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*(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)  
(Stock Code: 6886)*

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020**

The Board hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2020. This interim results announcement complies with the relevant requirements of the Hong Kong Listing Rules in relation to the information set out in the preliminary announcement of interim results.

### **THE PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.htsc.com.cn](http://www.htsc.com.cn)), respectively.

The interim report of the Company for 2020 will be dispatched to the holders of H Shares and published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited and the website of the Company in due course.

### **DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the section headed "Definitions" in the interim report of the Company for 2020 as set out in this announcement.

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

Jiangsu, the PRC, August 26, 2020

*As at the date of this announcement, the Board comprises Mr. Zhang Wei, Mr. Zhou Yi and Mr. Zhu Xuebo as executive Directors; Mr. Ding Feng, Mr. Chen Yongbing, Mr. Xu Qing, Ms. Hu Xiao and Mr. Wang Tao as non-executive Directors; and Mr. Chen Chuanming, Mr. Lee Chi Ming, Ms. Liu Yan, Mr. Chen Zhibin and Mr. Wang Jianwen as independent non-executive Directors.*

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## **IMPORTANT NOTICE**

- I. The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint legal liabilities to the information contained herein.**
- II. All Directors of the Company have been present at the Board meeting.**
- III. This interim report has not been audited.**
- IV. Zhang Wei, the person in charge of the Company, Jiao Xiaoning, the person in charge of accounting, and Fei Lei, the officer in charge of the accounting office (head of accounting department), hereby warrant and guarantee that the financial report contained in the interim report is true, accurate and complete.**
- V. The profit distribution proposal or the reserve capitalization proposal for the Reporting Period considered by the Board**

The Board of the Company did not prepare any profit distribution proposal or capital reserve capitalization proposal when considering the interim report.

## **VI. Risk statement with respect to the forward-looking statements**

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

- VII. There is no non-operating misappropriation of funds of the Company by any controlling shareholders or their related parties.**
- VIII. The Company has not provided any external guarantees in violation of the decision-making procedures.**
- IX. The interim report is prepared by the Company in both Chinese and English. In the event of any inconsistency, the Chinese version shall prevail.**
- X. Warning on major risks**

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

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

## DEFINITIONS

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

### *DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS*

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

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

|                                          |                                                                                                                                                                    |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Huatai Innovative Investment             | Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司), a wholly-owned subsidiary of the Company                                                                      |
| Huatai International                     | Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司), a wholly-owned subsidiary of the Company                                                   |
| Huatai-PineBridge                        | Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)                                                                                                         |
| Huatai Purple Gold Investment            | Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company                                                                   |
| Huatai United Securities                 | Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company                                                                             |
| H Share(s)                               | foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars |
| IFRS                                     | the International Financial Reporting Standards                                                                                                                    |
| IPO                                      | the initial public offering                                                                                                                                        |
| IT                                       | information technology                                                                                                                                             |
| Jiangsu Equity Exchange                  | Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company                                                                            |
| Jiangsu SASAC                            | State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省政府國有資產監督管理委員會)                                                   |
| Jiangsu Securities Regulatory Bureau     | Jiangsu Securities Regulatory Bureau of the CSRC (中國證監會江蘇監管局)                                                                                                      |
| Listing Rules or Hong Kong Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                                                                           |
| London Stock Exchange or LSE             | the London Stock Exchange plc (倫敦證券交易所)                                                                                                                            |
| Model Code                               | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules                                 |
| MSCI                                     | Morgan Stanley Capital International Index                                                                                                                         |
| NMAU                                     | the number of monthly active users                                                                                                                                 |
| New Third Board or NEEQ                  | National Equities Exchange and Quotations                                                                                                                          |
| OTC                                      | over-the-counter                                                                                                                                                   |
| PBOC                                     | the People's Bank of China                                                                                                                                         |

|                                         |                                                                                                                                                                                                                                             |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| QDII                                    | qualified domestic institutional investor                                                                                                                                                                                                   |
| QFII                                    | qualified foreign institutional investor                                                                                                                                                                                                    |
| Reporting Period                        | the period of six months from January 1, 2020 to June 30, 2020                                                                                                                                                                              |
| Securities and Futures Ordinance or SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                               |
| SFC                                     | the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)                                                                                                                                                                         |
| Shanghai Brilliance                     | Shanghai Brilliance Credit Rating & Investors Services Co., Ltd.                                                                                                                                                                            |
| Shanghai Clearing House                 | The Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)                                                                                                                                                                              |
| Shanghai Stock Exchange or SSE          | the Shanghai Stock Exchange (上海證券交易所)                                                                                                                                                                                                       |
| Shenzhen Stock Exchange                 | the Shenzhen Stock Exchange (深圳證券交易所)                                                                                                                                                                                                       |
| SSE 50 Index                            | an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange                                               |
| SSF                                     | the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)                                                                                                                                                                      |
| STAR Market                             | science and technology innovation board of SSE                                                                                                                                                                                              |
| Supervisor(s)                           | supervisor(s) of the Company                                                                                                                                                                                                                |
| Supervisory Committee                   | the supervisory committee of the Company                                                                                                                                                                                                    |
| TAMP                                    | Turn-key Asset Management Platform, a technological platform providing services such as investment products and strategies, assets portfolio management, customer relationship management and asset custody, as well as corporate operation |
| USD, US\$ or US dollar                  | the lawful currency of the United States of America                                                                                                                                                                                         |
| VAR                                     | value at risk                                                                                                                                                                                                                               |
| %                                       | per cent                                                                                                                                                                                                                                    |

In the 2020 interim report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding; and any discrepancies in the change percentages of an item are due to the difference of currency unit of the item.

## COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. COMPANY INFORMATION

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

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

Unit: Yuan    Currency: RMB

|                    | <b>As at the end of the Reporting Period</b> | <b>As at the end of the previous year</b> |
|--------------------|----------------------------------------------|-------------------------------------------|
| Registered capital | 9,076,650,000.00                             | 9,076,650,000.00                          |
| Net capital        | 61,361,439,219.00                            | 64,087,502,180.08                         |

#### ***Qualifications of each business line of the Company***

During the Reporting Period, according to the Reply on Matters Regarding Conducting Pilot Fund Investment Advisory Business by Huatai Securities Co., Ltd. (《關於华泰证券股份有限公司試點開展基金投資顧問業務有關事項的覆函》) received by the Company, the CSRC has no objection to the Company conducting pilot fund investment advisory business.

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

## II. LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND SPECIAL COMMITTEES

### Members of the Board of Directors

#### Executive Directors

Mr. Zhang Wei (Chairman)  
Mr. Zhou Yi (CEO and chairman  
of the Executive Committee)  
Mr. Zhu Xuebo

#### Non-executive Directors

Mr. Ding Feng  
Mr. Chen Yongbing  
Mr. Xu Qing  
Ms. Hu Xiao  
Mr. Wang Tao

#### Independent Non-executive Directors

Mr. Chen Chuanming  
Mr. Lee Chi Ming  
Ms. Liu Yan  
Mr. Chen Zhibin  
Mr. Wang Jianwen

### Members of Special Committees

#### Development Strategy Committee

Mr. Zhang Wei (Chairman)  
Mr. Zhou Yi  
Mr. Chen Yongbing  
Ms. Hu Xiao  
Mr. Wang Tao

#### Compliance and Risk Management Committee

Mr. Zhou Yi (Chairman)  
Mr. Xu Qing  
Ms. Liu Yan

#### Audit Committee

Mr. Lee Chi Ming (Chairman)  
Mr. Ding Feng  
Mr. Chen Zhibin

#### Nomination Committee

Mr. Chen Chuanming (Chairman)  
Mr. Zhu Xuebo  
Ms. Liu Yan

#### Remuneration and Appraisal Committee

Mr. Chen Chuanming (Chairman)  
Mr. Zhu Xuebo  
Mr. Chen Zhibin

## III. CONTACT

### Secretary of the Board

|          |                                                                                        |
|----------|----------------------------------------------------------------------------------------|
| Name     | Zhang Hui                                                                              |
| Address  | 11/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu<br>Province, the PRC |
| Tel. No. | 025-83387793, 83387780, 83389157                                                       |
| Fax      | 025-83387784                                                                           |
| Email    | zhanghui@htsc.com                                                                      |

During the Reporting Period, Ms. Qiao Fei resigned from the Company's securities affairs representative due to personal reasons. The Board of Directors of the Company will appoint relevant persons who meet the qualifications to serve as the Company's securities affairs representative in accordance with relevant regulations.

### Joint company secretary

|         |                                                                                           |
|---------|-------------------------------------------------------------------------------------------|
| Name    | Zhang Hui                                                                                 |
| Address | 11/F, Building 1, No. 228 Middle<br>Jiangdong Road, Nanjing, Jiangsu<br>Province, the PRC |

### Joint company secretary

|         |                                                                             |
|---------|-----------------------------------------------------------------------------|
| Name    | Kwong Yin Ping Yvonne                                                       |
| Address | 40th Floor, Sunlight Tower,<br>248 Queen's Road East, Wanchai,<br>Hong Kong |

#### IV. BASIC INFORMATION

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

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

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

## VI. LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION

The Company provides corporate communication to H shareholders based on their respective selected language version and means of receipt. H shareholders have the following options:

- to read and/or download the corporate communication published on the Company's website at [www.htsc.com.cn](http://www.htsc.com.cn) and receive written notice for the publication of the corporate communication; or
- to receive printed English version of all corporate communications only; or
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese versions of all corporate communications.

