,369
Additions	73,922	586	74,508
Disposals	(767)	—	(767)
As at 31 December 2018	455,013	330,097	785,110
<b>Accumulated amortization</b>			
As at 1 January 2018	(271,766)	(296,920)	(568,686)
Charge for the year	(59,512)	(7,641)	(67,153)
Disposals	154	—	154
As at 31 December 2018	(331,124)	(304,561)	(635,685)
<b>Impairment</b>			
As at 1 January 2018	—	(676)	(676)
As at 31 December 2018	—	(676)	(676)
<b>Carrying amount</b>			
As at 31 December 2018	123,889	24,860	148,749

(1) The carrying amount of others mainly represent trading seats rights and premise and land use rights. Trading seats rights have indefinite useful life and are not amortized, and premise and land use rights are amortized over 10–40 years.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation and date of incorporation	Type of legal entity	Issued and fully paid-up capital (in thousands)	Effective equity interest held		Principal activities	Auditor <sup>(2)</sup> and GAAP	
				As at 31 December			As at 31 December	
				2019	2018		2019	2018
Shenwan Hongyuan Securities Co., Ltd.* 申萬宏源證券有限公司 <sup>(1)</sup>	PRC 16 January 2015	Limited Liability Company	RMB47,000,000	100%	100%	Securities brokerage and investment advisory, margin trading and securities lending, proprietary trading, securities asset management and others	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenwan Hongyuan Securities (Western) Co., Ltd.* 申萬宏源西部證券有限公司	PRC 20 January 2015	Limited Liability Company	RMB4,700,000	100%	100%	Securities brokerage and margin financing	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenwan Hongyuan Financing Services Co., Ltd.* 申萬宏源證券承銷保薦有限責任公司	PRC 20 January 2015	Limited Liability Company	RMB1,000,000	100%	100%	Securities underwriting and sponsoring business	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenwan Hongyuan (International) Holdings Limited 申萬宏源(國際)集團有限公司	Hong Kong 29 October 1992	Private company limited by shares	HKD2,253,399	100%	100%	Investment holding	KPMG HKFRS	KPMG HKFRS
Shenwan Hongyuan (H.K.) Limited 申萬宏源(香港)有限公司	Hong Kong 18 August 1972	Public company limited by shares	HKD2,782,477	64.90% <sup>(3)</sup>	31.17% <sup>(3)</sup>	Securities brokerage, corporate finance, asset management, financing and loan investment and other businesses	KPMG HKFRS	KPMG HKFRS
Shenyin & Wanguo Investment Co., Ltd.* 申銀萬國投資有限公司	PRC 09 April 2009	Limited Liability Company	RMB500,000	100%	100%	Investment advisory and wealth management	SCPA PRC GAAP	SCPA PRC GAAP

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operation and date of incorporation	Type of legal entity	Issued and fully paid-up capital (in thousands)	Effective equity interest held			Auditor <sup>(2)</sup> and GAAP	
				As at 31 December			As at 31 December	
				2019	2018	Principal activities	2019	2018
SWS Research Co., Ltd.* 上海申銀萬國證券研究所有限公司	PRC 16 October 1992	Limited Liability Company	RMB20,000	90%	90%	Investment research	SCPA PRC GAAP	SCPA PRC GAAP
Shenyin & Wanguo Alternative Investment Co., Ltd.* 申銀萬國創新證券投資有限公司	PRC 29 May 2013	Limited Liability Company	RMB2,000,000	100%	100%	Investment management and investment advisory services	SCPA PRC GAAP	SCPA PRC GAAP
SWS MU Fund Management Co., Ltd.* 申萬菱信基金管理有限公司	PRC 15 January 2004	Limited Liability Company	RMB150,000	67%	67%	Fund management	KPMG PRC PRC GAAP	PwC PRC PRC GAAP
Shenwan Hongyuan Investment Co LTD.* 申萬宏源投資有限公司 <sup>(1)</sup>	PRC 21 January 2015	Limited Liability Company	RMB—	100%	100%	Investment management	N/A	N/A
Shenyin & Wanguo Futures Company Limited.* 申銀萬國期貨有限公司	PRC 07 January 1993	Limited Liability Company	RMB1,119,371	97.25%	97.25%	Futures brokerage	SCPA PRC GAAP	SCPA PRC GAAP
Shenwan Hongyuan Investment Management Co., Ltd.* 申萬宏源產業投資管理有限責任公司 <sup>(1)</sup>	PRC 21 January 2015	Limited Liability Company	RMB200,000	100%	100%	Investment advisory	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Ningxia Shenhong Modern Agriculture Industry Fund Management Co., Ltd.* 寧夏申宏現代農業產業基金管理有限公司	PRC 14 July 2016	Limited Liability Company	RMB60	51%	51%	Investment management and corporate finance advisory	JONTEN CPA PRC GAAP	JONTEN CPA PRC GAAP

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operation and date of incorporation	Type of legal entity	Issued and fully paid-up capital (in thousands)	Effective equity interest held			Auditor <sup>(2)</sup> and GAAP	
				As at 31 December		Principal activities	As at 31 December	
				2019	2018		2019	2018
Hongyuan Futures Co., Ltd.* 宏源期貨有限公司 <sup>(1)</sup>	PRC 02 May 1995	Limited Liability Company	RMB1,000,000	100%	100%	Futures brokerage	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Hongyuan Hengli (Shanghai) Co., Ltd.* 宏源恒利(上海)實業有限公司	PRC 18 June 2013	Limited Liability Company	RMB500,000	100%	100%	Risk management service	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Hongyuan Huizhi Investment Co., Ltd.* 宏源匯智投資有限公司 <sup>(1)</sup>	PRC 27 March 2012	Limited Liability Company	RMB2,000,000	100%	100%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Hongyuan HuiFu Venture Investment Co., Ltd.* 宏源匯富創業投資有限公司 <sup>(1)</sup>	PRC 19 March 2010	Limited Liability Company	RMB500,000	100%	100%	Venture capital	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Hongyuan Cycle Energy Investment management (Beijing) Co., Ltd.* 宏源循環能源投資管理(北京)有限公司	PRC 01 July 2013	Limited Liability Company	RMB10,000	100%	60%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Beijing Hongtong Investment Management Co., Ltd.* 北京宏通投資管理有限公司	PRC 15 August 2017	Limited Liability Company	RMB10,000	51%	51%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Hunan Xianghui Private Equity Fund Management Co., Ltd.* 湖南湘匯私募股權基金管理有限公司	PRC 07 December 2017	Limited Liability Company	RMB12,000	51%	51%	Investment management	N/A	N/A

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operation and date of incorporation	Type of legal entity	Issued and fully paid-up capital (in thousands)	Effective equity interest held			Auditor <sup>(2)</sup> and GAAP	
				As at 31 December 2019	2018	Principal activities	As at 31 December 2019	2018
Hunan Development Shenhong Private Equity Fund Management Co., Ltd.* 湖南發展申宏私募股權基金管理有限公司	PRC 24 April 2018	Limited Liability Company	RMB15,000	51%	51%	Investment management	N/A	KPMG PRC PRC GAAP
Sichuan Shenwan Hongyuan Changhong Equity Investment Management Co., Ltd.* 四川申萬宏源長虹股權投資管理有限公司	PRC 19 January 2016	Limited Liability Company	RMB20,000	60%	60%	Investment management	APAGCPA PRC GAAP	APAGCPA PRC GAAP
Shenwan Hongyuan Development Chengdu Equity Investment Management Co., Ltd.* 申萬宏源發展成都股權投資管理有限公司	PRC 13 December 2016	Limited Liability Company	RMB30,000	51%	51%	Investment management	APAGCPA PRC GAAP	APAGCPA PRC GAAP
Shenyin & Wanguo Jiaotou Integration of Industry (Shanghai) Investment Management Co., Ltd.* 申銀萬國交投產融(上海)投資管理有限公司	PRC 25 July 2014	Limited Liability Company	RMB10,000	51%	51%	Investment management	APAGCPA PRC GAAP	APAGCPA PRC GAAP
Sichuan Chuantou Information Industry Shenwan Hongyuan Equity Investment Management Co., Ltd.* 四川川投信產申萬宏源股權投資管理有限公司	PRC 17 July 2019	Limited Liability Company	RMB10,000	51%	—	Investment management	APAGCPA PRC GAAP	N/A



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operation and date of incorporation	Type of legal entity	Issued and fully paid-up capital (in thousands)	Effective equity interest held			Auditor <sup>(2)</sup> and GAAP	
				As at 31 December 2019	2018	Principal activities	As at 31 December 2019	2018
Chengdu Shenhong Eying Equity Investment Fund Management Co., Ltd. * 成都申宏峨影股權投資基金管理有限公司	PRC 27 March 2019	Limited Liability Company	RMB2,000	51%	—	Investment management	N/A	N/A

\* The English translation of the names is for reference only. The official names of these entities are in Chinese.

The Group acts as principal of several structured entities during the Year ended 31 December 2019, according to relevant accounting policies of the Group, these structured entities were included in the Consolidated financial statements. More detailed information of consolidated structured entities is disclosed in Note 55.

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in the PRC;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- PwC PRC represents PwC Zhong Tian LLP, a firm of certified public accountants registered in the PRC;
- SCPA represents SCPA LLP, a firm of certified public accountants registered in the PRC;
- JONTENCPA represents Jonten Certified Public Accountants LLP, a firm of certified public accountants registered in the PRC;
- APAGCPA represents Asia Pacific (Group) CPAs (special general partnership), a firm of certified public accountants registered in the PRC;

(3) During the Year ended 31 December 2019, Shenwan Hongyuan Holdings (B.V.I.) Limited ("SWHYHBVI") directly owns 25.78% of the interests of Shenwan Hongyuan (H.K.) Limited. SWHYHBVI is held directly as to 60.82% by Venture-Some Investments Limited ("VSI"). VSI is wholly-owned by Shenwan Hongyuan (International) Holdings Limited which is in turn a wholly-owned subsidiary of Shenwan Hongyuan Securities Co., Ltd. Shenwan Hongyuan Securities Co., Ltd is wholly-owned by Shenwan Hongyuan Group Co., Ltd. In addition, Shenwan Hongyuan (International) Holdings Limited also holds directly 49.22% of the interests of Shenwan Hongyuan (H.K.) Limited. Therefore Shenwan Hongyuan (H.K.) Limited is controlled by the Group.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 Investments in subsidiaries (continued)

The following table lists out the information related to major subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

#### Shenwan Hongyuan (H.K.) Limited

	As at 31 December	
	2019	2018
NCI percentage	<b>35.10%</b>	68.83%
Assets	<b>9,165,351</b>	6,890,135
Liabilities	<b>(5,654,484)</b>	(4,955,389)
Net assets	<b>3,510,867</b>	1,934,746
Carrying amount of NCI	<b>1,232,314</b>	1,331,686
Revenue	<b>594,865</b>	438,704
Profit for the year	<b>120,335</b>	81,242
Other comprehensive income	<b>21,272</b>	—
Total comprehensive income	<b>141,607</b>	81,242
Total comprehensive income attributable to NCI	<b>49,704</b>	55,919
Dividend paid to NCI	<b>9,650</b>	27,759
Cash flows (used in)/generated from operating activities	<b>(1,358,551)</b>	498,401

#### SWS MU Fund Management Co., Ltd.

	As at 31 December	
	2019	2018
NCI percentage	<b>33.00%</b>	33.00%
Assets	<b>1,030,514</b>	946,391
Liabilities	<b>(150,583)</b>	(129,655)
Net assets	<b>879,931</b>	816,736
Carrying amount of NCI	<b>290,377</b>	269,523
Revenue	<b>345,493</b>	355,435
Profit for the year	<b>63,196</b>	79,113
Other comprehensive income	—	—
Total comprehensive income	<b>63,196</b>	79,113
Total comprehensive income attributable to NCI	<b>20,855</b>	26,107
Dividend paid to NCI	—	148,500
Cash flows generated from/(used in) operating activities	<b>35,619</b>	(30,776)

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 Interest in associates and joint ventures

	As at 31 December	
	2019	2018
Share of net assets	2,667,535	2,399,055
Less: Impairment losses	(178,285)	—
<b>Total</b>	<b>2,489,250</b>	2,399,055

The following list contains the particulars of material associates and joint ventures, all of which are unlisted enterprises whose quoted market price is not available:

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			2019	2018	
Fullgoal Fund Management Co., Ltd.* 富國基金管理有限公司	Shanghai	RMB520,000	27.775%	27.775%	Fund management
Beijing Urban Construction (Wuhu) Equity Investment management Co., Ltd.* 北京城建(蕪湖)股權投資管理有限公司	Wuhu	RMB100,000	30.00%	30.00%	Investment management
Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd.* 新疆天山產業投資基金管理有限公司	Urumchi	RMB50,000	30.00%	30.00%	Investment management
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership* 霍爾果斯天山一號產業投資基金有限合夥企業	Horgos	RMB1,510,000	33.11%	33.11%	Equity management
Xinjiang Financial Investment Asset Management Co., Ltd.* <sup>(1)</sup> 新疆金投資產管理股份有限公司	Urumchi	RMB1,000,000	18.00%	18.00%	Assets management
Shenwan & Hongyuan Asset Management (Shanghai) Co., Ltd.* 申萬宏源資本管理(上海)有限公司	Shanghai	RMB10,000	40.00%	40.00%	Assets management
Henan Guochuang Mixed Reform Fund Management Co., Ltd.* 河南省國創混改基金管理有限公司	Zhengzhou	RMB10,000	30.00%	30.00%	Investment management
Jiaxing Mingmao Investment Partnership (Limited Partnership)* 嘉興明茂投資合夥企業(有限合夥)	Jiaxing	RMB721,000	49.93%	49.93%	Equity management