H shareholders may choose and/or change the version of language of our corporate communication and/or the way to receive our corporate communication at any time. H shareholders may notify our Company by the following ways:

- by mail: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
- by email: [huatai.ecom@computershare.com.hk](mailto:huatai.ecom@computershare.com.hk)

For enquiry on the arrangement of language version and means of receipt of our corporate communication, H shareholders may call our hotline +852 2862 8688 at any time.

## VII. SHARES/DEPOSITORY RECEIPTS OF THE COMPANY

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

Stock name before change: Nil

## VIII. OTHER INFORMATION

### (I) Accounting firms

|                                                                  |                        |                                                                                                                                                                    |
|------------------------------------------------------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accounting firm<br>engaged by the<br>Company (domestic)          | Name<br>Office address | KPMG Huazhen LLP<br>8th Floor, KPMG Tower, Oriental Plaza, 1 East<br>Chang'an Avenue, Dongcheng District, Beijing, the<br>PRC                                      |
| Accounting firm<br>engaged by the<br>Company<br>(Hong Kong)      | Name<br>Office address | KPMG<br>Registered PIE Auditor under the Hong Kong Financial<br>Reporting Council Ordinance<br>8th Floor, Prince's Building, 10 Chater Road, Central,<br>Hong Kong |
| Accounting firm<br>engaged by the<br>Company (United<br>Kingdom) | Name<br>Office address | KPMG Huazhen LLP<br>8th Floor, KPMG Tower, Oriental Plaza, 1 East<br>Chang'an Avenue, Dongcheng District, Beijing, the<br>PRC                                      |

## **(II) Legal Advisors**

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

## **(III) Share registrars**

|                             |                |                                                                                               |
|-----------------------------|----------------|-----------------------------------------------------------------------------------------------|
| Share registrar for A Share | Name           | China Securities Depository and Clearing Corporation Limited, Shanghai Branch                 |
|                             | Office address | 3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, the PRC |
| Share registrar for H Share | Name           | Computershare Hong Kong Investor Services Limited                                             |
|                             | Office address | 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong                         |

## **IX. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY**

(The accounting data and financial indicators contained in this report are prepared in accordance with the IFRS)

### **(I) Key Accounting Data**

Unit: Thousand Yuan    Currency: RMB

| Item                                                                | The Reporting Period | The Corresponding period of the previous year | Year-on-year change (%) |
|---------------------------------------------------------------------|----------------------|-----------------------------------------------|-------------------------|
| Total revenue and other gains                                       | 18,972,166           | 14,727,802                                    | 28.82                   |
| Profit before income tax                                            | 8,306,061            | 5,418,042                                     | 53.30                   |
| Profit of this period – attributable to shareholders of the Company | 6,404,994            | 4,056,932                                     | 57.88                   |
| Net cash (used in)/generated from operating activities              | (2,403,010)          | 2,157,770                                     | (211.37)                |
| Total amount of other comprehensive income after tax this period    | (9,148)              | 647,707                                       | (101.41)                |

Unit: Thousand Yuan    Currency: RMB

| Item                                                     | As of the end of the Reporting Period | As of the end of the previous year | Year-on-year change (%) |
|----------------------------------------------------------|---------------------------------------|------------------------------------|-------------------------|
| Total assets                                             | 594,164,216                           | 562,180,638                        | 5.69                    |
| Total liabilities                                        | 465,870,962                           | 436,525,930                        | 6.72                    |
| Total equity attributable to shareholders of the Company | 125,055,654                           | 122,537,479                        | 2.06                    |
| Total shareholders' equity                               | 128,293,254                           | 125,654,708                        | 2.10                    |
| Total share capital (shares)                             | 9,076,650,000                         | 9,076,650,000                      | —                       |

## (II) Key Financial Indicators

| Key financial indicators                                                    | The Reporting Period | Corresponding period of the previous year | Year-on-year change (%)            |
|-----------------------------------------------------------------------------|----------------------|-------------------------------------------|------------------------------------|
| Basic earnings per share (RMB/share)                                        | 0.71                 | 0.49                                      | 44.90                              |
| Diluted earnings per share (RMB/share)                                      | 0.70                 | 0.49                                      | 42.86                              |
| ROE (%)                                                                     | 4.98                 | 3.82                                      | Increase of 1.16 percentage points |
| Debt-to-assets ratio (%)                                                    | 73.05                | 71.16                                     | Increase of 1.89 percentage points |
| Net assets attributable to the Company's shareholders per share (RMB/share) | 13.78                | 12.87                                     | 7.07                               |

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

## (III) Net Capital of the Parent Company and Risk Control Indicators

Unit: Yuan Currency: RMB

| Item                                                                       | As of the end of the Reporting Period | As of the end of the previous year |
|----------------------------------------------------------------------------|---------------------------------------|------------------------------------|
| Net capital                                                                | 61,361,439,219.00                     | 64,087,502,180.08                  |
| Net assets                                                                 | 109,418,718,909.83                    | 110,256,065,952.24                 |
| Risk coverage ratio (%)                                                    | 265.89                                | 258.14                             |
| Net capital/net assets (%)                                                 | 56.08                                 | 58.13                              |
| Net capital/liabilities (%)                                                | 27.81                                 | 26.53                              |
| Net assets/liabilities (%)                                                 | 49.59                                 | 45.64                              |
| Value of proprietary equity securities and derivatives/net capital (%)     | 51.05                                 | 58.07                              |
| Value of proprietary non-equity securities and derivatives/net capital (%) | 283.68                                | 276.67                             |
| Core net capital                                                           | 61,361,439,219.00                     | 62,687,502,180.08                  |
| Supplementary net capital                                                  | –                                     | 1,400,000,000.00                   |
| Total risk capital provision                                               | 23,077,968,472.62                     | 24,827,058,149.16                  |
| Total on-balance and off-balance assets                                    | 256,862,362,397.78                    | 387,973,597,859.46                 |
| Capital leverage ratio (%)                                                 | 27.61                                 | 18.47                              |
| Liquidity coverage ratio (%)                                               | 234.85                                | 460.55                             |
| Net stable funding ratio (%)                                               | 144.16                                | 138.96                             |

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

There is no difference between the net profit for the periods from January to June of 2020 and 2019, and the net assets as of June 30, 2020 and December 31, 2019 as set out in the combined financial statements prepared in accordance with the CASBE and in the combined financial statements prepared in accordance with the IFRS.

## SUMMARY OF THE COMPANY'S BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## II. AWARDS AND HONORS

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

The Second Session of China Brand Building Forum Organized by International Financial News:

The Company was awarded the “Outstanding Case Brand Award for Fighting Pandemics” (“品牌戰『疫』優秀案例獎”)

Shanghai Charity Foundation, Charity Federation of Jiangsu Province, Zhejiang Provincial Charity Federation and Anhui Provincial Charity and Social Welfare Association:

The Company was awarded the first session of “Yangtze River Delta Charity Star” (“長三角慈善之星”) for the advanced unit

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

Wealth management  
business

Shanghai Stock Exchange:  
The Company was awarded the “2019 Ten Best Options Brokers” (“2019年度十佳期權經紀商”)

The Selection of “2020 Junding Award for Investment Banks & Brokerage in China” (“2020中國區投資銀行&經紀業務商君鼎獎”) organized by Quanshang China (“券商中國”) of Securities Times:

The Company was awarded the “2020 Junding Award for All-round Securities Brokers in China” (“2020中國區全能證券經紀商君鼎獎”), “2020 Junding Award for Retail Securities Brokers in China” (“2020中國區零售證券經紀商君鼎獎”), and “2020 Junding Award for Investor Education Team in China” (“2020中國區投資者教育團隊君鼎獎”)

“Asian Private Banker China Wealth Awards” (“亞洲私人銀行家中國財富獎”) organized by Asian Private Banker:

The Company was awarded “Best Securities Broker in China” (“中國最佳證券經紀商”)

The data from Analysys: “ZhangLe Fortune Path” (“漲樂財富通”) ranked top in the industry in terms of NMAU by the end of the first half of 2020

The Selection of the “Fifth Session of Securities Firm APP List for Sina Finance in 2019” (“2019年·第五屆新浪財經券商APP風雲榜”) hosted by Sina Finance:

“ZhangLe Fortune Path” (“漲樂財富通”) was awarded the “APP Award For Five-year Outstanding development (‘五年傑出發展APP’), “Top 10 APP Award of the Year” (“年度十佳APP”) and “Best User Service APP Award” (“最佳用戶服務APP”)

Institutional services  
business

Shanghai Stock Exchange:  
Huatai United Securities was awarded the “2019 Excellent Trust Manager” (“2019年度優秀受託管理人”) and “2019 Outstanding Underwriter of Corporate Bonds” (“2019年度公司債券優秀承銷商”)

The Selection of “2020 Junding Award for Investment Banks & Brokerage in China” (“2020中國區投資銀行&經紀業務商君鼎獎”) organized by Quanshang China (“券商中國”) of Securities Times:

Huatai United Securities was awarded the “2020 Junding Award for All-round Investment Bank in China” (“2020中國區全能投行君鼎獎”), “2020 Junding Award for STAR Market Investment Bank in China” (“2020中國區科創板投行君鼎獎”), “2020 Junding Award for SME Board Investment Bank in China” (“2020中國區中小板投行君鼎獎”) and “2020 Junding Award for Main Board Investment Bank in China” (“2020中國區主板投行君鼎獎”), etc

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

The Selection of “The 13th New Fortune Best Investment Bank” (“第十三屆新財富最佳投行”) held by New Fortune:

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

Investment  
management  
business

The selection of “China Venture Awards for 2019” (“投中2019年度榜”) held by China Venture Investment:

Huatai Purple Gold Investment was awarded “The Best Chinese Private Equity Investment Institutions Top 10” (“中國最佳中資私募股權投資機構TOP10”), “The Best Chinese Subsidiaries of Brokers for Private Funds TOP 10” (“中國最佳券商私募基金子公司TOP10”), “The Best Institutions for Investment in Medical Services TOP 10” (“最佳醫療服務領域投資機構TOP10”) and “The Best Institutions for Investment in Medical Devices TOP 10” (“最佳醫療器械領域投資機構TOP10”), etc

[www.simuwang.com](http://www.simuwang.com):

Huatai Futures was awarded the “2019 Most Trustworthy Financial Institution Asset Management Award” (“2019年度最值得信賴金融機構資管獎”)

China Securities Journal: China Southern Asset Management was awarded “Golden Bull Fund Company for Passive Investment of 2019” (“2019年被動投資金牛基金公司”)

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

Asia Asset Management: China Southern Asset Management was awarded “China Asset Management Financial Technology Innovation Award” (“中國資產管理金融科技創新獎”)

|                        |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                            |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International business | <p>The Selection of “Annual Awards” (“年度獎項”) organized by PDI (Private Debt Investor), an internationally renowned private debt industry magazine: Huatai International was awarded “The Best Private Debt Institutional Investor in Asia-Pacific Region of 2019” (“2019年度亞太地區最佳私募債投資機構”)</p> | <p>The paid-in capital of Huatai Financial Holdings (Hong Kong) amounted to HK\$8.8 billion, and its capital scale ranked among the top in Hong Kong</p>                                                                                                                                                                                                   |
|                        | <p>The Selection of “AAA National Award” organized by The Asset: Huatai International was awarded the “Best Corporate and Institutional Advisor (securities firm) in Hong Kong” (“香港地區最佳企業及機構顧問(券商類)”) and “Best Private Debt Adviser in Hong Kong” (“香港地區最佳私募債顧問”), etc</p>                  | <p>“The Selection of Third Session of FinTech Awards” held by ETnet, the professional financial information platform: Huatai Financial Holdings (Hong Kong) was awarded the “Outstanding Wealth Management Network Cloud-based Application Solution” (“傑出財富管理網絡雲端應用方案”) and “Outstanding Wealth Management Network Security Solution” (“傑出財富管理網絡安全方案”)</p> |
|                        | <p>The Selection of “2020 Financial Institution Awards” (“金融機構大獎2020”) organized by Bloomberg Businessweek: Huatai International was awarded the “Corporate Financing Excellence Award” (“企業融資卓越大獎”) and “Risk Management Excellence Award” (“風險管理傑出大獎”)</p>                                  | <p>Cerulli Associates and other public information: As of the end of 2019, AssetMark occupied a market share of 11.0% in the TAMP industry in the United States, ranking the third</p>                                                                                                                                                                     |

### III. ANALYSIS OF CORE COMPETITIVENESSES DURING THE REPORTING PERIOD

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

The Group is committed to thoroughly transforming its business and management model with digital thinking and means and has been maintaining a high level of capital and personnel investment in information technology for many years. It strove to build a leading self-developed system for information technology, equip the front, middle and back offices with technological devices through comprehensive digital transformation and all-round technology empowerment, and create business model innovation driven by digitalization and advantages of the whole business chain with platform-based

support. Meanwhile, we worked with external partners to accelerate the construction of the fintech ecosystem and actively establish presence in cutting-edge sectors, such as big data, artificial intelligence, blockchain, cloud computing, RPA security and 5G. In the field of wealth management, the Group constantly developed and strengthened the mobile finance strategy, built a strong middle platform system to facilitate business development with the aim of mobilization, digitalization and intellectualization, and adopted big data technology to get insight into customers' demands to effectively increase customer size and activity. In the field of institutional services, research, investment banking, online road shows and other services on "Xing Zhi" (行知), our self-developed digital platform serving institutional customers, have received awareness and attention from an increasing number of institutional customers, facilitating the efficient interaction between institutional customers and business resources. CAMS credit analysis management platform and INCOS cloud platform combined all links of institutional services, continuously improving service efficiency and extending customer ecology. During the Reporting Period, "ZhangLe Global" (漲樂全球通) platform was upgraded to enhance its ability to conduct overseas trading and provide asset allocation service, providing investors with a better global investment experience; Securities Lending Path (融券通), the first open-ended online securities lending trading platform on the market was released to create a new model of securities lending through digitalization, providing all-round and one-stop services for platform participants. The technical competency and talent team the Group developed through independent research and development over the years have laid a solid foundation for the building of platform-based and systematic competitive advantages.

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

The Group has built one of the most active wealth management platforms among China's securities industry with more than 15.05 million customers. Drawing on advanced wealth management service system and experiences at home and abroad, the Group accelerated the development of wealth management business from product, service, procedure, technology platform and other aspects. The Group's wealth management business has formed a platform-based development model driven by its headquarters. The Group launched "ZhangLe Fortune Path" (漲樂財富通), a mobile service platform, for our clients, and "AORTA", a cloud platform, for investment advisor. The two platforms strengthened their functions, deepened their coordination, and efficiently and accurately empowered first-line investment advisors through iterations and upgrades. As of the end of the Reporting Period, the cumulative download volume of "ZhangLe Fortune Path" (漲樂財富通) exceeded 53.56 million. According to the statistics of Analysys, the NMAU of "ZhangLe Fortune Path" (漲樂財富通) exceeded 9.11 million as at the end of June 2020, ranking the first among all APPs of securities companies. During the Reporting Period, the Group became one of the first batch of securities companies which obtained the pilot qualification for fund investment advisory business. The Group actively proceeded the development of investment advisor team and capacity for wealth management services. According to statistics from the Securities Association of China, investment advisors of the Parent Company accounted for over 31% of its total staff as of the end of the Reporting Period.

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

The new economic field with technological innovation as the core is a leading power to the transformation of economic development. At the same time, with full promotion of registration system under the new Securities Law, and constant deepening of market-oriented capital market reform, it also provides opportunities for more outstanding companies to go public, obtain financing and conduct industrial mergers and acquisitions. The Group has prospectively engaged in the field of technological innovation and made full use of its advantages in the capital market, with a view to actively serving outstanding enterprises in various fields including TMT (Technology, Media and Telecommunication), comprehensive health and intelligent manufacturing. In addition to serving a large number of existing quality customers, the Group continued to develop and establish relationships with customers in emerging industries, and empowered corporate customers with the integrated and full-cycle top investment banking service system. With the significant increase in customer size and market influence, the Group has synchronously achieved rapid growth of its investment banking business. The Group has developed several influential benchmarking projects in areas such as financial advisory service for mergers and acquisitions and reorganization and equity underwriting business, and has successfully executed a number of complex cross-market transactions, forming first-class competitive advantages in the industry. Since 2012, the Group's total number of mergers and acquisitions and reorganization transactions approved by and registered with the CSRC reached 140, ranking the first in the market. With full implementation of the registration system, the accelerated development of strategic emerging industries and continuous transformation of traditional industries, the increasingly active mergers and acquisitions and financing activities will bring valuable opportunities to the Group.

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

Relying on the large customer base and advantage in the whole business chain resources, the Group has established one of the leading asset management platforms in the industry by giving full play to its abilities in exploring investment bank assets, risk pricing and product design. The total amount of assets under asset management business ranked in the forefront of the industry with continuous improvement in the capability and scale of active management. Our management products cover major asset categories forming a product system with a considerable scale and wide coverage, which helped the Group build significant operational advantages and market influence. The Group focuses on the characteristics of brokers, and systematically created "Basic products + specialized products" to meet different needs of the Group, retail customers and high-net-worth customers in the market for product forms and risk return. Meanwhile, through customized services featuring multiple assets and multiple strategies, the Group has provided a basket of customized comprehensive financial services for institutional customers, which met customers' needs for product forms, liquidity and returns through competitive fixed-income products as well as featured products such as FoF and MoM. The Group is a leader of ABS product designs in the industry, and has set a benchmark for the industry through constant innovation in underlying assets, transaction structure and other aspects. It has issued multiple notes in areas such as epidemic control and prevention, and green finance to support real economy projects, with the business scale continuously ranking the forefront of the industry.

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

The Group always adheres to the strategy of constantly expanding its international business layout along with the international development of customers, and offers global resources to its customers through continuous deepening of integrated cross-border linkage, serving the overseas expansion of Chinese customers and the domestic investment of international investors in better ways. During the Reporting Period, the international rating agency Standard & Poor's maintained a positive rating outlook for the Company and its subsidiary Huatai International, and assigned a "BBB" long-term issuer credit rating and an "A-2" short-term issuer credit rating. At the same time, Huatai Financial Holdings (Hong Kong) continues to optimize cross-border linkage in key business areas such as investment banking, stock derivatives, FICC, research and institutional sales, private wealth management and retail, facilitating cross-border investment and financing for customers. As a result, the comprehensive strength continues being promoted and ranked at the forefront of Chinese securities companies in Hong Kong. During the Reporting Period, the Group relied on the advantages of domestic and overseas linkage of investment banks and its own successful GDR issuance experience, served as a joint global coordinator and joint bookrunner to help CPIC successfully implement GDR issuance and successfully listed on the London Stock Exchange. As a result, the Group has become the only domestic securities company with both GDR issuance and underwriting experience, and the only securities company that has participated in all domestic GDR issuance projects. Additionally, AssetMark has always maintained operational independence, kept a steady growth in the size of its managed assets with its leading business model and advanced technology platform, and consolidated industry leadership, constantly increasing the Group's international business revenue.

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

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

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

The consistent development of marketized systems and mechanisms is a key driving force for the continuous transformation and transcendence of the Group. The Group's professional manager system has been successfully implemented, and it has truly realized the contractualization, marketization and professionalization of the management team, marking the beginning of a new stage of the Group's market-oriented reform. A high-quality professional operation and management team with diverse backgrounds and comprehensive capabilities has been initially formed. The new operation and management team has broad vision, rich experience and strong business capabilities, and is leading the Company to open up a new development situation. The Group is deeply rooted in the corporate culture gene of "technology empowerment, innovation and initiative", and continuously enriches and deepens the cultural connotation of "openness, inclusiveness, innovation, struggle and responsibility", accumulating lasting power and vitality for the in-depth promotion of the "two-pronged" ("雙輪驅動") strategy. The Group has established and improved a mechanism for the selection and appointment of talents based on ability and performance, and also established a market-oriented employment mechanism and compensation incentive mechanism. With high-end talents, innovative talents, cross-boundary talents and international talents successively joined the Group, we provided a career-long, three-dimensional and practical dynamic training system to keep meeting the demands of employees. Since 2018, the Group has started the reformation of mixed ownership and brought in important strategic investors, established a more diversified shareholding structure. The diversified and balanced structure of shareholders and the Board aims at strengthening the transparency of the corporate governance and bringing new concepts and new strategic resources for the Group's future development. During the Reporting Period, the Group initiated the A Shares repurchase plan for restricted stock equity incentives, deepened the implementation of mixed-ownership reform, and established a market-oriented mechanism for sharing benefits and risks between employees and the Company, which further stimulated the vitality of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. OPERATION DISCUSSION AND ANALYSIS

Unit: Thousand Yuan    Currency: RMB

| Segment                         | Segment revenue and other income | Segment expenses | Segment results | Segment profit margin (%) | Year-on-year change of segment revenue and other income (%) | Year-on-year change of segment expenses (%) | Year-on-year change of segment profit margin |
|---------------------------------|----------------------------------|------------------|-----------------|---------------------------|-------------------------------------------------------------|---------------------------------------------|----------------------------------------------|
| Wealth management business      | 8,265,300                        | (5,169,770)      | 3,095,530       | 37.45                     | 12.98                                                       | 10.22                                       | Increase of 1.57 percentage points           |
| Institutional services business | 4,519,532                        | (2,410,686)      | 2,108,846       | 46.66                     | 45.19                                                       | 63.46                                       | Decrease of 5.96 percentage points           |
| Investment management business  | 2,716,849                        | (894,281)        | 3,501,757       | 128.89                    | 41.10                                                       | 40.98                                       | Increase of 20.03 percentage points          |
| International business          | 2,665,875                        | (2,336,172)      | 329,703         | 12.37                     | 45.30                                                       | 30.52                                       | Increase of 9.93 percentage points           |
| Others (including offset)       | 804,610                          | (2,303,378)      | (729,775)       | (90.70)                   | 49.18                                                       | 15.14                                       | Increase of 92.07 percentage points          |
| Segment total                   | 18,972,166                       | (13,114,287)     | 8,306,061       | 43.78                     | 28.82                                                       | 23.84                                       | Increase of 6.99 percentage points           |

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

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

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

With the continuous releasing of the potential of China's real economies, the deeply advancing of structural reform of the financial supply side, the continuous build-up of national wealth, residents' growing understanding of wealth management, the popularity of financial products and the continuous improvement in the asset allocation structure, the wealth management industry has indicated tremendous potentials, and the capital market will provide a platform for high net worth individuals to obtain, preserve and increase their wealth. The spread of COVID-19 epidemic also accelerated the transformation and change process of the wealth management industry. According to the statistics of China Merchants Bank's private wealth report, China's private wealth market saw slower growth rate but still has growth potential. As of the end of 2019, the total size of investable assets held by individuals in China may have exceeded RMB200 trillion, representing an increase of 5.26% as compared to the end of 2018. Against the backdrop of increasingly complex investment environment, diversified demands of high net worth individuals for wealth management and continuous increase in penetration of the wealth management industry and residents' financial products allocation, wealth management institutions with leading professional capabilities are likely to continuously expand their competitive edges, establish a new wealth management service system focused on clients' demands and serve multiple financial service demands throughout client's full lifecycle by diversifying the allocation of bulk assets.

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

With further opening-up of the securities industry, the continuous penetration of Fintech into the financial industry and the increasing intensification of market competition, the average brokerage rate for equity fund trading in the securities industry continues to decline. The traditional profitability and operation models of securities companies are facing subversive challenges. Therefore, a transition from traditional channel services to comprehensive wealth management business and comprehensive financial services demonstrate a major trend for the strategic transformation of securities companies. During the Reporting Period, the domestic stock market index trended significant fluctuation. Against the backdrop of gradually weakening of the influence of the epidemic and the recovery of social and economic activities, the Shanghai Composite Index declined 2.15%, the Shenzhen Component Index grew 14.97%, the SSE SME Component Index rose 20.85% and the ChiNext Index grew 35.60%. In the context of growing external uncertainty in the capital market, maturer regulatory policies and market mechanisms and increasingly diversified investment varieties, clients paid more attention to factors such as the brand, asset allocation capabilities, and product varieties of the wealth management business of financial institutions. The expansion of the pilot fund investment advisory business will accelerate the transformation of the wealth management industry towards the model of buyers' investment advisory. Financial institutions which rationally allocate assets based on an in-depth understanding of clients' needs while steadfastly transforming towards wealth management, continuously improving professional capabilities and breaking down business barriers will secure a competitive market position in the future.

- (3) The increasingly extensive application of Fintech let the iterative upgrade of the wealth management industry

In recent years, securities companies have proactively grasped the new trends in technological development. By empowering all links in the wealth management business through the application and innovation of Fintech, building a new platformized and systematic mode for wealth management services, consistently improving comprehensive financial service capability, optimising client experience, reducing operating costs and improving operating efficiency, securities companies will satisfy the diversified needs of clients for wealth management in a more efficient, convenient and safer manner. With the deepening of the application of Fintech in the wealth management business, it has become a general direction for the industry that Fintech will empower securities companies to transform wealth management business featured by more digital and intelligent wealth management services. Continuously increasing input in technological innovation, advancing the iterative update of Fintech, promoting the deep integration of Fintech with business, fully utilizing Fintech to explore potential value of data and providing clients with comprehensive wealth management services is necessary for large-scale domestic securities companies to achieve digital transformation and build differentiated competitive strengths and brand-new business models. The application of Fintech into business operation will promote securities companies to transform towards the high-accuracy and diversified wealth management model.

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

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

During the Reporting Period, in adherence to the values centering on customers' demand, the Group continued to strengthen digital operation and management and took advantage of its strengths in platform to develop functions including multi-dimensional, intelligent potential customer development, customer acquisition and conversion, and asset allocation. It comprehensively built professional capabilities to create value for customers, further consolidated and improved the core competitiveness and effectively supported the systematic development of the wealth management business. The Group consistently built professional investment advisory team, continuously improved the investment advisory business system with asset allocation services as the core, actively built the one-stop cloud platform for investment advisors, empowered front-line investment advisors efficiently and accurately, effectively improving the quality and efficiency of investment advisory services.

The Group continuously devoted efforts in exploring emerging technologies and mining big data, continuously diversified and optimized the functions and services of its mobile platform "ZhangLe Fortune Path" (漲樂財富通), actively developed the professional and benchmarking wealth management platform to provide customers with one-stop wealth management solutions. During the Reporting Period, "ZhangLe Fortune Path" (漲樂財富通) was downloaded for 3,356,700 times. Since the "ZhangLe Fortune Path" (漲樂財富通) was made available online, the accumulative downloads reached 53,563,300 times. The number of new accounts opened on the mobile terminal was 1,135,400, accounting for 99.72% of the total new accounts. 91.56% of the trading customers traded through "ZhangLe Fortune Path" (漲樂財富通). According to the statistics of Analysys, the average NMAU of "ZhangLe Fortune Path" (漲樂財富通) was 8,478,000 during the Reporting Period, and the NMAU as of the end of the Reporting Period was 9,110,000, ranking the first among APPs of securities companies. "ZhangLe Fortune Path" (漲樂財富通) continued to exert its function as a core platform carrier of the Company's wealth management business. During the Reporting Period, it achieved the information optimization of global market index, the registration-based IPO system on the ChiNext Market and other characteristic functions and actively developed all-round investment toolkits for users. Meanwhile, the Group advanced the construction of the "ZhangLe Global" (漲樂全球通) in an orderly way, actively explored innovation in the models of global transactions and services and strived to one-stop investment management services on global assets for customers.