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			As at 31 December		
			2019	2018	
Shenzhen Shenwan Jiaotou West Growth No. 1 Equity Investment Fund Partnership (Limited Partnership)* <sup>(1)</sup> 深圳申萬交投西部成長一號股權投資基金合夥企業（有限合夥）	Shenzhen	RMB88,000	17.54%	17.54%	Equity management
Shanghai Shenwan & Hongyuan Jiashi Equity Investment Partnership (Limited partnership)* 上海申萬宏源嘉實股權投資合夥企業（有限合夥）	Shanghai	RMB19,391	31.00%	31.00%	Equity management
Xiamen Xiangyu Hongding Modern Logistics Partnership (Limited Partnership)* 廈門市象嶼泓鼎現代物流合夥企業（有限合夥）	Xiamen	RMB29,651	50.00%	50.00%	Equity management
Sichuan Shenwan & Hongyuan Changhong Equity Investment Fund Partnership (Limited Partnership)* <sup>(2)</sup> 四川申萬宏源長虹股權投資基金合夥企業（有限合夥）	Mianyang	RMB310,000	51.61%	51.61%	Equity management
Sichuan Development Shenwan & Hongyuan Equity Investment Fund Partnership (Limited Partnership)* 四川發展申萬宏源股權投資基金合夥企業（有限合夥）	Chengdu	RMB300,000	34.00%	34.00%	Equity management
Liaoning Guoxin Industrial Investment Fund Management Co., Ltd.* 遼寧國鑫產業投資基金管理有限公司	Shenyang	RMB10,000	26.00%	26.00%	Investment management
Sichuan Development Securities Investment Fund Management Co., Ltd.* 四川發展證券投資基金管理有限公司	Chengdu	RMB20,000	40.00%	—	Fund management
Tongxiang Shenwan Hongding Growth No. 2 Equity Investment Fund Partnership (Limited Partnership)* 桐鄉申萬泓鼎成長二號股權投資基金合夥企業（有限合夥）	Jiaxing	RMB201,035	24.87%	—	Equity management

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			As at 31 December		
			2019	2018	
Zhuhai Shenhong Gejin Healthcare Investment Fund Partnership (Limited Partnership)* 珠海申宏格金醫療健康產業投資基金合夥企業（有限合夥）	Zhuhai	RMB250,500	25.00%	—	Equity management
Chongqing Furong Equity Investment Fund Partnership (Limited Partnership) <sup>(1)</sup> 重慶市富榮股權投資基金合夥企業（有限合夥）	Chongqing	RMB50,000	2.00%	—	Equity management

\* The English translation of the names is for reference only. The official names of these entities are in Chinese.

- (1) The Group's shareholding of this investee is lower than 20%, however the Group has significant influence or joint control over this investee as a result of relevant arrangements stipulated in the Articles of Association, the Limited Partnership Agreement and other corporate governance documents.
- (2) The Group's shareholding of this investee is higher than 50%, however the Group only has significant influence or joint control over this investee as a result of relevant arrangements stipulated in the Limited Partnership Agreement and other corporate governance documents.

All of the above associates and joint ventures are accounted for using equity method in the consolidated financial statements.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 Interest in associates and joint ventures (continued)

Summarised financial information of the Group's material associates and joint ventures, and reconciliation to the carrying amounts in the Consolidated financial statements, are disclosed below:

#### Fullgoal Fund Management Co., Ltd.

	As at 31 December	
	2019	2018
<b>Gross amounts of the associate:</b>		
Assets	<b>5,655,703</b>	4,701,753
Liabilities	<b>(1,711,019)</b>	(1,308,774)
Net assets	<b>3,944,684</b>	3,392,979
Revenue	<b>2,854,916</b>	2,381,397
Profit for the year	<b>791,356</b>	703,983
Other comprehensive income	<b>20,349</b>	(5,385)
Other adjustments	<b>385</b>	8,036
Total comprehensive income	<b>812,090</b>	706,634
Dividend received from the associate	<b>72,215</b>	41,663
<b>Reconciled to the Group's interest in the associate:</b>		
Net assets	<b>3,944,684</b>	3,392,979
The Group's effective interest	<b>27.775%</b>	27.775%
The Group's share of net assets of the associate	<b>1,095,636</b>	942,400
Other adjustments	<b>466</b>	359
Carrying amount in the Consolidated financial report	<b>1,096,102</b>	942,759

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 Interest in associates and joint ventures (continued)

#### Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership

	As at 31 December	
	2019	2018
<b>Gross amounts of the associate:</b>		
Assets	<b>1,662,343</b>	2,996,120
Liabilities	<b>(31,520)</b>	(1,396,214)
Net assets	<b>1,630,823</b>	1,599,906
Revenue	—	—
Profit for the year	<b>30,917</b>	34,047
Other comprehensive income	—	—
Total comprehensive income	<b>30,917</b>	34,047
Dividend received from the associate	—	—
<b>Reconciled to the Group's interest in the associate:</b>		
Net assets	<b>1,630,823</b>	1,599,906
The Group's effective interest	<b>33.11%</b>	33.11%
The Group's share of net assets of the associate	<b>539,966</b>	529,729
Less: Impairment losses	<b>(178,285)</b>	—
Carrying amount in the Consolidated financial statements	<b>361,681</b>	529,729

Aggregated information of associates and joint ventures that are not individually material:

	As at 31 December	
	2019	2018
Aggregate carrying amount of individually immaterial associates and joint ventures in the Consolidated financial statements	<b>1,031,467</b>	926,567
Aggregate amounts of the Group's share of those associates and joint ventures' profits	<b>51,833</b>	3,301
Other comprehensive income	—	1,121
Total comprehensive income	<b>51,833</b>	4,422

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 Financial assets measured at amortized cost

#### (a) Analysed by nature:

##### Non-current

	As at 31 December	
	2019	2018
Wealth management products and others	2,239,186	4,995,465
Debt securities	213,928	—
Investments classified as receivables	—	900,126
Less: provision for impairment losses	(446,435)	(184,752)
<b>Total</b>	<b>2,006,679</b>	<b>5,710,839</b>

##### Current

	As at 31 December	
	2019	2018
Wealth management products and others	4,736,252	4,483,797
Investments classified as receivables	300,706	—
Debt securities	272,688	—
Less: provision for impairment losses	(3,600)	(2,555)
<b>Total</b>	<b>5,306,046</b>	<b>4,481,242</b>

#### (b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2019	2018
At the beginning of the year	187,307	—
Impact on initial adoption of IFRS 9 on 1 January 2018	—	164,141
Charge for the year	262,728	23,166
<b>At the end of the year</b>	<b>450,035</b>	<b>187,307</b>



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 Financial assets at fair value through other comprehensive income

#### Non-current

	As at 31 December	
	2019	2018
Designated at FVOCI		
— Equity securities not held for trading <sup>(1)</sup>	9,445,342	9,115,967
Debt securities	11,868	—
	<b>9,457,210</b>	9,115,967
Analysed as:		
Listed outside Hong Kong	2,644,474	2,614,446
Unlisted	6,812,736	6,501,521
Total	<b>9,457,210</b>	9,115,967

#### Current

	As at 31 December	
	2019	2018
Debt securities	44,017,312	22,436,522
Analysed as:		
Listed in Hong Kong	212,451	—
Listed outside Hong Kong	21,480,154	5,244,203
Unlisted	22,324,707	17,192,319
Total	<b>44,017,312</b>	22,436,522

(1) As at 31 December 2019 and 31 December 2018, the above non-current financial assets at fair value through other comprehensive income include the Group's contributed fund, with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited (CSF). Risk and reward arising from the investment shall be shared by the relevant securities firms according to the proportion of their respective contribution. As at 31 December 2019 and 31 December 2018, the fair value of the Group's contribution recognized by the Group were RMB6,552 million and RMB6,242 million, based on the investment account statement provided by CSF. The Group designated the specific investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

(2) For the period ended 31 December 2019, the Group disposed some of the equity instruments at fair value through other comprehensive income resulting from adjustment in its investment strategy. The accumulated net realized gain of the equity instrument disposed of were RMB157,955 thousand.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 Financial assets at fair value through other comprehensive income (continued)

As at 31 December 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through other comprehensive income with total fair value of RMB420,203 thousand and RMB137,061 thousand to external clients. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy detailed in Note 2(10). The fair value of collaterals for the securities lending business is analysed in Note 33(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB377,391 thousand and RMB1,525,408 thousand to CSF for the purpose of placement. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB21,804,074 thousand and RMB15,402,719 thousand for the purpose of repurchase agreement business and bond lending business.

### 26 Financial assets held under resale agreements

#### (a) Analysed by collateral type:

##### Non-current

	As at 31 December	
	2019	2018
Debt securities	71,094	—
Equity securities	9,959,697	21,089,160
Others	30,000	30,000
Less: Impairment losses	(725,242)	(126,358)
<b>Total</b>	<b>9,335,549</b>	<b>20,992,802</b>

##### Current

	As at 31 December	
	2019	2018
Debt securities	13,438,696	23,024,345
Equity securities	16,554,485	22,752,224
Less: Impairment losses	(77,791)	(501,171)
<b>Total</b>	<b>29,915,390</b>	<b>45,275,398</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 Financial assets held under resale agreements (continued)

#### (b) Analysed by market:

##### Non-current

	As at 31 December	
	2019	2018
Shanghai Stock Exchange	2,474,950	8,282,873
Shenzhen Stock Exchange	7,555,841	12,806,287
Others	30,000	30,000
Less: Impairment losses	(725,242)	(126,358)
<b>Total</b>	<b>9,335,549</b>	<b>20,992,802</b>

##### Current

	As at 31 December	
	2019	2018
Inter-bank market	6,887,780	6,014,142
Shanghai Stock Exchange	12,163,847	22,057,955
Shenzhen Stock Exchange	10,941,554	17,704,472
Less: Impairment losses	(77,791)	(501,171)
<b>Total</b>	<b>29,915,390</b>	<b>45,275,398</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 Financial assets at fair value through profit or loss

#### Non-current

	As at 31 December	
	2019	2018
Equity instrument		
— Equity securities	217,461	405,265
— Funds	9,657	14,644
Debt securities	11,725	—
Hybrid instrument	396,060	300,000
Wealth management products and others	4,568,901	2,699,806
<b>Total</b>	<b>5,203,804</b>	<b>3,419,715</b>
Analysed as:		
Listed outside Hong Kong	170,894	66,387
Unlisted	5,032,910	3,353,328
<b>Total</b>	<b>5,203,804</b>	<b>3,419,715</b>

#### Current

	As at 31 December	
	2019	2018
Debt securities	68,622,374	60,997,010
Equity instrument		
— Funds	23,501,436	16,179,493
— Equity securities	1,830,847	1,512,060
Hybrid instrument	4,915,784	1,868,645
Wealth management products and others	11,153,982	10,292,976
<b>Total</b>	<b>110,024,423</b>	<b>90,850,184</b>
Analysed as:		
Listed outside Hong Kong	27,398,506	28,099,445
Listed in Hong Kong	1,001,763	10,587
Unlisted	81,624,154	62,740,152
<b>Total</b>	<b>110,024,423</b>	<b>90,850,184</b>

## Notes to the consolidated financial statements (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 27 Financial assets at fair value through profit or loss (continued)

As at 31 December 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB111,973 thousand and RMB326,934 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy detailed in Note 2(10). The fair value of collaterals for the securities lending business is analyzed in Note 33(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss with a total fair value of RMB55,399,131 thousand and RMB40,516,687 thousand for the purpose of repurchase agreement business and bond lending business.

As at 31 December 2019 and 31 December 2018, the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB173,449 thousand and RMB132,773 thousand, respectively.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28 Refundable deposits

	As at 31 December	
	2019	2018
Deposits with stock exchanges and clearing house		
— China Securities Depository and Clearing Corporation Limited	<b>801,012</b>	399,529
— Hong Kong Securities Clearing Company Limited	<b>3,550</b>	8,085
— The Stock Exchange of Hong Kong Limited	<b>448</b>	438
	<b>805,010</b>	408,052
Deposits with futures and commodity exchanges		
— China Financial Futures Exchange	<b>3,371,418</b>	1,346,104
— Shanghai Futures Exchange	<b>1,646,510</b>	1,136,555
— Dalian Commodity Exchange	<b>1,665,904</b>	1,107,956
— Zhengzhou Commodity Exchange	<b>516,851</b>	758,114
— Shanghai International Energy Exchange	<b>129,905</b>	139,123
— Hong Kong Futures Exchange	<b>2,826</b>	1,314
	<b>7,333,414</b>	4,489,166
Deposits with other institutions		
— China Securities Finance Corporation Limited	<b>34,257</b>	572,899
— Shanghai Clearing House	<b>623,982</b>	342,571
— Shanghai Gold Exchange	<b>20</b>	—
— The SEHK Options Clearing House Limited	<b>3,122</b>	2,487
— Monetary Authority of Singapore	<b>518</b>	502
— Other financial institutions	<b>77,918</b>	14,935
	<b>739,817</b>	933,394
<b>Total</b>	<b>8,878,241</b>	5,830,612

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 Deferred taxation

#### (a) Deferred tax assets/(liabilities) recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the Year ended 31 December 2019 are as follows:

<b>Deferred tax arising from:</b>	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at fair value through comprehensive income	Business combination	Others	Total
As at 31 December 2017	250,974	420,606	41,651	12,850	97,925	—	13,420	21,843	859,269
Impact on initial application of IFRS9	(128,379)	—	(3,666)	—	(97,925)	233,308	—	—	3,338
As at 1 January 2018	122,595	420,606	37,985	12,850	—	233,308	13,420	21,843	862,607
Recognized in profit or loss	144,581	(33,744)	(8,093)	44,991	—	20,562	225,372	18,158	411,827
Recognized in reserves	—	—	—	—	—	284,131	—	—	284,131
As at 31 December 2018	267,176	386,862	29,892	57,841	—	538,001	238,792	40,001	1,558,565
As at 1 January 2019	<b>267,176</b>	<b>386,862</b>	<b>29,892</b>	<b>57,841</b>	—	<b>538,001</b>	<b>238,792</b>	<b>40,001</b>	<b>1,558,565</b>
Recognized in profit or loss	<b>179,196</b>	<b>182,109</b>	<b>3,013</b>	<b>25,643</b>	—	<b>23,636</b>	<b>225,372</b>	<b>(10,587)</b>	<b>628,382</b>
Recognized in reserves	—	—	—	—	—	(395,599)	—	—	(395,599)
Reclassified from other comprehensive income to retained profits	—	—	—	—	—	39,489	—	—	39,489
As at 31 December 2019	<b>446,372</b>	<b>568,971</b>	<b>32,905</b>	<b>83,484</b>	—	<b>205,527</b>	<b>464,164</b>	<b>29,414</b>	<b>1,830,837</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 Deferred taxation (continued)

#### (b) Reconciliation to the consolidated statements of financial position and the statements of financial position

	As at 31 December	
	2019	2018
Net deferred tax assets recognized in the condensed consolidated statement of financial position	1,833,395	1,800,675
Net deferred tax liabilities recognized in the condensed consolidated statement of financial position	(2,558)	(242,110)
Total	1,830,837	1,558,565

#### (c) Recognized in other comprehensive income

	As at 31 December 2019		
	Before tax	Tax expense	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	497,770	(121,535)	376,235
— Reclassified to profit or loss	(347,877)	89,289	(258,588)
Share of other comprehensive income of associates	5,489	—	5,489
Exchange differences on translation of financial statements in foreign currencies	82,609	—	82,609
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	1,453,411	(363,353)	1,090,058
Total	1,691,402	(395,599)	1,295,803



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 Deferred taxation (continued)

#### (c) Recognized in other comprehensive income (continued)

	As at 31 December 2018		
	Before tax	Tax (expense)/ benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	539,374	(134,758)	404,616
— Reclassified to profit or loss	(234,834)	58,709	(176,125)
Share of other comprehensive income of associates	367	—	367
Exchange differences on translation of financial statements in foreign currencies	115,256	—	115,256
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	(1,440,720)	360,180	(1,080,540)
<b>Total</b>	<b>(1,020,557)</b>	<b>284,131</b>	<b>(736,426)</b>

#### (d) Deferred tax assets not recognized

As at 31 December 2019 and 2018, in accordance with the accounting policy set out in Note 2(21)(ii), the Group has not recognized deferred tax assets in respect of cumulative tax losses, and provision for bad debts with timing difference amounting to RMB35,299 thousand and RMB63,374 thousand respectively, mainly as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 Other non-current assets

#### Analysed by nature:

	As at 31 December	
	2019	2018
Long-term deferred expenses <sup>(1)</sup>	104,997	111,086
Other	66,648	65,620
<b>Total</b>	<b>171,645</b>	<b>176,706</b>

(1) The movements of long-term deferred expenses are as below:

	As at 31 December	
	2019	2018
Balance at the beginning of the year	111,086	120,121
Additions	10,009	10,950
Transfer in from property and equipment	30,733	29,055
Amortisation	(46,831)	(49,040)
<b>Balance at the end of the year</b>	<b>104,997</b>	<b>111,086</b>

### 31 Accounts receivable

#### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Accounts receivable of:		
– Settlement	997,019	642,120
– Fee and commission	724,498	618,643
– Asset management plans	473,351	—
– Overdue	35,885	135,661
Less: Provision for impairment losses	(262,600)	(158,834)
<b>Total</b>	<b>1,968,153</b>	<b>1,237,590</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 Accounts receivable (continued)

#### (b) Analysed by ageing:

As at 31 December 2019, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	As at 31 December	
	2019	2018
Within 1 year	1,866,917	1,101,611
1 to 2 years	63,208	109,292
2 to 3 years	23,374	16,835
Over 3 years	14,654	9,852
Total	1,968,153	1,237,590

#### (c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2019	2018
At the beginning of the year	158,834	90,500
Charge for the year	203,574	68,334
Amount transferred	(99,808)	—
At the end of the year	262,600	158,834

#### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 32 Other receivables and prepayments

#### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Inventory	<b>1,081,925</b>	775,149
Prepayments <sup>(1)</sup>	<b>387,197</b>	134,553
Receivables from commodity business customers	<b>350,336</b>	296,571
Overdue and impaired receivables	<b>292,012</b>	183,197
VAT due from asset management plans	<b>221,977</b>	228,862
Current tax assets	<b>213,865</b>	170,007
Deposits	<b>71,823</b>	73,559
Receivables from bond issuers	<b>43,150</b>	82,871
Interest receivables	<b>35,419</b>	111,125
Others <sup>(1)</sup>	<b>109,146</b>	47,752
Less: Provision for impairment losses	<b>(207,923)</b>	(264,395)
<b>Total</b>	<b>2,598,927</b>	1,839,251

(1) The balance of prepayments and others mainly represents receivables from sundry receivables and prepayments arising from the Group's daily business operation.

#### (b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2019	2018
At the beginning of the year	<b>264,395</b>	196,632
Charge for the year	—	67,757
Reversal of impairment	<b>(41,983)</b>	—
Amount transferred	<b>(14,489)</b>	—
Recoveries of accounts receivable previously written-off	—	6
<b>At the end of the year</b>	<b>207,923</b>	264,395

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 Margin accounts receivable

#### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Individuals	46,689,567	39,304,464
Institutions	6,538,735	4,927,778
Less: Provision for impairment losses	(179,888)	(84,265)
<b>Total</b>	<b>53,048,414</b>	<b>44,147,977</b>

#### (b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2019	2018
At the beginning of the year	84,265	135,808
Charge for the year	—	—
Reversal of impairment	(4,185)	(51,512)
Amounts written off	—	(31)
Others	99,808	—
<b>At the end of the year</b>	<b>179,888</b>	<b>84,265</b>

#### (c) The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	As at 31 December	
	2019	2018
Fair value of collaterals:		
— Stocks	165,040,133	116,050,302
— Cash	9,181,292	8,800,183
— Funds	1,827,820	1,555,229
— Bonds	67,709	23,102
<b>Total</b>	<b>176,116,954</b>	<b>126,428,816</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 Derivative financial instruments

	As at 31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	13,904,749	—	(44,949)
— Interest rate swaps	72,060,000	—	(123,125)
Equity derivatives			
— Stock index futures	1,114,145	13,307	(302)
— Structured notes	911,101	—	(12,233)
— Stock options	550,460	10,406	(24,477)
— OTC options	79,347,828	458,975	(568,571)
Commodity derivatives			
— Options	959,407	6,302	(9,375)
— Optional forward	280,072	6,152	—
— Other commodity futures	9,626,669	28,391	(65,812)
<b>Total</b>	<b>178,754,431</b>	<b>523,533</b>	<b>(848,844)</b>
Less: Cash (received)/paid as settlement		(41,698)	234,188
<b>Net position</b>		<b>481,835</b>	<b>(614,656)</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 Derivative financial instruments (continued)

	As at 31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	2,672,026	—	(22,380)
— Interest rate swaps	58,450,000	—	(214,330)
Equity derivatives			
— Stock index futures	508,409	8,948	—
— Structured notes	3,700	—	(10)
— Stock options	420,183	3,211	(5,466)
— OTC options	11,397,198	449,278	(443,053)
Commodity derivatives			
— Au (T+D)	142,472	3,840	—
— Options	8,681,657	1,426	(7,771)
— Other commodity futures	2,595,107	36,766	(15,562)
<b>Total</b>	<b>84,870,752</b>	<b>503,469</b>	<b>(708,572)</b>
Less: Cash (received)/paid as settlement		(49,554)	252,272
<b>Net position</b>		<b>453,915</b>	<b>(456,300)</b>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds".

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 Clearing settlement funds

	As at 31 December	
	2019	2018
Deposits with		
— China Securities Depository and Clearing Corporation Limited	<b>3,109,083</b>	3,035,195
— Shanghai Gold Exchange	<b>591</b>	17,789
— Other institutions	<b>120,057</b>	38,065
Interest receivables	<b>1,130</b>	4,458
Total	<b>3,230,861</b>	3,095,507

### 36 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognized the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 37 Cash and bank balances

#### (a) Analysed by nature:

	As at 31 December	
	2019	2018
Cash on hand	<b>539</b>	599
Bank balances	<b>25,058,503</b>	25,355,626
Less: Provision for impairment losses	<b>(2,875)</b>	(6,155)
Total	<b>25,056,167</b>	25,350,070

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 Cash and bank balances (continued)

#### (b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2019	2018
At the beginning of the year	6,155	—
Impact on initial adoption of IFRS 9 on 1 January	—	8,043
Reversal of impairment	(3,280)	(1,888)
At the end of the year	2,875	6,155

### 38 Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash on hand	539	599
Bank balances	24,925,667	25,291,970
Clearing settlement funds	3,229,731	3,091,049
Bond investment within 3 months original maturity	209,720	—
Financial assets held under resale agreements within 3 months original maturity	13,005,426	22,923,054
Less: restricted bank deposits	(2,422,281)	(11,519,965)
Total	38,948,802	39,786,707

The restricted bank deposits mainly include bank deposits with original maturity of more than three months held by the Group and risk reserve deposits.

### 39 Loans and borrowings

#### Current

	Currency	Nominal Interest Rate	Year of Maturity	As at 31 December	
				2019 Carrying Amount	2018 Carrying Amount
Unsecured bank loans	HKD	2.85%–3.22%	2020	697,723	413,030
Unsecured bank loans	RMB	3.92%–5.00%	2020	173,423	—
Secured borrowing from commodity exchanges	RMB	0.9%–1.8%	2020	289,161	304,841
Unsecured loans from other financial institutions	RMB	5.60%	2020	301,427	1,000
Total				1,461,734	718,871

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 Loans and borrowings (continued)

#### Non-current

	Currency	Nominal Interest Rate	Year of Maturity	As at 31 December	
				2019 Carrying Amount	2018 Carrying Amount
Unsecured loans from other financial institutions	RMB	5.60%	2020	—	650,800
<b>Total</b>				<b>—</b>	<b>650,800</b>

### 40 Short-term debt instruments issued

	Nominal Interest rate	Book value as at 1 January 2019	Issuance	Redemption	Book value as at 31 December 2019
Short-term corporate bonds	2.75%–5.50%	6,000,000	24,996,117	(20,996,682)	9,999,435
Structured notes	0.00% plus floating rate –3.00% plus floating rate	7,220,147	17,505,587	(17,727,628)	6,998,106
Interest payables		348,122	321,655	(602,165)	67,612
<b>Total</b>		<b>13,568,269</b>	<b>42,823,359</b>	<b>(39,326,475)</b>	<b>17,065,153</b>

	Nominal Interest rate	Book value as at 1 January 2018	Issuance	Redemption	Book value as at 31 December 2018
Short-term corporate bonds	5.50%	5,700,000	6,000,000	(5,700,000)	6,000,000
Structured notes	Fixed rate 2.00%–8.00%	9,545,333	33,607,528	(35,932,714)	7,220,147
Interest payables		314,529	805,008	(771,415)	348,122
<b>Total</b>		<b>15,559,862</b>	<b>40,412,536</b>	<b>(42,404,129)</b>	<b>13,568,269</b>

In 2019, the Group has issued 1,352 tranches of structured notes, and repaid 1,179 tranches of structured notes during the year. The outstanding balance bears interest rate ranging from fixed rate 0.00% plus floating rate to 3.00% plus floating rate per annum, repayable within 1 year.

In 2018, the Group has issued 550 tranches of structured notes, and repaid 505 tranches of structured notes during the year. The outstanding balance bears interest rate ranging from fixed rate 2.00% to 8.00% per annum, repayable within 1 year.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 Placements from other financial institutions

#### Current

	Note	As at 31 December	
		2019	2018
Placements from CSF		—	3,820,910
Interbank lending	(1)	<b>10,315,074</b>	7,873,093
<b>Total</b>		<b>10,315,074</b>	11,694,003

(1) As at 31 December 2019, the interbank lending is unsecured and bears interest rate ranging from 1.15% to 5.70% per annum, with maturities ranging from 1 day to 365 days. As at 31 December 2018, the interbank lending is unsecured and bears interest rate ranging from 2.86% to 5.70% per annum, with maturities ranging from 7 days to 365 days.

#### Non-current

	Note	As at 31 December	
		2019	2018
Interbank lending	(1)	<b>636,000</b>	—
<b>Total</b>		<b>636,000</b>	—

(1) As at 31 December 2019, the non-current interbank lending is unsecured and bears interest rate of 3.65% per annum, with maturities of 547 days.

### 42 Financial liabilities at fair value through profit or loss

#### Current

	As at 31 December	
	2019	2018
Financial liabilities held for trading		
— Structured notes	<b>280,825</b>	—
— Gold	—	142,330
— Debt securities	—	2,642,185
Financial liabilities designated at fair value through profit or loss <sup>(1)</sup>	<b>102,345</b>	3,355
<b>Total</b>	<b>383,170</b>	2,787,870

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 Financial liabilities at fair value through profit or loss (continued)

#### Non-current

	As at 31 December	
	2019	2018
Financial liabilities designated at fair value through profit or loss <sup>(1)</sup>	<b>1,000</b>	44,017

(1) The financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on relevant terms of these structured entities.