The Group further strengthened its advantages in trading services based on advanced platforms. According to the statistics of members of the Shanghai and Shenzhen Stock Exchanges, the Group's equity and fund trading volume totaled RMB14.62 trillion, ranking the first place in the industry. As of the end of the Reporting Period, according to internal statistics, the total assets of client accounts reached RMB3.92 trillion.

## Data of agency transaction amount

Currency: RMB

| Type of securities | January – June 2020                              | Type of securities | January – June 2019                              |
|--------------------|--------------------------------------------------|--------------------|--------------------------------------------------|
|                    | Agency transaction amount<br>(in RMB100 million) |                    | Agency transaction amount<br>(in RMB100 million) |
| Stocks             | 135,315.97                                       | Stocks             | 105,051.71                                       |
| Funds              | 10,870.20                                        | Funds              | 5,886.93                                         |
| Debentures         | 148,775.51                                       | Debentures         | 149,002.34                                       |
| Total              | 294,961.68                                       | Total              | 259,940.98                                       |

Note: In view of the fact that Wind Information no longer collects and publishes its member trading volume data, the data of trading volume in January – June 2019 and January – June 2020 are cited from the Shanghai and Shenzhen Stock Exchange members' statistics in which the fund data do not include trading volume of money market funds on the Shanghai Stock Exchange.

During the Reporting Period, the Southbound Trading business went steadily, with the number of clients increasing steadily and the services continuing to be deepened. For the Southbound Trading business under Shanghai-Hong Kong Stock Connect, there were 21.8 thousand authorized users in total. For the Southbound Trading business under Shenzhen-Hong Kong Stock Connect, there were 23.7 thousand authorized users in total. The stock option brokerage business actively developed the core trading system and focused on enhancing the capability on serving professional customers. As a result, the business maintained a leading edge in the market. According to the statistics of the Shanghai Stock Exchange, the Group's stock option brokerage business at the Shanghai Stock Exchange ranked the first place in the industry in terms of trading volume and market share during the Reporting Period.

For the futures brokerage business, Huatai Futures continued to optimize its outlet layout. As of the end of the Reporting Period, there were 9 branches and 42 futures branches in total covering 4 municipalities directly under the Central Government and 17 provinces in China, being the agent of 80 kinds of futures. During the Reporting Period, Huatai Futures (excluding clearing members) realized an agency trading volume of 279,346,700 lots with a transaction amount of RMB16,962,529 million. The Group's futures IB business developed smoothly, with 219 securities branches permitted to be engaged in futures IB business and the total number of futures IB business customers reaching 39,562 as of the end of the Reporting Period.

### (2) Financial product sales business

During the Reporting Period, the Group fully advanced the development of the financial product business. Leveraging on the improvement of the professional capability and digital empowerment, it consistently improved its business brand value, enhanced customers' investment gains and met the multi-level demands for wealth management. Based on its huge customer base, the Group made full use of the advantages in outlet layout and the Internet platform, actively developed differentiated products, carefully

selected outstanding external products and created a diverse financial and strategic product system. It also contributed to strengthening the investment research system's support for customer product allocation and asset portfolio construction and guidance in customers' demands and further improved the full-process and full life cycle management model for financial products. During the Reporting Period, the Group obtained the qualification to conduct pilot fund investment advisory business and actively conducted business preparation to promote the transformation from sellers' services to buyers' services in investment advisory and practically enhance the service capability on customer asset allocation. According to internal statistics, the number of financial products held (excluding the cash management product of "Tian Tian Fa") was 5,691 and the sales volume of financial products (excluding the cash management product of "Tian Tian Fa") amounted to RMB263,807 million. The volume of the financial product sales business steadily improved.

The Group enhanced digital empowerment and established the digital business system with the integrated management and operation system and the investment and research system on products as the core to boost the investment advisory and improve the overall efficiency of the business. In addition, it actively established the financial product operation system, continuously improved the after-sales service processes and contents, enhanced the manager performance evaluation mechanism by selecting the superior and eliminating the inferior and strictly controlled and monitored product compliance and risk management.

### (3) Capital-based intermediary business

During the Reporting Period, the Group fully deepened the full service business chain cooperation, continued to explore customers' demands, consistently diversified the customer service system, actively innovated business operation model, improved service efficiency and enhanced the core competitiveness of the business. The Group responded quickly to market changes and regulatory requirements, improved the marketing service system, strengthened risk prevention and control, improved the effectiveness of risk management, promoted the high-quality development of the capital-based intermediary business, and continued to expand the brand influence. It released "Securities Lending Path (融券通)", the first open and online securities leading and trading platform in the whole market, and initiated the new model of digital operation of the securities lending industry, effectively connecting the supplier and demander of securities and devoted to providing all-dimensional one-stop services to participants to the platform. During the Reporting Period, benefiting from the revived enthusiasm for credit transactions in the A-share market, the capital-based intermediary business of the Group showed good development momentum, the scale of margin financing and securities lending business increased consistently. With the market share continuing to expand, the securities lending business developed steadily, and the stock pledged repurchase business structure was optimized to make business risks controllable. According to the regulatory statement data, as of the end of the Reporting Period, the balance of margin financing

and securities lending business of the Parent Company was RMB76.992 billion, with a year-on-year increase of 40.40% and a market share of 6.62%, and the integral maintenance guarantee ratio was 331.00%. The pending repurchase balance of stock pledged repurchase business was RMB35.697 billion, with an average fulfillment guarantee ratio of 288.77%. Among them, the pending repurchase balance of on-balance-sheet business was RMB5.310 billion, with an average fulfillment guarantee ratio of 260.10%; while the pending repurchase balance of off-balance-sheet business was RMB30.387 billion.

### *3. Prospect of wealth management business for the second half of 2020*

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

For wealth management business, the Group will continue to adapt to market changes, take advantage of its market leading customer size and the sound full-service business chain, adhere to the bottom line of compliance, and promote high-quality business development with the intelligent, digital, targeted and professional online and offline synergy. We will actively promote the smooth progress and stable operation of the fund investment advisory business and promote the transformation from sellers' services to buyers' services in investment advisory. Based on the linkage of customers' demands and asset allocation strategies, we will vigorously create a diversified system of financial products and strategic products, continuously improve the differentiated service model, comprehensively build professional capabilities to create value for customers and continuously enhance customer stickiness. We will energetically promote the building of a one-stop cloud platform for investment advisors, continuously improve an integrated service system for investment advisors, strive to build a high-quality professional investment advisory team with asset allocation as the core, and comprehensively improve the efficiency of investment advisors. We will keep on implementing the concept of technology empowerment and driving by platform, improve the refined, digital and systematic operation system, focus on the lifecycle of asset allocation for customers, concentrate professional resources and digital capabilities of platforms to build differentiated competitiveness and benchmarking service experiences and effectively facilitate the systematic development of the wealth management business. For the options and futures brokerage business, the Group will keep exploring customer demand for risk management, which will drive the implementation and extension of innovation businesses.

For the financial product sales business, the Group will continue to strengthen the competence of systematic and professional investment research and management, dynamically adjust product structure, enrich and improve product portfolio by connecting customer needs with asset allocation strategies to create differentiated advantages of product lines and continuously expand the scale of financial products business and client coverage. The Group will enhance digital empowerment and speed up in promoting the digital and structural business capabilities to achieve platform-based professional capabilities and provide effective supports to the exploration of the financial product business.

For the capital-based intermediary business, the Group will continue to be customer-oriented, actively expand business ideas, comprehensively enhance the risk prevention and control capabilities, continuously strengthen the construction of the marketing service system, continue to improve the business operation efficiency and further consolidate industry-leading advantages. We will actively integrate various resources, reinforce the capabilities to develop the source of securities, improve the digital operation platform, continuously enhance a financial brand advantage, build a new ecosystem of the stock pledge business and continue to meet the diverse and differentiated demands of customers.

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

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

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

With the transformation of China's economy towards high-quality development, the further advancement of the supply-side structural reform and the innovation-driven development strategy, the capital initiated a new stage for comprehensive deepening reform. With the market vitality and dynamics to be further released, institutional services business was faced with excellent opportunities for leaping development, and providing a full range of high-quality integrated financial services for institutional clients will become an important embodiment of the core competitiveness of securities companies. In recent years, against the backdrop of the implementation of the new Securities Law, the steady advancing of the market-based allocation of capital factors, the continuous improvement of the establishment of the STAR Market, the accelerated implementation of the reform of the registration-based IPO system, the adjustment and optimization of the follow-on offering systems and the gradual improvement of mechanisms of financing on NEEQ Select and transfer of listing, the investment banking business of securities companies will see strategic opportunities for high-level transformation and securities companies with outstanding business capabilities and sufficient project reserves will embrace more additional businesses and revenue. In the future, the business boundaries of the securities industry are expected to be broadened by expanding the financing channels of new economic industry and science and technology innovation enterprises, supporting resources consolidation, upgrading and

integration of resources in traditional industries, attracting the returning of quality companies and diversifying product varieties in the capital market. Service innovation and product innovation serving the real economy will increase, and institutional services of securities companies will also be more diversified, bringing more business opportunities to securities companies which excel in grasping macroeconomic trends and creating long-term value for customers.