### 43 Accounts payable to brokerage clients

	As at 31 December	
	2019	2018
Clients' deposits for other brokerage trading	<b>67,866,950</b>	51,470,379
Clients' deposits for margin financing and securities lending	<b>9,181,292</b>	8,800,183
Interest payable	<b>5,093</b>	4,785
Total	<b>77,053,335</b>	60,275,347

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to securities brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 Employee benefits payable

#### Current and Non-current

	2019			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	2,603,278	4,722,165	(3,798,665)	3,526,778
Contribution to pension schemes	2,669	320,556	(320,808)	2,417
Other social welfare	131,864	948,735	(933,006)	147,593
<b>Total</b>	<b>2,737,811</b>	<b>5,991,456</b>	<b>(5,052,479)</b>	<b>3,676,788</b>

	2018			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	2,975,620	3,953,589	(4,325,931)	2,603,278
Contribution to pension schemes	4,087	304,142	(305,560)	2,669
Other social welfare	136,474	920,212	(924,822)	131,864
<b>Total</b>	<b>3,116,181</b>	<b>5,177,943</b>	<b>(5,556,313)</b>	<b>2,737,811</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 Other payables and accruals

	As at 31 December	
	2019	2018
Payables to interest holders of consolidated structured entities	<b>11,176,049</b>	11,995,527
Deposits	<b>1,624,422</b>	46,004
Business tax and other tax payables	<b>546,871</b>	337,127
Settlement payables	<b>507,177</b>	190,058
Trade payables	<b>185,606</b>	4,146
Payables on behalf of staff	<b>181,840</b>	82,687
Risk reserve for futures brokerage business	<b>179,642</b>	162,980
Dividend payables	<b>135,052</b>	135,201
Long-term payables	<b>133,862</b>	133,494
Distribution expenses payables	<b>90,766</b>	83,957
Fee and commission payable	<b>73,950</b>	28,805
Payables to the securities and futures investor protection fund	<b>35,182</b>	35,795
Interest and dividend received on behalf of brokerage clients	<b>23,227</b>	23,274
Sponsoring fee payables	<b>22,146</b>	—
Interest payables	<b>21,693</b>	29,406
Accrued expenses	<b>16,703</b>	13,237
Account executive commission payables	<b>12,162</b>	14,918
Others <sup>(1)</sup>	<b>78,338</b>	79,664
<b>Total</b>	<b>15,044,688</b>	13,396,280

(1) The balance of others mainly represents sundry payables arising from the Group's daily business operation.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 Financial assets sold under repurchase agreements

#### (a) Analysed by collateral type:

##### Current

	As at 31 December	
	2019	2018
Debt securities	71,698,553	61,602,720
Margin loans receivable backed repurchase agreements	6,345,590	12,606,596
Securities-backed lending repurchase agreements	506,927	—
Others	5,392,764	853,158
<b>Total</b>	<b>83,943,834</b>	<b>75,062,474</b>

##### Non-current

	As at 31 December	
	2019	2018
Margin loans receivable backed repurchase agreements	—	3,800,000
Securities-backed lending repurchase agreements	—	500,000
<b>Total</b>	<b>—</b>	<b>4,300,000</b>

#### (b) Analysed by market:

##### Current

	As at 31 December	
	2019	2018
Stock exchanges	18,599,902	20,369,539
Inter-bank market	52,152,633	41,233,181
OTC market	12,245,281	13,459,754
Futures exchanges	946,018	—
<b>Total</b>	<b>83,943,834</b>	<b>75,062,474</b>

##### Non-current

	As at 31 December	
	2019	2018
OTC market	—	4,300,000

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Lease liabilities

#### Non-current

	As at 31 December 2019
Lease liabilities	493,541

#### Current

	As at 31 December 2019
Lease liabilities	286,190

### 48 Contract liabilities

	As at 31 December	
	2019	2018
Commodity trading contracts	74,795	56,073
Sponsorship and financial advisory contracts	27,468	22,340
Assets management contracts	13,106	8,337
Total	115,369	86,750

As at 31 December 2019 and 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB515,569 thousand and RMB456,823 thousand respectively. This amount represents revenue expected to be recognized in the future from commodity trading, sponsorship and financial advisory business and asset management business. The Group will recognize the expected revenue in future when or as the work is completed or, in the case of commodity trading, when the customer takes possession of and accepts the commodity, most of which is expected to occur within the next 12 months.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 Long-term bonds As at 31 December 2019

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
12 ShenWan <sup>(1)</sup>	6,000,000	2013/07/29	2019/07/29	5,987,700	5.20%
16 ShenZheng C1 <sup>(2)</sup>	10,000,000	2016/03/25	2021/03/25	10,000,000	3.62%
16 ShenHong 01 <sup>(3)</sup>	2,020,800	2016/04/26	2021/04/26	2,020,800	3.70%
16 ShenHong 02 <sup>(4)</sup>	2,000,000	2016/09/09	2019/09/09	2,000,000	2.90%
16 ShenHong 03 <sup>(5)</sup>	5,500,000	2016/09/09	2021/09/09	5,500,000	3.20%
16 ShenZheng C3 <sup>(7)</sup>	5,000,000	2016/10/19	2019/10/19	5,000,000	3.28%
17 ShenZheng 01 <sup>(8)</sup>	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 <sup>(9)</sup>	500,000	2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C1 <sup>(10)</sup>	400,000	2017/11/16	2019/11/16	400,000	5.20%
17 ShenZheng C2 <sup>(11)</sup>	4,300,000	2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 <sup>(12)</sup>	1,400,000	2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 <sup>(13)</sup>	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 <sup>(14)</sup>	4,200,000	2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 <sup>(15)</sup>	500,000	2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 <sup>(16)</sup>	6,500,000	2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 <sup>(17)</sup>	5,100,000	2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 <sup>(18)</sup>	2,000,000	2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 <sup>(19)</sup>	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 <sup>(20)</sup>	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
19 ShenHong 01 <sup>(21)</sup>	1,000,000	2019/03/08	2022/03/08	999,953	4.18%
19 ShenHong 02 <sup>(22)</sup>	3,200,000	2019/04/12	2022/04/12	3,200,000	4.27%
19 ShenHong 04 <sup>(23)</sup>	5,800,000	2019/10/25	2024/10/25	5,800,000	3.94%
19 ShenZheng 01 <sup>(24)</sup>	2,200,000	2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenZheng 03 <sup>(25)</sup>	6,200,000	2019/03/11	2022/03/11	6,200,000	3.68%
19 ShenZheng 05 <sup>(26)</sup>	8,100,000	2019/05/09	2022/05/09	8,100,000	3.88%
19 ShenZheng 07 <sup>(27)</sup>	1,000,000	2019/06/14	2021/06/14	1,000,000	3.90%
19 Shenwan Hongyuan financial bond 01 <sup>(28)</sup>	6,000,000	2019/09/18	2022/09/18	5,996,156	3.43%
Structured notes <sup>(30)</sup>	7,206,134	Note <sup>(30)</sup>	Note <sup>(30)</sup>	7,206,134	3.40%–5.80%

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 Long-term bonds (continued)

Name	Book value as at 1 January 2019	Increase	Amount of amortisation	Decrease	Book value as at 31 December 2019
12 ShenWan <sup>(1)</sup>	5,998,826	—	1,174	(6,000,000)	—
16 ShenZheng C1 <sup>(2)</sup>	10,000,000	—	—	(10,000,000)	—
16 ShenHong 01 <sup>(3)</sup>	5,000,000	—	—	(2,979,200)	2,020,800
16 ShenHong 02 <sup>(4)</sup>	2,000,000	—	—	(2,000,000)	—
16 ShenHong 03 <sup>(5)</sup>	5,500,000	—	—	—	5,500,000
16 ShenZheng C3 <sup>(7)</sup>	5,000,000	—	—	(5,000,000)	—
17 ShenZheng 01 <sup>(8)</sup>	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 <sup>(9)</sup>	500,000	—	—	—	500,000
17 ShenZheng C1 <sup>(10)</sup>	400,000	—	—	(400,000)	—
17 ShenZheng C2 <sup>(11)</sup>	4,300,000	—	—	—	4,300,000
18 ShenZheng C1 <sup>(12)</sup>	1,400,000	—	—	—	1,400,000
18 ShenZheng C2 <sup>(13)</sup>	4,600,000	—	—	—	4,600,000
18 ShenZheng C3 <sup>(14)</sup>	4,200,000	—	—	—	4,200,000
18 ShenHong 01 <sup>(15)</sup>	499,997	—	—	—	499,997
18 ShenHong 02 <sup>(16)</sup>	6,499,960	—	—	—	6,499,960
18 ShenZheng C5 <sup>(17)</sup>	5,100,000	—	—	—	5,100,000
18 ShenZheng 01 <sup>(18)</sup>	2,000,000	—	—	—	2,000,000
18 ShenZheng 02 <sup>(19)</sup>	3,000,000	—	—	—	3,000,000
18 ShenZheng 03 <sup>(20)</sup>	1,500,000	—	—	—	1,500,000
19 ShenHong 01 <sup>(21)</sup>	—	999,941	12	—	999,953
19 ShenHong 02 <sup>(22)</sup>	—	3,200,000	—	—	3,200,000
19 ShenHong 04 <sup>(23)</sup>	—	5,800,000	—	—	5,800,000
19 ShenZheng 01 <sup>(24)</sup>	—	2,200,000	—	—	2,200,000
19 ShenZheng 03 <sup>(25)</sup>	—	6,200,000	—	—	6,200,000
19 ShenZheng 05 <sup>(26)</sup>	—	8,100,000	—	—	8,100,000
19 ShenZheng 07 <sup>(27)</sup>	—	1,000,000	—	—	1,000,000
19 Shenwan Hongyuan financial bond 01 <sup>(28)</sup>	—	5,995,749	407	—	5,996,156
Structured notes <sup>(29)</sup>	12,900,391	3,588,547	1	(9,083,935)	7,405,004
Interest payables	1,609,162	4,111,763	—	(3,507,591)	2,213,334
<b>Total</b>	<b>89,508,336</b>	<b>41,196,000</b>	<b>1,594</b>	<b>(38,970,726)</b>	<b>91,735,204</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 Long-term bonds (continued)

As at 31 December 2018

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
12 ShenWan <sup>(1)</sup>	6,000,000	2013/07/29	2019/07/29	5,987,700	5.20%
16 ShenZheng C1 <sup>(2)</sup>	10,000,000	2016/03/25	2021/03/25	10,000,000	3.62%
16 ShenHong 01 <sup>(3)</sup>	5,000,000	2016/04/26	2021/04/26	5,000,000	3.45%
16 ShenHong 02 <sup>(4)</sup>	2,000,000	2016/09/09	2019/09/09	2,000,000	2.90%
16 ShenHong 03 <sup>(5)</sup>	5,500,000	2016/09/09	2021/09/09	5,500,000	3.20%
16 ShenZheng C2 <sup>(6)</sup>	5,000,000	2016/10/19	2018/10/19	5,000,000	3.17%
16 ShenZheng C3 <sup>(7)</sup>	5,000,000	2016/10/19	2019/10/19	5,000,000	3.28%
17 ShenZheng 01 <sup>(8)</sup>	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 <sup>(9)</sup>	500,000	2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C1 <sup>(10)</sup>	400,000	2017/11/16	2019/11/16	400,000	5.20%
17 ShenZheng C2 <sup>(11)</sup>	4,300,000	2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 <sup>(12)</sup>	1,400,000	2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 <sup>(13)</sup>	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 <sup>(14)</sup>	4,200,000	2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 <sup>(15)</sup>	500,000	2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 <sup>(16)</sup>	6,500,000	2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 <sup>(17)</sup>	5,100,000	2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 <sup>(18)</sup>	2,000,000	2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 <sup>(19)</sup>	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 <sup>(20)</sup>	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
Structured notes <sup>(29)</sup>	12,900,391	Note <sup>(29)</sup>	Note <sup>(29)</sup>	12,900,391	3.00%–5.80%

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 Long-term bonds (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Book value as at 31 December 2018
12 ShenWan <sup>(1)</sup>	5,996,778	—	2,048	—	5,998,826
16 ShenZheng C1 <sup>(2)</sup>	10,000,000	—	—	—	10,000,000
16 ShenHong 01 <sup>(3)</sup>	5,000,000	—	—	—	5,000,000
16 ShenHong 02 <sup>(4)</sup>	2,000,000	—	—	—	2,000,000
16 ShenHong 03 <sup>(5)</sup>	5,500,000	—	—	—	5,500,000
16 ShenZheng C2 <sup>(6)</sup>	5,000,000	—	—	(5,000,000)	—
16 ShenZheng C3 <sup>(7)</sup>	5,000,000	—	—	—	5,000,000
17 ShenZheng 01 <sup>(8)</sup>	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 <sup>(9)</sup>	500,000	—	—	—	500,000
17 ShenZheng C1 <sup>(10)</sup>	400,000	—	—	—	400,000
17 ShenZheng C2 <sup>(11)</sup>	4,300,000	—	—	—	4,300,000
18 ShenZheng C1 <sup>(12)</sup>	—	1,400,000	—	—	1,400,000
18 ShenZheng C2 <sup>(13)</sup>	—	4,600,000	—	—	4,600,000
18 ShenZheng C3 <sup>(14)</sup>	—	4,200,000	—	—	4,200,000
18 ShenHong 01 <sup>(15)</sup>	—	499,997	—	—	499,997
18 ShenHong 02 <sup>(16)</sup>	—	6,499,956	4	—	6,499,960
18 ShenZheng C5 <sup>(17)</sup>	—	5,100,000	—	—	5,100,000
18 ShenZheng 01 <sup>(18)</sup>	—	2,000,000	—	—	2,000,000
18 ShenZheng 02 <sup>(19)</sup>	—	3,000,000	—	—	3,000,000
18 ShenZheng 03 <sup>(20)</sup>	—	1,500,000	—	—	1,500,000
Structured notes <sup>(29)</sup>	14,470,224	10,679,866	1	(12,249,700)	12,900,391
Interest payables	1,019,455	2,565,956	—	(1,976,249)	1,609,162
<b>Total</b>	<b>66,686,457</b>	<b>42,045,775</b>	<b>2,053</b>	<b>(19,225,949)</b>	<b>89,508,336</b>

	As at 31 December	
	2019	2018
Long-term bonds due within one year	<b>21,549,900</b>	23,940,520
Long-term bonds due after one year	<b>70,185,304</b>	65,567,816
<b>Total</b>	<b>91,735,204</b>	<b>89,508,336</b>

## Notes to the consolidated financial statements (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 49 Long-term bonds (continued)

As approved by the Board and related regulatory authorities, the Group has issued the following bonds:

- (1) 6-year corporate bond amounting to RMB6 billion on 29 July 2013 with early redemption right on 29 July 2016.
- (2) 5-year subordinated bond amounting to RMB10 billion on 25 March 2016 with early redemption right which was exercised on 25 March 2019.
- (3) 5-year corporate bond amounting to RMB5 billion on 26 April 2016 with early redemption right which was exercised on 26 April 2019, and the outstanding par value amounting to RMB2.02 billion as at 31 December 2019.
- (4) 3-year corporate bond amounting to RMB2 billion on 09 September 2016.
- (5) 5-year corporate bond amounting to RMB5.5 billion on 09 September 2016.
- (6) 2-year subordinated bond amounting to RMB5 billion on 19 October 2016.
- (7) 3-year subordinated bond amounting to RMB5 billion on 19 October 2016.
- (8) 5-year corporate bond amounting to RMB7.5 billion on 17 February 2017.
- (9) 7-year corporate bond amounting to RMB0.5 billion on 17 February 2017.
- (10) 2-year subordinated bond amounting to RMB0.4 billion on 16 November 2017.
- (11) 3-year subordinated bond amounting to RMB4.3 billion on 16 November 2017.
- (12) 2-year subordinated bond amounting to RMB1.4 billion on 12 April 2018.
- (13) 5-year subordinated bond amounting to RMB4.6 billion on 12 April 2018 with early redemption right on 12 April 2021.
- (14) 2-year subordinated bond amounting to RMB4.2 billion on 21 May 2018.

## Notes to the consolidated financial statements (continued)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 49 Long-term bonds (continued)

- (15) 5-year corporate bond amounting to RMB0.5 billion on 17 July 2018 with early redemption right on 17 July 2021.
- (16) 5-year corporate bond amounting to RMB6.5 billion on 17 July 2018.
- (17) 2-year subordinated bond amounting to RMB5.1 billion on 17 September 2018.
- (18) 2-year corporate bond amounting to RMB2 billion on 19 November 2018.
- (19) 3-year corporate bond amounting to RMB3 billion on 19 November 2018.
- (20) 5-year corporate bond amounting to RMB1.5 billion on 10 December 2018.
- (21) 3-year corporate bond amounting to RMB1 billion on 8 March 2019.
- (22) 3-year corporate bond amounting to RMB3.2 billion on 12 April 2019.
- (23) 5-year corporate bond amounting to RMB5.8 billion on 25 October 2019.
- (24) 3-year corporate bond amounting to RMB2.2 billion on 16 January 2019.
- (25) 3-year corporate bond amounting to RMB6.2 billion on 11 March 2019.
- (26) 3-year corporate bond amounting to RMB8.1 billion on 9 May 2019.
- (27) 2-year corporate bond amounting to RMB1 billion on 14 June 2019.
- (28) 3-year corporate bond amounting to RMB6 billion on 18 September 2019.
- (29) In 2019, the Group has issued 166 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.40%–5.80% per annum.

In 2018, the Group has issued 121 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.00%–5.80% per annum.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 Other non-current liabilities

#### Analysed by nature:

	As at 31 December	
	2019	2018
Payables to interest holders of consolidated structured entities	102,501	139,515
Deferred income	79,344	81,649
Total	181,845	221,164

### 51 Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2019		As at 31 December 2018	
	Number of shares (Thousands)	Nominal value	Number of shares (Thousands)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	22,535,945	22,535,945	22,535,945	22,535,945
H shares of RMB1 each	2,504,000	2,504,000	—	—
Total	25,039,945	25,039,945	22,535,945	22,535,945

On 26 April 2019, the Company completed its initial public offering of 2,504,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. As at 31 December 2019 and 2018, the number of non-trade restricted A shares of the Company was 1,530,355 and 2,507,825,367 respectively.

### 52 Reserves and retained profits

#### (a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

#### (b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate certain percentage of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 Reserves and retained profits (continued)

#### (c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Group appropriates certain percentage 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 Group appropriates certain percentage of its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

#### (d) Fair value reserve

The fair value reserve comprises:

- The cumulative net change in the fair value of equity securities designated at FVOCI; and
- The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognized or reclassified. This amount is reduced by the amount of loss allowance.

#### (e) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

#### (f) Retained profits

As at 31 December 2019 and 2018, the consolidated retained profits attributable to the Company included an appropriation of RMB3,899 million and RMB3,304 million to surplus reserve made by the subsidiaries respectively, and RMB2,185 million and RMB2,185 million enjoyed by shareholders arising from the merger of Hongyuan Securities under the same control.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 Reserves and retained profits (continued)

#### (f) Retained profits (continued)

Pursuant to the resolution of the general meeting of the shareholders dated 21 March 2019, the Company was approved to distribute cash dividends of RMB0.50 (tax inclusive) per 10 shares to shareholders based on the total outstanding shares of 22,535,945 thousand shares, with total dividends amounting to RMB1,126,797 thousand.

#### (g) Other comprehensive income accumulated in reserves during the year, net of tax

	2019		Sub-total	NCI	Total
	Fair value reserve	Translation reserve			
Items that may be reclassified subsequently to profit or loss:					
Financial assets at fair value through other comprehensive income					
— Net changes in fair value	372,147	—	372,147	4,088	376,235
— Reclassified to profit or loss	(261,850)	—	(261,850)	3,262	(258,588)
Share of other comprehensive income of associates	5,489	—	5,489	—	5,489
Exchange differences on translation of financial statements in foreign currencies	—	60,969	60,969	21,640	82,609
Items that will not be reclassified to profit or loss:					
Equity investment at fair value through other comprehensive income					
— Net changes in fair value	1,090,058	—	1,090,058	—	1,090,058
<b>Total</b>	<b>1,205,844</b>	<b>60,969</b>	<b>1,266,813</b>	<b>28,990</b>	<b>1,295,803</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 Reserves and retained profits (continued)

#### (g) Other comprehensive income accumulated in reserves during the year, net of tax (continued)

	2018				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Items that may be reclassified subsequently to profit or loss:					
Financial assets at fair value through other comprehensive income					
— Net changes in fair value	404,616	—	404,616	—	404,616
— Reclassified to profit or loss	(176,125)	—	(176,125)	—	(176,125)
Share of other comprehensive income of associates	367	—	367	—	367
Exchange differences on translation of financial statements in foreign currencies	—	52,032	52,032	63,224	115,256
Items that will not be reclassified to profit or loss:					
Equity investment at fair value through other comprehensive income					
— Net changes in fair value	(1,080,540)	—	(1,080,540)	—	(1,080,540)
<b>Total</b>	<b>(851,682)</b>	<b>52,032</b>	<b>(799,650)</b>	<b>63,224</b>	<b>(736,426)</b>

### 53 Transferred financial assets

In the ordinary course of business, the Group transfers recognized financial assets to third parties or clients during some transactions, but retains the risks and rewards of the transferred financial assets. Therefore, the Group does not derecognize such financial assets in the balance sheet.

The Group receives payments for the transfer of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income to counterparties and has signed agreements to repurchase such assets. According to the agreements, the counterparties have the right to receive contractual cash flows during the term of the agreements and use such securities again as collateral, and is obliged to return such securities to the Group on the due date specified in the agreements. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognize such financial assets in the balance sheet.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 Transferred financial assets (continued)

The Group receives payments for the transfer of the income right of margin financing to counterparties and has signed agreements to repurchase such assets. According to the repurchase agreements, the income right transferred to the counterparties by the Group includes any other income that the Group may obtain under the contract of margin financing and securities lending, and the counterparties shall return the income right to the Group after the end of the repurchase period. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognize such financial assets in the balance sheet.

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	7,125,362	(6,800,000)	17,768,176	(16,802,192)
Securities lending	532,176	—	463,994	—

### 54 LEASES

#### A. Leases as lessee (IFRS 16)

The Group leases office buildings, securities branches and operating premises. The leases typically run for a period of 3 years. Previously, these leases were classified as operating leases under IAS 17.

The Group leases vehicles, IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

#### i Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

2019	Land and buildings	Total
Balance at 1 January	866,295	866,295
Depreciation charge for the year	(268,167)	(268,167)
Additions to right-of-use assets	195,697	195,697
Derecognition of right-of-use assets	—	—
<b>Balance at 31 December</b>	<b>793,825</b>	<b>793,825</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54 LEASES (continued)

#### A. Leases as lessee (IFRS 16) (continued)

##### ii Amounts recognised in profit or loss

	2019
<b>2019 – Leases under IFRS 16</b>	
Interest on lease liabilities	32,501
Expenses relating to short-term leases	84,156
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1,754
<b>2018 – Operating leases under IAS 17</b>	
Lease expense	341,528

##### iii Amounts recognized in statement of cash flows

	2019
Total cash outflow for leases	314,762

#### B. Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties as well as leased property. All leases are classified as operating leases from a lessor perspective.

##### i Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 20 sets out information about the operating leases of investment property.

Rental income recognized by the Group during 2019 was RMB20,560 thousand (2018: RMB28,326 thousand).

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55 Interests in structured entities

#### (a) Interests in structured entities consolidated by the Group

The Group had consolidated certain structured entities, mainly wealth management products. For those structured entities where the Group is involved as manager or as investor, the Group assesses the controlling power according to accounting policies stated in Note 2(6)(i).

As at 31 December 2019 and 2018, the net assets of the consolidated asset management products are RMB20,542,691 thousand and RMB13,641,596 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB9,274,728 thousand and RMB1,459,183 thousand respectively.

Interests held by other investors in these consolidated structured entities were classified as net investment gains or interest expenses of the consolidated statements of profit or loss, financial liabilities at fair value through profit or loss, other payables and accruals or other non-current liabilities of the consolidated statements of financial position.

At 31 December 2019, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

#### (b) Structured entities sponsored by third party institutions which the Group does not consolidate but holds an interest in

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issued units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2019, which are listed as below:

	2019			Total
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	—	20,816,140	—	20,816,140
Wealth management products and others	6,552,736	13,059,215	5,521,041	25,132,992
Total	6,552,736	33,875,355	5,521,041	45,949,132

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55 Interests in structured entities (continued)

#### (b) Structured entities sponsored by third party institutions which the Group does not consolidate but holds an interest in (continued)

	2018			Total
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	—	15,599,287	—	15,599,287
Wealth management products and others	6,241,521	10,950,747	8,899,295	26,091,563
<b>Total</b>	<b>6,241,521</b>	<b>26,550,034</b>	<b>8,899,295</b>	<b>41,690,850</b>

#### (c) Structured entities sponsored by the Group which the Group does not consolidate

The types of structured entities sponsored by the Group which the Group does not consolidate but in which it holds an interest include funds and asset management products.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by the Group as at 31 December 2019, which are listed as below:

	2019		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	2,694,953	—	2,694,953
Wealth management products and others	2,663,668	1,006,574	3,670,242
<b>Total</b>	<b>5,358,621</b>	<b>1,006,574</b>	<b>6,365,195</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55 Interests in structured entities (continued)

#### (c) Structured entities sponsored by the Group which the Group does not consolidate (continued)

	2018		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	594,850	—	594,850
Wealth management products and others	1,967,790	363,172	2,330,962
<b>Total</b>	<b>2,562,640</b>	<b>363,172</b>	<b>2,925,812</b>

As at 31 December 2019 and 2018, the net assets of these unconsolidated structured entities in which the Group acted as asset manager amounted to RMB599,981,386 thousand and RMB725,896,545 thousand, respectively.

During the years ended 31 December 2019 and 2018, the Group recognized the net income from asset management business of RMB1,289,606 thousand and RMB1,198,656 thousand, respectively. As at 31 December 2019 and 2018, the corresponding remuneration receivables totaled RMB547,446 thousand and RMB410,145 thousand, respectively.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56 Contingencies

As at 31 December 2019, Shenyin & Wanguo Fortune Investment Co., Ltd., a subsidiary of the Company was being sued in relation to a dispute over sales and purchase contract for 30,000 tons of coke. The subsidiary was not satisfied with the verdict in the first instance and filed an appeal, and is currently waiting for the appeal verdict. As of the date of approval of the financial statements, there has been no new progress in the aforementioned case. The Company is of the opinion that the lawsuit will not have any significant negative impact on the Group's financial position nor operations. Except for the aforementioned lawsuit case, as at 31 December 2019, the Group was not involved in any other material lawsuit, arbitration or administrative proceedings that if adversely determined, the Group expect would materially adversely affect their financial position or results of operations.

### 57 Related party relationships and transactions

#### (a) Relationship of related parties

##### (i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership. Share percentage in the Company:

	As at 31 December	
	2019	2018
China Jianyin Investment Ltd.	26.34%	29.27%
Central Huijin Investment Ltd.	20.05%	22.28%
Shanghai Jiushi (Group) Co., Ltd.	4.84%	5.38%

##### (ii) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in Note 23.

##### (iii) Other related parties

Other related parties mainly include subsidiaries of major shareholders and key management personnel.

#### (b) Related parties transactions and balances

##### (i) Transactions between the Group and major shareholders:

	As at 31 December	
	2019	2018
Balances at the end of the year		
Financial assets at fair value through profit or loss	—	—
Other receivables and prepayments	—	—



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 57 Related party relationships and transactions (continued)

#### (b) Related parties transactions and balances (continued)

##### (i) Transactions between the Group and major shareholders: (continued)

	As at 31 December	
	2019	2018
Transactions during the year		
Fee and commission income	47	7,557
Net investment gains	918	7,647

##### (ii) Transactions between the Group with associates, joint ventures and other related parties:

	As at 31 December	
	2019	2018
Balances at the end of the year		
Cash and bank balances	44,530,987	30,606,701
Financial assets at fair value through profit or loss	328,499	—
Financial assets at fair value through other comprehensive income	137,753	115,575
Accounts receivable	84,237	12,270
Right-of-use assets	19,625	—
Financial assets sold under repurchase agreements	10,887,742	5,272,430
Other payables and accruals	59,674	46,924
Lease liabilities	18,832	—
Reserves	59,526	—

	As at 31 December	
	2019	2018
Transactions during the year		
Interest income	1,284,064	968,302
Fee and commission income	250,361	157,818
Net investment gains	238,594	207,212
Other income and gains	13,349	8,151
Interest expenses	193,122	88,173
Fee and commission expenses	81,011	75,435
Other operating expenses	13,960	20,459
Depreciation and amortization expenses	5,579	—

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 57 Related party relationships and transactions (continued)

#### (c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 15, is as follows:

	As at 31 December	
	2019	2018
Short-term employee benefits		
— Fees, salaries, allowances and bonuses	<b>24,823</b>	19,317
Post-employment benefits		
— Contributions to pension scheme	<b>2,223</b>	1,937
Total	<b>27,046</b>	21,254

Total remuneration is included in "staff costs" (see Note 10).