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

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

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

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

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

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

### (1) Investment banking business

During the Reporting Period, the Group continued to promote the full-service business chain strategy, improved the client-centric integrated investment banking operation system and practically enhanced cross-market implementation and service capabilities. Based on the industry and deeply rooted in regional development, the Group actively explored business opportunities with the focus on the actual demands and capital strategies of key customers, further consolidating and enhancing the market position and brand advantages of the investment banking business.

### Consolidated data

Currency: RMB

| Categories of Issuance         | Times of lead underwriting (time) |                | Lead underwriting amount<br>(in RMB10 thousand) |                | Lead underwriting income<br>(in RMB10 thousand) |                |
|--------------------------------|-----------------------------------|----------------|-------------------------------------------------|----------------|-------------------------------------------------|----------------|
|                                | Current                           | Accumulated    | Current                                         | Accumulated    | Current                                         | Accumulated    |
|                                | Period                            | over the years | Period                                          | over the years | Period                                          | over the years |
| Issue of new shares            | 4                                 | 178            | 496,245.62                                      | 13,004,111.95  | 32,456.67                                       | 570,000.08     |
| Additional issue of new shares | 11                                | 192            | 1,746,750.38                                    | 30,624,582.13  | 8,956.46                                        | 228,274.13     |
| Allotment of shares            | –                                 | 31             | –                                               | 1,148,748.03   | –                                               | 20,039.95      |
| Issue of bonds                 | 398                               | 1,442          | 14,046,165.77                                   | 109,438,138.49 | 40,257.70                                       | 379,928.98     |
| Total                          | 413                               | 1,843          | 16,289,161.77                                   | 154,215,580.60 | 81,670.83                                       | 1,198,243.14   |

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

① Equity underwriting business

During the Reporting Period, based on biomedical, technological innovation and other key industries, the equity underwriting business focused on the improvement of the integrated domestic and overseas comprehensive service capability, and vigorously reserved projects on the STAR Market and the registration system of the ChiNext Market, maintaining sound development of the business. According to the statistics from Wind Information, the Group's equity lead underwriting amount (including the initial public offering, follow-on offering, warrants, preferred shares, convertible bonds, exchangeable bonds) was RMB73.720 billion, ranking the third in the industry. According to the statistics of the Shanghai Stock Exchange, the number of companies in the STAR Market sponsored by the Group was 15, ranking the third in the industry.

② Bonds underwriting business

During the Reporting Period, besides strict risk control, the bonds underwriting business gave full play to its all-license edge, focused on the layout of its superior products, continuously promoted innovation-driven strategies, improved customer hierarchical management, shaped a stable customer development system, and actively cultivated core customer groups, seeking an improvement on top of its solid position in the industry. According to the statistics from Wind Information, the Group's lead-underwriting amount of full variety bonds was RMB229.965 billion, ranking the sixth in the industry.

③ Financial advisory business

During the Reporting Period, in terms of the mergers and acquisitions and restructuring, the financial advisory business maintained the leading position in the industry by focusing on high-value mergers and acquisitions and restructuring projects, actively improved its capabilities in industry research, discovery of transaction opportunities and deal making, further improving its business reputation. We had 8 mergers and acquisitions and restructuring transactions approved and registered by the CSRC, ranking the second in the industry, with a total transaction amount of RMB48.219 billion, ranking the second in the industry.

④ OTC business

During the Reporting Period, the NEEQ business actively adapted to market conditions and strategic deployment adjustments, and promoted the reform of investment banking service system based on the whole industry chain. As of the end of the Reporting Period, the Group provided supervision services for 33 listed companies, 1 targeted placement with a total amount raised of RMB479 million. Jiangsu

Equity Exchange, a holding subsidiary of the Group, continued to strengthen the construction of compliance and risk control systems, actively constructed featured segments for listings, standardized the development of the convertible bonds business, actively explored new business models, continuously expanded financing channels for enterprises and focused on providing comprehensive financial services to micro, small and medium enterprises. As of the end of the Reporting Period, Jiangsu Equity Exchange has had 7,364 enterprises listed and displayed, 135 enterprises under custody, 239 membership units, and 75,690 investors of all types, and it raised RMB7,627 million for enterprises through financing.

(2) Prime brokerage (PB) business

During the Reporting Period, the Group continued to advance the construction of PB business system and the improvement of system functions, focused on demands of customers for full life-cycle comprehensive financial services, reshaped the customer-oriented full-service chain system, actively expanded fundamental financial functions, consistently enriched service contents and continuously improved the customer structure and the business structure. Meanwhile, it continued to advance the building of an integrated service platform for internal and external customers and promoted the digital transformation and the improvement of the operation efficiency. As of the end of the Reporting Period, the Group had 4,286 fund products in custody and the total size of fund in custody reached RMB160.037 billion. There were 5,171 fund products we provide fund administration services to (including 720 products from our asset management subsidiary), of which the service scale reached RMB902.497 billion (including the business scale of asset management subsidiary of RMB681.880 billion).

(3) Research and institutional sales business

During the Reporting Period, the Group consistently improved the professional talent team and the staff fostering system for the research business, strengthened the research quality management and fully enhanced business synergy, so as to create in-depth research products with market influence and continuously enhance business pricing power. It actively promoted the construction of the intelligent research platform. Leveraging on the “Xing Zhi” (行知) APP, it innovated the service model and vigorously promote online research of products and services to practically improve the participation experience of institutional investors. The Group made greater efforts to promote the synergy of researches on A-share market and Hong Kong market and develop the product management system adapted to cross-border researches to meet the bidirectional and multi-layered needs for professional research service of customers at home and abroad. With respect to the institutional sales business, relying on the advantages of the full-service business chain, the Group actively integrated business resources, gave full play to synergies, dug deep into various business needs, and

vigorously promoted business cooperation with institutional investors and the construction of digital platforms such as the “Xing Zhi” (行知) APP for institutional customer services and the CRM system for institutional customers, so as to create a one-stop comprehensive financial service model. The Group actively carried out various forms of research activities, issued 3,451 research reports, and organized 6,361 research roadshows, 537 special teleconferences, and 8 large strategic conferences and special sessions. It also held 24 video roadshows for listed companies through the “Xing Zhi” (行知) APP. During the Reporting Period, the amount of sub-position transactions for the public fund was approximately RMB468.523 billion.

#### (4) Investment and trading business

##### ① Equity trading business

During the Reporting Period, the Group made ongoing efforts to resolutely promote business transformation to a trading business model, stuck to de-direction, actively explored diversified trading strategic means, continuously accelerated the expansion of innovative business models, consistently enrich the business structure and built sustainable equity investment and trading systems. Relying on the big data system, the Group built a comprehensive market monitoring and evaluation system with multiple dimensions across the market, dynamically monitored market characteristics, actively explored the rules of market operation, effectively identified market opportunities and risks and supported the development of trading business. The Group attached great importance to the research & application of advanced technologies such as big data and artificial intelligence, built the big data transaction business system with a great varieties, multi cycles and strategies, improved the fundamentals quantitative trading model of macro hedging transactions, and promoted the improvement of its transaction scale and profitability.

##### ② FICC trading business

During the Reporting Period, the Group constantly built the customer-oriented FICC service system with transaction as the core, pushed forward business linkage and cooperation, and promoted the upgrade and iteration of business systems through the two-way drive of institutional customer service and financial product supply. With respect to the fixed-income proprietary investment business, the Group established a business model with diversified strategies through the rotation of general categories of assets, actively grasped opportunities in pricing deviation and valuation repair and led the market in proprietary investment performance. The Group consistently advanced the construction of the CAMS system, continuously iterate and optimize the quantitative rating and pricing system on different industries, improved the credit trading strategies and vigorously promoted the

expansion of various credit businesses. As for bulk commodity business and foreign exchange business, the Group actively promoted business model research and trading system construction, continuously expanded trading product categories, actively developed core investment trading and pricing capabilities and continuously improved the profitability. According to statistics from Wind Information, during the Reporting Period, the delivery volume of bonds of the Group ranked the second place in the industry.

③ OTC derivatives trading business

During the Reporting Period, the Group strived to develop the customer-centric OTC derivatives business system, reshaped the business development model and management model with digitalization, continuously enhanced business innovation capabilities, product design and pricing capabilities, trading and risk hedging capabilities and deeply connecting institutional service systems and customer needs to create an institutional customer financial ecosystem with the advantages of systematic institutional services and differentiated institutional service capabilities. The new trading volume of OTC derivatives ranked among the top in the industry. As of the end of the Reporting Period, the Group had 1,734 income swap transaction businesses with a notional principal of RMB29.137 billion; the Group had 389 OTC option trading businesses with total notional principal of RMB35.725 billion. During the Reporting Period, the Group issued 1,849 private placement products through the China Securities Internet System and OTC market, with a total amount of RMB36.674 billion.