### 58 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- Enterprise finance segment includes investment banking and principal investment services to the corporate clients: investment banking business primarily includes equity underwriting and sponsorship, debt underwriting and financial advisory services; principal investment business primarily includes the Group's equity investment in unlisted companies and debt investment primarily through various financial instruments;
- Personal finance segment primarily includes securities and futures brokerage, margin financing and securities lending, stock-backed lending, sales of financial products and investment advisory provided to individuals and non-professional institutional investors;
- Institutional services and trading segment primarily includes prime brokerage and research services for professional institutional clients, as well as equity and Fixed Income Currencies and Commodities (FICC) proprietary trading to provide sales, market-making, hedging and OTC derivatives services to institutional clients;
- Investment management segment primarily includes asset management, mutual fund management, private equity fund management services to clients.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58 Segment reporting (continued)

#### Business segments

For the year ended 31 December 2019

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	1,146,558	81,337	4,140,486	841,946	1,329,884	7,540,211
Interest income	22,801	737,714	6,908,903	2,854,534	502,850	11,026,802
Net investment gains	48,841	310,267	176,024	4,643,322	147,420	5,325,874
Other income and gains	587	369,812	119,309	8,826,351	42,595	9,358,654
<b>Total revenue and other income</b>	<b>1,218,787</b>	<b>1,499,130</b>	<b>11,344,722</b>	<b>17,166,153</b>	<b>2,022,749</b>	<b>33,251,541</b>
Segment expenses	811,075	1,483,321	8,555,561	14,392,010	1,364,481	26,606,448
Including: Interest expenses	1,266	677,524	3,112,633	3,664,058	351,647	7,807,128
Provision for impairment losses	97	439,296	151,833	72,439	196,315	859,980
Share of profit of associates and joint ventures	—	282,138	—	—	—	282,138
<b>Profit before income tax</b>	<b>407,712</b>	<b>297,947</b>	<b>2,789,161</b>	<b>2,774,143</b>	<b>658,268</b>	<b>6,927,231</b>
Other segment information:						
Depreciation and amortization expenses	23,186	39,590	320,191	124,721	46,182	553,870
Capital expenditure paid	4,654	91,731	95,558	16,857	14,071	222,871
As at 31 December 2019						
Segment assets	1,944,266	32,627,047	146,499,164	181,483,658	24,149,738	386,703,873
Deferred tax assets						1,833,395
<b>Segment total assets</b>						<b>388,537,268</b>
Segment liabilities	388,576	20,723,953	129,955,104	137,407,611	15,228,059	303,703,303
Deferred tax liabilities						2,558
<b>Segment total liabilities</b>						<b>303,705,861</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58 Segment reporting (continued)

#### Business segments (continued)

For the year ended 31 December 2018

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	889,245	66,186	3,368,803	819,547	1,275,530	6,419,311
Interest income	36,747	722,115	7,776,754	2,390,050	520,500	11,446,166
Net investment gains/(losses)	27,653	310,137	(55,248)	3,242,467	124,326	3,649,335
Other income and gains	2,007	112,104	47,411	2,411,981	21,302	2,594,805
Total revenue and other income	955,652	1,210,542	11,137,720	8,864,045	1,941,658	24,109,617
Segment expenses	586,484	887,033	9,333,396	7,191,025	1,136,010	19,133,948
Including: Interest expenses	—	506,141	3,861,910	3,263,759	457,277	8,089,087
(Reversal of)/provision for impairment losses	(155)	38,953	493,564	128,736	(2,353)	658,745
Share of profit of associates and joint ventures	—	211,596	—	—	—	211,596
Profit before income tax	369,168	535,105	1,804,324	1,673,020	805,648	5,187,265
Other segment information:						
Depreciation and amortization expenses	12,296	38,273	161,360	60,209	25,771	297,909
Capital expenditure paid	2,138	113,938	110,627	15,286	18,705	260,694
As at 31 December 2018						
Segment assets	1,714,160	25,117,893	142,878,582	157,718,502	18,495,223	345,924,360
Deferred tax assets						1,800,675
Segment total assets						347,725,035
Segment liabilities	249,803	16,898,277	129,996,116	114,524,432	14,618,368	276,286,996
Deferred tax liabilities						242,110
Segment total liabilities						276,529,106

The Group's non-current assets are mainly located in mainland China. The Group's revenue are substantially derived from its operations in mainland China.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management

The risks faced by the Group in its daily operation and management mainly include market risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, their sources and their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks and their changes during the year.

The Group aims to strike an appropriate balance between the risks and benefits of its financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and assess the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and compliance with limits. Risk management policies and internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (a) Credit risk

Credit risk refers to the risk that the Group may face when its financiers, counterparties or bond issuers fail to perform the agreed financial obligations. The Group's credit risk exposures mainly exist in its personal finance, proprietary trading, and principal investment businesses.

The Group has mainly adopted the following measures to detect, report and manage credit risk:

- Established an internal rating system for credit risk, and conducted concentration risk management of the clients;
- Optimised risk assessment and analysis of clients and collateral, and reinforced continuous supervision. The Group has also been improving credit risk management system, and set up company-level negative lists of counterparties so as to collect and manage the list of clients with bad credit, and unified the management of negative information of clients;
- Set up strict entry criteria such as bond and issuer ratings for the proprietary trading business, and carried out pre-transaction review, post-transaction monitoring, and follow up on trading behaviours, credit ratings and types of securities, as well as scale and concentration of bonds;
- Enhanced measures and policies of derivatives tradings, set up rating and entry criteria for its counterparties, and improved the risk limit indicators system and pre-transaction review standard; and
- Tightened the review and management of certain businesses, such as stock-backed lending and principal investment business, on the assessment of client, concentration control, and scale of the businesses, and closely monitor project status on a continual basis.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### Measurement of expected credit loss

##### Specific criteria and basis for the three stages model:

The Group classifies the impairment stage based on individual financial instrument or financial instrument portfolio:

- Stage 1: financial instruments with low credit risk as at the end of the reporting period or no significant increase in credit risk since initial recognition, impairment provision for which shall be measured by an amount equal to the next 12 months expected credit loss (or within the expected duration if it is less than 12 months);
- Stage 2: financial instruments of which credit risk has increased significantly since initial recognition, but no credit impairment has occurred, i.e. no objective evidence of credit loss for financial instrument, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss;
- Stage 3: financial instruments that have become credit-impaired subsequent to initial recognition, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss.

For financial assets purchased or originated as credit-impaired, the Group recognises the cumulative change in expected credit losses over the lifetime since initial recognition as provision for losses. For receivables, lease receivables and contract assets that meet the conditions stipulated in the accounting standards, the Group always measures the impairment at an amount equal to the lifetime expected credit loss.

The Group assesses the credit risk of credit businesses (including margin financing and securities lending, stock-backed lending, stock repurchase, etc.) on a case-by-case basis at the end of the reporting period, and classifies credit impairment into three stages. In general, the classification criteria are as follows:

Where a credit business meets the following conditions at the same time, it is generally classified into stage 1, that is, the credit risk has not increased significantly:

- (1) No principal or interest is overdue, or the principal or interest is overdue, but the number of overdue days does not exceed 30 days (inclusive);
- (2) In the absence of special circumstances such as restricted sales of collaterals or pledges, the maintenance margin ratio or collateral coverage ratio is higher than 130%; or under special circumstances such as restricted sales of collaterals or pledges, the maintenance margin ratio or collateral coverage ratio is higher than 150% or the force liquidation threshold, whichever is lower.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### Measurement of expected credit loss (continued)

##### Specific criteria and basis for model the three stages (continued)

In case of one of the following circumstances, a credit business is generally classified into the stage 2, that is, the credit risk has increased significantly:

- (1) The principal or interest is overdue and the overdue days exceed 30 days (exclusive).
- (2) In the absence of special circumstances such as restricted sales of collaterals or pledges, the maintenance margin ratio or collateral coverage ratio is less than 130% but higher than 100%;
- (3) Under special circumstances such as restricted sales of collaterals or pledges, the maintenance margin ratio or collateral coverage ratio is less than 150% or the force liquidation threshold, whichever is lower, but higher than 100%;

In case of one of the following circumstances, a credit business is generally classified into stage 3, that is, become credit-impaired:

- (1) The principal or interest is overdue and the overdue days exceed 90 days (exclusive).
- (2) maintenance margin ratio or collateral coverage ratio is lower than 100%;
- (3) The principal and interest have not been fully recovered after the disposal of the collaterals or pledges;

##### Inputs, assumptions and estimation techniques for each stage:

The Group adopts the default probability/loss given default method and the loss rate method to measure expected credit losses based on the risk characteristics and information of the assets.

Default probability/loss given default method refers to a method of measuring expected credit losses by estimating the default risk exposure, default probability, and loss given default of a single asset or asset portfolio. Loss rate method refers to the method of directly estimating the loss rate to measure the expected credit losses without estimating the default probability and the loss given default.

The Group adopts the loss rate method for impairment measurement of its credit businesses.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### Measurement of expected credit loss (continued)

##### Provision methods, main parameters and valuation techniques for each stage: (continued)

##### (1) Determination of loss rate

The loss rate of the Group's credit businesses is determined using the following methods for different impairment stages:

For credit businesses of the stages 1 and 2, the Group uses a loss rate model for measurement which, based on historical data, as well as maintenance margin ratio or collateral coverage ratio, condition of collateral or pledge, credit rating of the customer, etc., to determine different loss rate for credit businesses with varying degrees of credit risk;

For credit businesses of the stage 3, the Group comprehensively evaluates all contractual cash flows expected to be received through evaluating the debtor's credit status and repayment ability on a case-by-case basis after consideration of the value of the debtor's encumbered assets including stocks and additional collaterals and other credit enhancement measures, and makes provision for impairment based on the difference between all contract cash flows receivable from contracts and all cash flows expected to be received.

##### (2) Determination of measurement base

The measurement base for the Group's credit businesses is determined based on the amortized cost of the credit businesses.

##### (3) Forward-looking adjustments

The Group comprehensively considers five indicators including economic growth, investment, price index, interest rate indicator, and stock market, and assigns a certain weight to each of the five indicators to calculate a comprehensive score, and comprehensively determines the forward-looking adjustment coefficient based on the different sections of the score.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

The maximum credit risk exposure on the balance sheet date, without taking into account any collateral and other credit enhancements, refers to the carrying value of the relevant financial assets after the deduction of impairment provisions. The Group's maximum credit risk exposure is disclosed as follows:

#### (i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group and the Company without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2019	2018
Refundable deposits	8,878,241	5,830,716
Accounts receivable	1,968,153	1,237,590
Other receivables and prepayments	897,593	794,366
Margin accounts receivable	53,048,414	44,147,977
Financial assets held under resale agreements	39,250,939	66,268,200
Financial assets at fair value through profit or loss	77,885,842	67,395,849
Derivative financial assets	481,835	453,915
Financial assets measured at amortized cost	7,312,725	10,192,080
Financial assets at fair value through other comprehensive income	44,029,180	22,436,522
Clearing settlement funds	3,230,861	3,095,507
Cash held on behalf of brokerage clients	71,197,312	57,521,637
Bank balances	25,055,628	25,349,367
<b>Total maximum credit risk exposure</b>	<b>333,236,723</b>	<b>304,723,726</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### (ii) Risk concentrations

The Group's maximum credit risk exposure without taking into account any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		Total
	Mainland China	Outside Mainland China	
31 December 2019			
Refundable deposits	8,867,777	10,464	8,878,241
Accounts receivable	1,095,861	872,292	1,968,153
Other receivables and prepayments	820,757	76,836	897,593
Margin accounts receivable	52,258,663	789,751	53,048,414
Financial assets held under resale agreements	39,250,939	—	39,250,939
Financial assets at fair value through profit or loss	75,854,243	2,031,599	77,885,842
Derivative financial assets	481,835	—	481,835
Financial assets measured at amortized cost	6,828,027	484,698	7,312,725
Financial assets at fair value through other comprehensive income	43,360,585	668,595	44,029,180
Clearing settlement funds	3,212,073	18,788	3,230,861
Cash held on behalf of brokerage clients	67,794,380	3,402,932	71,197,312
Bank balances	23,981,799	1,073,829	25,055,628
<b>Total maximum credit risk exposure</b>	<b>323,806,939</b>	<b>9,429,784</b>	<b>333,236,723</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### (ii) Risk concentrations (continued)

	By geographical area		Total
	Mainland China	Outside Mainland China	
31 December 2018			
Refundable deposits	5,817,891	12,825	5,830,716
Accounts receivable	1,091,144	146,446	1,237,590
Other receivables and prepayments	767,161	27,204	794,365
Margin accounts receivable	43,089,377	1,058,601	44,147,978
Financial assets held under resale agreements	66,268,200	—	66,268,200
Financial assets at fair value through profit or loss	66,871,345	524,504	67,395,849
Derivative financial assets	453,915	—	453,915
Financial assets measured at amortized cost	10,192,080	—	10,192,080
Financial assets at fair value through other comprehensive income	22,436,522	—	22,436,522
Clearing settlement funds	3,095,507	—	3,095,507
Cash held on behalf of brokerage clients	53,014,642	4,506,995	57,521,637
Bank balances	23,289,130	2,060,237	25,349,367
Total maximum credit risk exposure	296,386,914	8,336,812	304,723,726

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### (iii) Credit rating

The Group adopts a credit rating system to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referenced from major rating institutions in which debt issuers are located. The carrying amounts of debt securities at the end of the reporting period are categorised by the following rating distribution:

	As at 31 December	
	2019	2018
Rating		
Long-term bonds		
AAA	49,002,340	43,640,380
From A- to AA+	21,305,343	21,542,145
From B- to BBB+	520,680	99,479
C	197	—
Non-rated <sup>(1)</sup>	44,819,751	16,877,166
Sub-total	115,648,311	82,159,170
Short-term bonds		
AAA	1,420,817	339,094
From A to AA+	489,882	229,985
A-1	1,425,287	1,890,302
Non-rated <sup>(1)</sup>	3,193,123	3,250,054
Sub-total	6,529,109	5,709,435
Total	122,177,420	87,868,605

(1) Non-rated financial assets mainly represent debts instruments issued by the MOF, the PBOC, policy banks, private placed bonds, and super & short-term commercial papers.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (a) Credit risk (continued)

##### (iv) Provision matrix

The following table provides information about the Group's ECLs for financial assets as at the end of the reporting period:

	Impairment loss allowance as at 31 December 2019				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total	ECL rate
Cash and bank balances	2,875	—	—	2,875	0.01%
Margin accounts receivable	102,550	—	77,338	179,888	0.34%
Accounts receivable	—	50,962	211,638	262,600	11.77%
Financial assets held under resale agreements	93,847	10,458	698,728	803,033	2.00%
Financial assets measured at amortized cost	5,112	163	444,760	450,035	5.80%
Financial assets at fair value through other comprehensive income	47,422	29,791	201,132	278,345	0.52%
Other receivables and prepayments	—	18,643	186,202	204,845	11.88%
<b>Total</b>	<b>251,806</b>	<b>110,017</b>	<b>1,819,798</b>	<b>2,181,621</b>	<b>1.19%</b>

	Impairment loss allowance as at 31 December 2018				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total	ECL rate
Cash and bank balances	6,155	—	—	6,155	0.02%
Margin accounts receivable	84,265	—	—	84,265	0.20%
Accounts receivable	—	33,689	125,145	158,834	11.37%
Financial assets held under resale agreements	188,895	18,466	419,732	627,093	0.94%
Financial assets measured at amortized cost	6,399	—	180,908	187,307	1.81%
Financial assets at fair value through other comprehensive income	19,780	4,739	150,000	174,519	0.79%
Other receivables and prepayments	405	25,238	197,686	223,329	5.50%
<b>Total</b>	<b>305,899</b>	<b>82,132</b>	<b>1,073,471</b>	<b>1,461,502</b>	<b>0.84%</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group may face if the Group fails to acquire sufficient funds in time with reasonable cost to repay its debts due, perform other payment obligations and satisfy capital requirements in normal business operations.

In managing its liquidity risks, the Group considers its short, medium and long-term funding needs and liquidity management requirements, and reinforce the management of both the total amount and the structure of high-quality liquid assets through continuously improving the management system of its liquidity reserve, so as to maintain a sufficient liquidity reserve. The Group maintains adequate cash and cash equivalents and continuously monitors and compares cash flow forecast and actual cash flows. The Group also adopts a risk indicator analysis method to manage its overall liquidity risk. Through the analysis of key risk indicators, such as liquidity coverage ratio, net stable funding ratio, liquidity gap, and asset and liability concentration, the Group assesses and measures its overall liquidity risk status.

For liquidity risks, the Group has primarily adopted the following measures:

- Formulated a comprehensive capital plan to maintain a sufficient liquidity reserve;
- Expanded the scope of cooperation of financial institutions, improved debt financing management capabilities and diversified liquidity management tools;
- Enhanced the dynamic monitoring of liquidity risk, maintained the tracking and assessment of information such as liquidity monitoring indicators, cash flow gap, liquidity reserve and its short-term financing capabilities;
- Carried out stress testing of liquidity risk, improved the ability to measure liquidity shock and put forward effective measures; and
- Improved the capability of reporting and dealing with liquidity risk contingencies through conducting emergency drills for liquidity risk to enhance the ability to respond to liquidity crisis.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (b) Liquidity risk (continued)

The following tables show the details of the Group's contractual cash flow from its undiscounted financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates as of 31 December) for the remainder of the contract as well as the earliest date the Group may be required to pay:

	As at 31 December 2019							Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	
<b>Financial liabilities</b>								
Loans and borrowings	1,461,734	—	989,640	4,188	483,614	—	—	1,477,442
Short-term debt instruments issued	17,065,153	—	4,875,120	9,143,827	3,392,325	—	—	17,411,272
Placements from other financial institutions	10,951,074	—	5,483,462	1,034,000	3,953,720	636,000	—	11,107,182
Financial liabilities at fair value through profit or loss	384,170	—	6,596	280,825	95,749	1,000	—	384,170
Accounts payable to brokerage clients	77,053,335	77,053,335	—	—	—	—	—	77,053,335
Other payables and accruals	14,180,264	14,028,765	35,182	—	116,317	—	—	14,180,264
Financial assets sold under repurchase agreements	83,943,834	—	71,000,110	5,295,580	8,094,959	—	—	84,390,649
Derivative financial liabilities	614,656	—	19,532	34,250	519,932	40,942	—	614,656
Long-term bonds	91,735,204	—	1,511,550	2,636,091	20,727,596	78,019,590	—	102,894,827
Lease liabilities	779,731	—	36,842	44,866	220,007	502,679	58,960	863,354
Other non-current liabilities	102,501	—	—	—	—	102,501	—	102,501
<b>Total</b>	<b>298,271,656</b>	<b>91,082,100</b>	<b>83,958,034</b>	<b>18,473,627</b>	<b>37,604,219</b>	<b>79,302,712</b>	<b>58,960</b>	<b>310,479,652</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (b) Liquidity risk (continued)

	Carrying amount	Repayable on demand	As at 31 December 2018					Total
			Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	
<b>Financial liabilities</b>								
Loans and borrowings	1,368,385	—	720,492	9,053	27,860	678,274	—	1,435,679
Short-term debt instruments issued	13,220,147	—	7,630,057	5,665,948	351,533	—	—	13,647,538
Placements from other financial institutions	11,618,941	—	6,838,475	1,538,146	3,344,371	—	—	11,720,992
Financial liabilities at fair value through profit or loss	2,822,458	—	2,787,870	—	—	44,017	—	2,831,887
Accounts payable to brokerage clients	60,270,562	60,275,347	—	—	—	—	—	60,275,347
Other payables and accruals	12,821,901	10,678,098	37,834	5,740	2,139,152	—	—	12,860,824
Financial assets sold under repurchase agreements	79,171,880	—	61,634,526	2,043,005	12,397,788	4,729,461	—	80,804,780
Derivative financial liabilities	456,300	—	12,914	14,699	20,832	407,855	—	456,300
Long-term bonds	87,899,174	—	—	752,196	25,181,621	71,958,557	522,500	98,414,874
Other non-current liabilities	137,500	—	—	—	—	137,500	—	137,500
<b>Total</b>	<b>269,787,248</b>	<b>70,953,445</b>	<b>79,662,168</b>	<b>10,028,787</b>	<b>43,463,157</b>	<b>77,955,664</b>	<b>522,500</b>	<b>282,585,721</b>

#### (c) Market risk

Market risk refers to the risk resulting from the adverse effects on the Group's revenue or the value of financial instruments held by us due to market price changes of the equity securities, fixed-income securities and various derivative financial instruments held by the Group. The Group also faces foreign exchange rate risks in currencies such as the Renminbi, US dollar ("USD") and HK dollar. Market risk management aims to control the market risk within an acceptable range so as to maximise risk-adjusted returns. The Group conducts dynamic monitoring and grade warnings of risk indicators to ensure relevant countermeasures can be undertaken in a timely manner. The Group also conducts stress tests regularly to measure changes of various risk control indicators and operating indicators under different stress situations.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect the Group's operation performance, financial position and cash flows. The Group's interest-bearing assets mainly include cash and bank balances, clearing settlement funds, margin accounts receivable, financial assets at fair value through profit or loss, financial assets held under resale agreements, refundable deposits and financial assets at fair value through other comprehensive income; interest-bearing liabilities mainly include loans and borrowings, short-term debt instruments issued, placements from other financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, accounts payable to brokerage clients and long-term bonds.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group applies interest rate repricing exposure analysis and sensitivity analysis as the primary approach for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and possible changes in the interest rate on the net profits and shareholders' equity with all other variables held constant.

The following tables indicate the interest rate risk of the Group as at 31 December 2019. In the tables, financial assets and liabilities as at 31 December 2019 are presented by the expected next repricing date or maturity date, whichever is earlier:

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk (continued)

	As at 31 December 2019					Total
	Less than 3 month	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
<b>Financial assets</b>						
Financial assets measured at amortized cost	1,349,831	3,908,686	1,127,141	—	927,067	7,312,725
Financial assets at fair value through other comprehensive income	234,051	3,997,891	33,713,151	5,192,191	10,337,238	53,474,522
Financial assets held under resale agreements	22,330,935	11,360,937	5,502,506	—	56,561	39,250,939
Refundable deposits	1,303,108	—	—	—	7,575,133	8,878,241
Accounts receivable	—	—	—	—	1,968,153	1,968,153
Other receivables and prepayments	—	—	—	—	897,593	897,593
Margin accounts receivable	13,409,506	38,262,398	—	—	1,376,510	53,048,414
Financial assets at fair value through profit or loss	2,585,633	10,671,488	58,753,999	4,541,140	38,675,967	115,228,227
Derivative financial assets	—	—	—	—	481,835	481,835
Clearing settlement funds	3,229,731	—	—	—	1,130	3,230,861
Cash held on behalf of brokerage clients	69,245,477	1,951,835	—	—	—	71,197,312
Cash and bank balances	23,243,592	1,216,000	—	—	596,575	25,056,167
<b>Total</b>	<b>136,931,864</b>	<b>71,369,235</b>	<b>99,096,797</b>	<b>9,733,331</b>	<b>62,893,762</b>	<b>380,024,989</b>
<b>Financial liabilities</b>						
Loans and borrowings	(986,884)	(473,423)	—	—	(1,427)	(1,461,734)
Short-term debt instruments issued	(13,670,837)	(3,326,704)	—	—	(67,612)	(17,065,153)
Placements from other financial institutions	(6,478,956)	(3,808,610)	(602,581)	—	(60,927)	(10,951,074)
Accounts payable to brokerage clients	(56,398,164)	—	—	—	(20,655,171)	(77,053,335)
Other payables and accruals	(133,862)	—	—	—	(14,046,400)	(14,180,262)
Financial liabilities at fair value through profit or loss	—	(279,089)	—	—	(105,081)	(384,170)
Financial assets sold under repurchase agreements	(75,982,904)	(7,776,257)	—	—	(184,673)	(83,943,834)
Derivative financial liabilities	—	—	—	—	(614,656)	(614,656)
Long-term bonds	(3,364,864)	(17,520,325)	(68,636,680)	—	(2,213,335)	(91,735,204)
Lease liabilities	(78,336)	(207,853)	(447,928)	(45,614)	—	(779,731)
Other non-current liabilities	—	—	—	—	(102,501)	(102,501)
<b>Total</b>	<b>(157,094,807)</b>	<b>(33,392,261)</b>	<b>(69,687,189)</b>	<b>(45,614)</b>	<b>(38,051,783)</b>	<b>(298,271,654)</b>
<b>Net interest rate risk exposure</b>	<b>(20,162,943)</b>	<b>37,976,974</b>	<b>29,409,608</b>	<b>9,687,717</b>	<b>24,841,979</b>	<b>81,753,335</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk (continued)

	As at 31 December 2018					Total
	Less than 3 month	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
<b>Financial assets</b>						
Financial assets measured at amortized cost	965,826	4,405,359	4,790,959	—	—	10,162,144
Financial assets at fair value through other comprehensive income	824,058	2,449,996	14,981,880	3,740,709	9,115,967	31,112,610
Financial assets held under resale agreements	31,968,107	14,509,797	19,601,987	—	—	66,079,891
Refundable deposits	1,446,758	—	—	—	4,383,854	5,830,612
Accounts receivable	—	—	—	—	1,237,590	1,237,590
Other receivables and prepayments	—	—	—	—	3,523,909	3,523,909
Margin accounts receivable	11,915,358	31,191,617	—	—	—	43,106,975
Financial assets at fair value through profit or loss	2,635,529	7,025,361	47,284,754	8,926,319	27,435,633	93,307,596
Derivative financial assets	—	—	—	—	453,915	453,915
Clearing settlement funds	3,091,049	—	—	—	—	3,091,049
Cash held on behalf of brokerage clients	54,719,653	2,801,984	—	—	—	57,521,637
Cash and bank balances	22,442,616	2,839,999	—	—	3,799	25,286,414
<b>Total</b>	<b>130,008,954</b>	<b>65,224,113</b>	<b>86,659,580</b>	<b>12,667,028</b>	<b>46,154,667</b>	<b>340,714,342</b>
<b>Financial liabilities</b>						
Loans and borrowings	(717,585)	—	(650,800)	—	—	(1,368,385)
Short-term debt instruments issued	(12,881,132)	(339,015)	—	—	—	(13,220,147)
Placements from other financial institutions	(8,300,000)	(3,318,941)	—	—	—	(11,618,941)
Accounts payable to brokerage clients	(42,236,209)	—	—	—	(18,034,353)	(60,270,562)
Other payables and accruals	(133,494)	—	—	—	(14,924,832)	(15,058,326)
Financial liabilities at fair value through profit or loss	(2,775,086)	—	—	—	(47,372)	(2,822,458)
Financial assets sold under repurchase agreements	(63,426,090)	(11,445,790)	(4,300,000)	—	—	(79,171,880)
Derivative financial liabilities	—	—	—	—	(456,300)	(456,300)
Long-term bonds	(37,301)	(22,294,055)	(65,067,818)	(500,000)	—	(87,899,174)
Other non-current liabilities	—	—	—	—	(139,515)	(139,515)
<b>Total</b>	<b>(130,506,897)</b>	<b>(37,397,801)</b>	<b>(70,018,618)</b>	<b>(500,000)</b>	<b>(33,602,372)</b>	<b>(272,025,688)</b>
<b>Net interest rate risk exposure</b>	<b>(497,943)</b>	<b>27,826,312</b>	<b>16,640,962</b>	<b>12,167,028</b>	<b>12,552,295</b>	<b>68,688,654</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk (continued)

###### Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's and the Company's profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of profit after tax As at 31 December	
	2019	2018
Move in yield curve		
Up 25 basis points	(188,489)	(254,997)
Down 25 basis points	193,470	262,770

	Sensitivity of equity As at 31 December	
	2019	2018
Move in yield curve		
Up 25 basis points	(365,638)	(358,112)
Down 25 basis points	374,744	368,701

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

In respect of the exposure to cash flow interest rate risk arising from floating rate non-instruments held by the Group, the impact on the Group's profit after tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (ii) Foreign currency risk

Foreign currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation and monitor of foreign exchange rates. The Group adopts sensitivity analysis to measure and monitor currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar, HKD and other currencies at the end of the reporting period, under the assumption of the foreign exchange rate changes within the period from the end of the reporting period to next whole year, would have increased/(decreased) the Group's equity and profit after tax by the amount shown below, whose effect is in RMB and translated using the spot rate at the end of the reporting period:

	Sensitivity of equity As at 31 December	
	2019	2018
Currency		
USD	(2,444)	(19,519)
HKD	(463,716)	(256,420)
Other currencies	(2,778)	(5,881)

	Sensitivity of profit after tax As at 31 December	
	2019	2018
Currency		
USD	(2,444)	(19,519)
HKD	(407,889)	(256,420)
Other currencies	(2,778)	(5,881)

A 10% weakening of the RMB against the USD, HKD and other currencies at the end of the reporting period would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes translation differences arising from translation of foreign currency financial statements.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (iii) Other price risk

Other price risks refer to the risk that the fair value or future cash flows of any equity securities and funds held by the Group will be affected by changes in market price factors (other than interest rates and foreign exchange rates). The Group mainly invests in stocks listed on stock exchanges and funds and the maximum market price risk is determined by fair value of financial instruments held by the Group.

Assuming that the market price of the financial instruments mentioned above increases or decreases by 10%, with all other variables held constant, the effect of these balance sheet assets on the Group shareholders' equity and net profit is listed as follows:

	Sensitivity of profit after tax As at 31 December	
	2019	2018
Increase by 10%	1,914,934	1,134,646
Decrease by 10%	(1,914,934)	(1,134,646)

	Sensitivity of equity As at 31 December	
	2019	2018
Increase by 10%	2,112,380	1,396,091
Decrease by 10%	(2,112,380)	(1,396,091)

#### (d) Capital management

The Group's primary objectives when managing capital are to safeguard its continued operations, so that it can continue to provide returns for shareholders, by pricing products and services according to the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditure and risk level. Adjustments are made to the capital structure in light of changes in the factors mentioned above affecting the Group.

On 16 June 2016, the CSRC issued the Measures for the Administration of Risk Control Indicators of Securities Companies (2016 revision) and the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies, which came into effect on 1 October 2016 to revise the risk control indicators and criteria that securities companies must continue monitoring. Therefore, the Group is required to continuously meet the following key criteria for risk control indicators:

- (i) Risk Coverage Ratio (Net capital/Total risk capital reserves × 100%) shall be no less than 100%;
- (ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets × 100%) shall be no less than 8%;

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59 Financial instruments and risk management (continued)

#### (d) Capital management (continued)

- (iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days × 100%) shall be no less than 100%;
- (iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding × 100%) shall be no less than 100%.

### 60 Fair value information

#### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, derivatives and financial assets at fair value through other comprehensive income are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients mainly are within one year. Accordingly, the carrying amounts approximates the fair values.

#### (b) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at the end of the reporting period except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

#### Carrying amount

	As at 31 December	
	2019	2018
Financial liabilities		
— Long-term bonds	91,735,204	89,508,336

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (b) Fair value of other financial instruments (carried at other than fair value) (continued)

##### Fair value

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Financial liabilities				
— Long-term bonds	—	84,722,462	7,835,288	92,557,750

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Financial liabilities				
— Long-term bonds	—	77,045,845	12,900,391	89,946,236

The fair values of the financial liabilities included in the level II above have been determined in accordance with generally accepted pricing models including discounted cash flow etc.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Group's statements of financial position approximate their fair values.

#### (c) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 31 December 2019			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Debt securities	17,953,109	50,680,990	—	68,634,099
— Equity securities	864,903	1,060,138	123,267	2,048,308
— Funds	23,291,373	219,720	—	23,511,093
— Hybrid instrument	1,476,990	3,971	3,830,883	5,311,844
— Wealth management products and others	4,140,032	9,959,919	1,622,932	15,722,883
Financial assets at fair value through other comprehensive income				
— Debt securities	21,583,702	22,445,478	—	44,029,180
— Equity securities	2,632,606	—	260,000	2,892,606
— Wealth management products and others	—	6,552,736	—	6,552,736
Derivative financial assets	—	481,835	—	481,835
Margin accounts receivable	—	789,750	—	789,750
<b>Total</b>	<b>71,942,715</b>	<b>92,194,537</b>	<b>5,837,082</b>	<b>169,974,334</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	—	(384,170)	—	(384,170)
Derivative financial liabilities	—	(614,656)	—	(614,656)
<b>Total</b>	<b>—</b>	<b>(998,826)</b>	<b>—</b>	<b>(998,826)</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

	As at 31 December 2018			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
— Debt securities	20,529,257	39,587,220	—	60,116,477
— Equity securities	666,861	923,390	327,074	1,917,325
— Funds	16,049,861	144,276	—	16,194,137
— Hybrid instrument	1,044,139	9,701	1,107,280	2,161,120
— Wealth management products and others	5,081,666	5,798,399	2,038,472	12,918,537
Financial assets at fair value through other comprehensive income				
— Debt securities	5,125,808	16,870,835	—	21,996,643
— Equity securities	1,719,007	895,439	260,000	2,874,446
— Wealth management products and others	—	6,241,521	—	6,241,521
Derivative financial assets	—	453,915	—	453,915
Margin accounts receivable	—	1,058,601	—	1,058,601
<b>Total</b>	<b>50,216,599</b>	<b>71,983,297</b>	<b>3,732,826</b>	<b>125,932,722</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	(142,330)	(2,680,128)	—	(2,822,458)
Derivative financial liabilities	—	(456,300)	—	(456,300)
<b>Total</b>	<b>(142,330)</b>	<b>(3,136,428)</b>	<b>—</b>	<b>(3,278,758)</b>

During the reporting period, there were no significant transfers among different levels of the fair value hierarchy.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

##### (i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on exchanges and fund investments traded through exchanges or fund management companies.

##### (ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

##### (iii) Valuation methods for specific investments

As at the end of the reporting period, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For unlisted open-end funds and wealth management products, fair value is determined by quoted price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities as at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and the OTC market, fair values are determined by valuation techniques.
- (5) For unlisted equity securities, wealth management products without quoted bid price in an active market and derivative financial instruments, fair value is determined using valuation techniques.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

##### (iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
As at 1 January 2019	3,508,895	260,000	3,768,895
Transfer out	(206,205)	—	(206,205)
Gains for the year	127,792	—	127,792
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	3,503,146	—	3,503,146
Sales and settlements	(1,356,546)	—	(1,356,546)
As at 31 December 2019	5,577,082	260,000	5,837,082
Total gains for the year reclassified from other comprehensive income on disposal	—	—	—
Total gains for the year included in profit or loss for assets held at 31 December 2019	164,890	—	164,890

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

##### (iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	Total
As at 31 December 2017	803,097	12,895,270	—	13,698,367
Impact on initial application of IFRS 9	3,665,930	(12,895,270)	260,000	(8,969,340)
As at 1 January 2018	4,469,027	—	260,000	4,729,027
Transfer out	(124,575)	—	—	(124,575)
Gains for the year	173,838	—	—	173,838
Changes in fair value recognized in other comprehensive income	—	—	—	—
Purchases	2,181,871	—	—	2,181,871
Sales and settlements	(3,191,266)	—	—	(3,191,266)
As at 31 December 2018	3,508,895	—	260,000	3,768,895
Total gains for the year reclassified from other comprehensive income on disposal	—	—	—	—
Total gains for the year included in profit or loss for assets held at 31 December 2019	108,373	—	—	108,373

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60 Fair value information (continued)

#### (c) Fair value hierarchy (continued)

##### (iv) Financial instruments in Level III (continued)

For financial instruments in Level III, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets/ liabilities	Fair value hierarchy	Key valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stock with disposal restriction within a specific period and hybrid instrument	Level III	Option pricing model	Volatility	The higher the volatility, the greater the impact on the fair value
Wealth management products, structured entities, hybrid instruments, and preferred shares	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment with limited marketability	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

The fair value of the financial instruments in level III is not significantly sensitive to a reasonable change in these unobservable inputs.

### 61 Possible impact of amendments, new standards and interpretations issued but not yet effective for the periods ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Amendments to References to Conceptual Framework in IFRS Standards</i>	1 January 2020
<i>Definition of a Business (Amendments to IFRS 3)</i>	1 January 2020
<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	1 January 2020
<i>IFRS 17 Insurance Contracts</i>	1 January 2021
<i>Sale or Contribution of Assets between an Investor and its Associate and Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	Available for optional adoption/effective date deferred indefinitely.

The application of the new and revised IFRS will have no material impact on the Group's financial statements.

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62 Company-level statement of financial position

(Expressed In Thousands of Renminbi, Unless Otherwise Stated)

	As at 31 December	
	2019	2018
<b>Non-current assets</b>		
Property and equipment	353,661	254,601
Investment properties	157,074	280,633
Other intangible assets	1,739	870
Interest in associates and joint ventures	56,541,176	52,685,314
Financial assets measured at amortized cost	816,790	2,757,699
Financial assets at fair value through profit or loss	3,153,509	1,691,714
Deferred tax assets	62,661	—
Other non-current assets	6,447	6,119
<b>Total non-current assets</b>	<b>61,093,057</b>	<b>57,676,950</b>
<b>Current assets</b>		
Other receivables and prepayments	8,885,739	8,141,609
Financial assets measured at amortized cost	2,880,510	2,960,740
Financial assets at fair value through profit or loss	4,508,586	2,776,229
Cash and bank balances	7,315,184	159,170
<b>Total current assets</b>	<b>23,590,019</b>	<b>14,037,748</b>
<b>Total assets</b>	<b>84,683,076</b>	<b>71,714,698</b>

## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62 Company-level statement of financial position (continued)

	As at 31 December	
	2019	2018
<b>Current liabilities</b>		
Loans and borrowings	—	2,209
Employee benefits payable	57,443	84,714
Other payables and accruals	28,955	10,327
Current tax liabilities	66,876	200,891
Financial assets sold under repurchase agreements	506,927	7,066
Long-term bonds due within one year	—	2,344,072
<b>Total current liabilities</b>	<b>660,201</b>	<b>2,649,279</b>
<b>Net current assets</b>	<b>22,929,818</b>	<b>11,388,469</b>
<b>Total assets less current liabilities</b>	<b>84,022,875</b>	<b>69,065,419</b>
<b>Non-current liabilities</b>		
Loans and borrowings	301,427	650,800
Long-term bonds	24,933,640	17,477,033
Non-current employee benefits payable	66,057	26,106
Deferred tax liabilities	—	234,990
Financial assets sold under repurchase agreements	—	500,000
<b>Total non-current liabilities</b>	<b>25,301,124</b>	<b>18,888,929</b>
<b>Net assets</b>	<b>58,721,751</b>	<b>50,176,490</b>
<b>Equity</b>		
Share capital	25,039,945	22,535,945
Reserves	30,461,263	25,147,600
Retained profits	3,220,543	2,492,945
<b>Total equity</b>	<b>58,721,751</b>	<b>50,176,490</b>



## Notes to the consolidated financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 63 Non-adjusting events after the year ended 31 December 2019

#### (1) Profit distribution

Pursuant to the resolution of the Board dated 27 March 2020, the Company was approved to distribute cash dividends of RMB 0.80 (tax inclusive) per 10 shares to shareholders based on the total outstanding shares of 25,039,945 thousand shares, with total dividends amounting to RMB 2,003,196 thousand. The proposal is pending for the approval of the general meeting of the shareholders.

#### (2) Issuance of long-term bonds, short-term bonds and structured notes

From 1 January 2020 to the reporting date, the Group issued long-term corporate bond, short-term bonds and a number of structured notes, which borne coupon rate ranging from fixed rate 0.0% plus floating to 3.60% plus floating rate per annum. The issuance amount was approximate RMB 19 billion in total.

#### (3) Repayment of short-term bonds and structured notes

From 1 January 2020 to the reporting date, the Group repaid short-term bond and a number of structured notes which borne coupon rate ranging from fixed rate 0.00% plus floating to 3.15% plus floating rate per annum. The repayment amount was approximate RMB 19 billion in total.

#### (4) The coronavirus outbreak

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. As at the reporting date, the Group is assessing the impact on its financial position and financial performance.

## Section XI Documents Available for Inspection

- (1) Financial statements affixed with the signatures and stamps of the legal representative of the Company, the person in charge of the accounting work of the Company and the person in charge of the accounting organization.
- (2) Original of the audit report affixed with the stamp of the accounting firm and the signatures and stamps of certified public accountants.
- (3) Originals of all the Company's documents and announcements publicly disclosed on the newspapers and periodicals designated by the CRSC during the Reporting Period.

The Board of Directors  
**Shenwan Hongyuan Group Co., Ltd.**  
**Chu Xiaoming**  
*Chairman*  
March 27, 2020



申萬宏源集團股份有限公司  
SHENWAN HONGYUAN GROUP CO., LTD.