3. *Prospect of institutional services business for the second half of 2020*

The institutional services business is the base for an advanced business area for creating differentiated core strengths and first-class investment banking, as well as a key to consolidating and enhancing the Group's industry leading position. In the second half of 2020, the Group will continue to promote the systemic service model of "Huatai as a whole" (一個華泰), accelerate the construction of digital services platforms for institutions, give full play to the advantages of "investment banking gene + full business chain", strengthen business synergy mechanisms, further enhance pricing capabilities and transaction capabilities, and build a more efficient and competitive institutional services ecosystem.

For investment banking business, we will actively grasp the market and policy opportunities, continue to follow the "client-centric" operation principle; with the development direction of industry focus, regional layout and customer demand exploration, the Group strengthened domestic and overseas, in-exchange and OTC cross-market synergy, intensified support for science and technology innovation enterprises, and comprehensively enhanced product service capability and quick response ability of comprehensive services. For equity underwriting business, we will continue to grasp the business opportunities in the STAR

Market and the ChiNext Market under the registration-based IPO system, focus on development in key regions and go deep into the industry and attract more quality customers. Meanwhile, we will strengthen cross-border linkage and grasp business opportunities in red-chip enterprises' returning to the A-share market, GDR, the returning of China concept stocks and overseas listing and truly achieve customer empowerment in the introduction of domestic and overseas capitals and the allocation of domestic and overseas resources. For bonds underwriting business, we will continue to realize full coverage of different categories of customers, strengthen layout of innovative products and enhance the marketing and development of key regions, key products and key issuers. For financial advisory business, we will continue to explore domestic and overseas mergers and acquisitions opportunities based on industry logic, and to enhance industry research, high value trading discovery and deal-making capability.

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

For research and institutional sales business, we will continue to improve the integrated domestic and overseas business system, continuously enhance the establishment of professional talent teams, deeply implement the technology empowerment strategy and actively develop digital and systematic working platforms, fully tapping and analyzing the needs of various institutional clients, constantly expanding the content of customer services, and striving to improve the capability of comprehensive financial services for institutional clients.

For investment trading business, we will continue to build platform-based and systematic investment and trading capabilities, practically upgrade to the goal of mastering asset pricing rights and productization of trading capabilities, actively build future-oriented core competitiveness, and further promote diversification of profit models. For equity trading business, we will continue to promote the construction of big data platforms and digital operation platforms, continuously enrich hedging methods and strategies, consistently improve the comprehensive market monitoring system and focus on the development of the business model of equity investment trading with sustainable and stable development; for FICC trading business, we will make full efforts to build the FICC large trading platform integrating investment trading, risk management and performance evaluation, systematically build the FICC product line, enrich and optimize the product structure, proactively guide customer needs, and continuously improve investment trading capabilities; for OTC derivatives trading business, we will continuously enrich product structure, innovate trading models, strategically promote the construction of trading system, focus on enhancing the comprehensive financial service capability of institutional clients and make in-depth docking of institutional service systems and customer needs.

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

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

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

With the continuous improvement of the fundamental legal system on the asset management industry, and under the trend of strengthening unified and coordinated supervision, the asset management business will continue to undergo dechannelizing, charge of product valuation methodology and elimination of regulatory arbitrage. The competition patterns of the asset management industry have been reshaped at an accelerated pace and various asset management institutions will actively seek new business development directions and strategic layout. In addition, under the background of the crucial period for the implementation of new regulations on asset management, the industry still faced the dual challenges of shrinking scale and declining revenue and securities companies urgently need to build differentiated core competitiveness. According to the statistics from Asset Management Association of China, as of the end of the first quarter of 2020, the total amount of asset management business of fund management companies and their subsidiaries, securities companies, futures companies and private fund management institutions was approximately RMB53.75 trillion, among which, the amount of private asset management business of securities companies and their subsidiaries was RMB10.47 trillion. For the asset management business of large comprehensive securities companies, we will integrate business resources, enhance business innovation, improve product layout, and continuously improve investment research capabilities and asset allocation capabilities, build a professional asset management platform, comprehensively transform towards active management and intensive growth, and provide customers with multi-level and multifaceted investment and wealth management solutions based on the in-depth understanding of client needs and structural changes as well as the collaboration of full business chain and integrated professional advantages.

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

Due to the impacts of the global spread of the COVID-19, the macro economic downturn, the implementation of new regulations on asset management, the stricter private equity supervision and other factors, the private equity market is facing severe challenges. The amount of new fundraising and investment cases in the market has declined dramatically, the fundraising market and investment market remained sluggish, and the pressure of withdrawal from equity investment projects intensified. At the same time, high-quality projects faced fierce competition, and the market has become more and more concentrated towards oligarchy. Market funds were focused on oligarchy institutions with strong professional capabilities and resource integration capabilities, and the industry reshuffle has intensified. According to the statistics from Zero2IPO Research Center private placement department, in the first half of 2020, 810 new funds were raised in the private equity fundraising market, with a fundraising amount of

RMB352.101 billion; and there were 1,252 investment cases in the private equity investment market, with an investment amount of RMB207.013 billion. In the long run, under the state policies of vigorously developing the new economy and emphasizing financial supply side reform and particularly the background of the reform and launch of the STAR Market and the registration-based IPO system, the private equity investment business faces both development opportunities and challenges, with promising vast space for future business growth. For the private equity investment business under securities companies, with professional investment management capability and full business chain advantages, we will actively create new business features and differentiated competitive advantages, thus effectively improving the efficiency of serving real economy.

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

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

During the Reporting Period, Huatai Asset Management, a wholly-owned subsidiary of the Group, strictly followed the new asset management rules. Capitalizing on the advantage of full-service business chain resources, it focused on the size and quality of asset management business and continuously strengthened the ability of active investment management, providing clients with integrated financial service solutions covering the whole lifecycle and full business chain and continuously improving the brand effect. According to the statistics from the Asset Management Association of China as of the end of the second quarter of 2020, the private asset management scale of Huatai Asset Management averaged RMB580.012 billion on a monthly basis, ranking the fourth in the industry, while its private active asset management averaged RMB270.499 billion on a monthly basis, ranking the third in the industry. According to the statistics from Wind Information, the issuance scale of enterprise ABS (asset-backed securitization) of Huatai Asset Management during the Reporting Period was RMB29.948 billion, ranking the fourth in the industry.

During the Reporting Period, for asset management business of securities companies, we focused on asset identification and risk control capabilities. Leveraging on the product design capabilities and the pricing advantages, we strictly controlled the quality of basic assets, stepped up efforts in business innovation, and actively transformed to active management. The collective asset management business developed steadily, further enriching the net worth product series. A total of 176 collective asset management plans were under management and the total management scale was RMB149.669 billion. In respect of the single asset management business, we continuously promoted business transformation and actively explored net worth entrusted business. Earnings were enhanced with regard to active investment management accounts. A total of 436 single asset management plans were under management and the total management scale was RMB431.681 billion. In respect of specialized asset management business, we continued to maintain its development advantage, with the issuance number and scale of enterprise asset-backed securitization projects ranking in the forefront of the industry. A total of 108 specialized asset management plans were under management and the total management scale was RMB100.531 billion. In respect of the public fund management business, we actively built and enriched product lines, created net-value wealth management solutions for investors with different liquidity needs, issued and established 6 public funds and managed 16 public fund products in total with aggregated management scale of RMB35.724 billion.

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

Currency: RMB

| Item                                  | January – June 2020                 |                                | January – June 2019                 |                                |
|---------------------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                                       | Entrusted scale (in RMB100 million) | Net income (in RMB10 thousand) | Entrusted scale (in RMB100 million) | Net income (in RMB10 thousand) |
| Collective asset management business  | 1,496.69                            | 81,583.04                      | 1,427.02                            | 63,520.85                      |
| Single asset management business      | 4,316.81                            | 17,864.66                      | 6,708.26                            | 16,184.49                      |
| Specialized asset management business | 1,005.31                            | 4,786.31                       | 1,053.52                            | 5,899.02                       |
| Public fund management business       | 357.24                              | 6,849.76                       | 78.55                               | 1,187.64                       |

Note: The above data are from the regulatory statements.

## (2) Private equity fund management business

During the Reporting Period, the private equity fund management business actively adapted to regulatory changes. The Group continuously optimized the business structure system, continued to focus on industry positioning, strengthened the in-depth layout of key areas, actively grasped the reform dividends from the capital market, gave full play to the advantage of the Group's big platforms and constantly enhanced strengths for professional business development. As of the end of the Reporting Period, Huatai Purple Gold Investment and its second-tier subsidiaries, as the administrators, had a total of 24 private equity investment funds filed with the Asset Management Association of China. The amount of the funds subscribed totaled RMB48.385 billion and the amount of paid-in contribution totaled RMB40.824 billion. During the Reporting Period, the above private equity investment funds had a total of 20 investment projects and total investment amount was RMB1,930,271,300, all of which were equity investment projects.

## (3) Asset management business of fund companies

During the Reporting Period, with adherence to equal emphasis on compliance management and business development, fund companies under the Group actively adapted to regulatory trends and market changes, continued to consolidate the areas of strength, promoted business innovation, expanded business scope and product layout, improved the construction of intelligent systems, and further enhanced market competitiveness and reputation. As for asset management business of China Southern Asset Management, as of the end of the Reporting Period, the total assets managed by China Southern Asset Management amounted to RMB1,077.696 billion. Specifically, China Southern Asset Management managed a total of 220 funds in its mutual funds business, the total asset size of which amounted to RMB708.676 billion, and the total asset size of private funds business amounted to RMB369.020 billion. As for asset management by Huatai-PineBridge, as of the end of the Reporting Period, the total assets managed

by Huatai-PineBridge amounted to RMB151.883 billion. Specifically, Huatai-PineBridge managed a total of 70 funds in its mutual funds business, the total asset size of which amounted to RMB131.721 billion, and the total asset size of private funds business amounted to RMB20.162 billion. (The profit or loss from equity investments of China Southern Asset Management and Huatai-PineBridge were included under other segments in the segment report).

(4) Asset management business of futures companies

During the Reporting Period, complying with the industry supervision trend, Huatai Futures, a holding subsidiary of the Group, continuously improved compliance risk control and management, proactively built a diversified business system, made energetic efforts to drive the transformation to active management business, consistently strengthened the development and application of platform systems, enhanced the Fintech empowerment, and continued to improve professional services and intelligent management. As of the end of the Reporting Period, Huatai Futures managed a total of 20 asset management plans which were in the duration period. The total asset management scale was RMB775,752,800, and the futures equity scale was RMB124,567,200.

(5) Alternative investment business

The Group carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. During the Reporting Period, Huatai Innovative Investment continued to improve its internal management system and mechanism, carried out co-investment business on the STAR Market according to regulatory requirements and business layout, and proactively conducted comprehensive demonstration and preparation for co-investment business on the ChiNext Market in advance. As of the end of the Reporting Period, there were 13 subsisting investment projects with an investment scale of RMB554.3431 million. The investment attributes include co-investment on the STAR Market and equity investment.

3. *Prospect of investment management business for the second half of 2020*

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

In respect of the asset management business of securities companies, we will intensify risk control capability in an all-round way, cooperate with resources of the entire business chain, deeply exploit the needs of internal customers, actively explore external customers and systematically develop and diversify the product system to constantly improve active investment management capabilities and investment performance and keep consolidating and enhancing our market position and brand value. We will make full use of the capabilities of asset discovery, risk pricing and product design, cultivate sustainable, high-quality and high-value-added business models, constantly optimize the business structure, speed up in digital transformation, and continue to enhance differentiated competitiveness.

In respect of private equity fund management business, we will grasp the opportunities in the capital market reform, continue to focus on industry positioning, strengthen the deep layout in healthcare, high-end equipment manufacturing, TMT and other industries, give full play to the advantage of the Group's big platforms, and proactively promote the implementation of new fund projects; we will continue to improve the construction of digital systems, and accelerate the digital transformation of work processes and realize the unified operation and management of funds through systemization, platformization and digitization.

In respect of the asset management business of fund companies, we will continue to enhance risk prevention and control and talent team building, keep optimizing the investment system, continuously advance the exploration of new businesses and the development of new products, actively expand the scope of market and client services, strengthen the leading of Fintech in business development and management reform, and focus on improving investment management capabilities, to effectively enhance our overall asset management scale, and vigorously improve our investment performance.

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

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

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

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

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

With the relaxation of the restrictions on the foreign shareholding in the securities industry, the optimization of mechanisms of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the expansion of Shanghai-London Stock Connect, the increase of weight of A-shares included in key overseas market indexes and the improvement of requirements on domestic securities investment management by overseas institutional investors, the interconnection between domestic and overseas markets has continued to deepen, the multiple dividends released by the reform and opening up of the capital market will bring major historical opportunities to the development of the securities industry and the internationalization of securities companies will also further advance. Currently, as clients' demands for cross-border integrated financial services are growing, and the global asset allocation continues to increase, international business has become a front field for large securities companies to expand development space, increase new profit growth points and promote business structure upgrading. Securities companies shall seize the new opportunities in the development of the capital market brought about by its full opening, give full play to the advantages of professional and client resources, create domestic and foreign resource synergy platforms, establish long-term cross-border linkage mechanisms and internal collaborative incentive mechanisms, constantly promote cross-border business service for clients, meet the cross-regional needs for global resources layout with multi varieties and asset allocation from real economies and enhance the international operation and management capabilities.

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

From the perspective of the overall industry development, the current wealth management industry in the US mainly consists of the “independent” channel (registered investment advisors, hybrid and the independent broker-dealers, insurance broker-dealers etc.) and the “traditional” channel (national and regional broker-dealers, bank broker-dealers and wirehouse advisors, etc.). In the wealth management industry, the market share of the “independent” channel grows faster than that of the “traditional” channel and such trend sustains. According to the statistics of PriceMetrix, 69% of the investment advisors' revenue came from management fees in 2019, which was a record level relative to commissions. From the perspective of business development trend, the funds from investors are being transferred to investment products with lower cost and fees. The TAMP industry can keep empowering and fueling the wealth management business through leading Fintech development, which can bring the cost advantage of scale to customers and help them grasp booming development opportunities. According to the statistics of Cerulli, from 2014 to 2019, the CAGR of the TAMP market was 11.4%, which was significantly higher than that of the overall investment advisory market, which was 4.8% for the same period.

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

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

### (1) Business in Hong Kong

In respect of investment banking business of Huatai Financial Holdings (Hong Kong), the Company actively provided overseas equity and bond services, gave full play to domestic and overseas integration and cross-border linkage advantages to continue to expand financing channels for customers, the Hong Kong stocks sponsoring and underwriting business maintaining the leading position in the industry. In respect of individual wealth management and retail brokerage business, the Company focused on the application of Fintech, actively created the "ZhangLe Global" (漲樂全球通), rapidly adjusted the product strategy, actively promoted marketing for users, deepened the domestic and foreign linkage, gave full play to the advantages of the Group's customer system to constantly improve the capability to serve customers in the whole industrial chain. In respect of FICC business, the Company actively established the system for coordinated business development, continued to improve investment management and consistently optimized the position and financing structure to effectively control credit and trading risks and provide domestic and overseas investors with overseas financial products; in respect of equity derivatives business, the Company actively built a cross-border derivative business platform and focused on expanding the capital-based intermediary business for cross-border derivatives to meet customers' financing and risk management needs; in respect of cross-border and structured financing businesses, the Company strictly controlled credit risks, fully leveraging the synergies with investment banking business to meet customers' financing needs derived from capital market activities; in respect of research and stock sales business, the Company actively expanded research coverage, continued to improve overall sales and transaction capabilities, providing domestic and overseas institutional investors with one-stop cross-border comprehensive financial services; in respect of asset management business, the Company continued to strengthen cross-border linkages at home and abroad, actively advanced the selection of outstanding managers and funds and continued to develop new business models and fund products to consistently optimize client asset allocation.

During the Reporting Period, Huatai Financial Holdings (Hong Kong) maintained healthy and balanced business development. As of the end of the Reporting Period, Huatai Financial Holdings (Hong Kong) had a paid-in capital of HK\$8.8 billion, and such capital scale was among the forefront of the industry in Hong Kong. As for securities trading, Huatai Financial

Holdings (Hong Kong) achieved the total assets under custody of HK\$40.274 billion and the total stocks trading volume of HK\$40.416 billion; as for advising on securities, it provided research reports and advisory services for customers; as for advising on corporate finance, it participated in 8 IPO projects and 14 bond issue projects, with the total amount of trading and issuance of about HK\$13.418 billion; as for financing for securities deposits, the accumulated credit amount was HK\$2,022 million; as for providing assets management, it achieved a total amount of funds under custody of HK\$492.658 billion (including the scale of funds under custody of AssetMark). Besides, during the Reporting Period, Huatai Financial Holdings (Hong Kong) also completed 5 financial advisory projects.

(2) AssetMark

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

As of the end of the Reporting Period, the total platform assets of AssetMark reached USD63.229 billion, representing an increase of approximately 2.63% from the end of 2019; the AssetMark platform served an aggregate of 8,474 independent investment advisors, representing an increase of approximately 6.48% from the end of 2019; the total investor households served by the AssetMark platform reached nearly 180,000, representing an increase of approximately 10.44% from the end of 2019. During the Reporting Period, 395 independent investment advisors signed new contracts with AssetMark.

(3) Huatai Securities (USA)

With the US broker-dealer license approved by the Financial Industry Regulatory Authority in June 2019, Huatai Securities (USA) was eligible to conduct broker-dealer business in the US, including securities underwriting, securities brokerage for institutional investors, M&A and financial advisory, etc. During the Reporting Period, Huatai Securities (USA) continued to improve the construction of platform and actively promoted business development, fully introduced institutional sales and trading businesses, continuously promoted the investment banking business and consistently optimized the cross-border linkage and coordination mechanism between local businesses in the US and domestic and Hong Kong businesses.

### 3. *Prospect of international business for the second half of 2020*

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

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

In respect of investment banking business, Huatai Financial Holdings (Hong Kong) will give full play to the integrated advantage of domestic and overseas businesses, strengthen the linkage between domestic and overseas teams, concentrate resources to advance projects development, consolidate the investment banking capitalization model, improve the risk control capabilities, asset turnover and return on invested capital of projects; in respect of individual wealth management and the retail service business, the Company will deepen domestic and overseas collaboration, continuously optimize and vigorously promote the mobile terminal for wealth management “ZhangLe Global” (漲樂全球通), continue to improve product and service capabilities and improve customer marketing and development efficiency to acquire customers massively; in respect of FICC business, it will coordinate the sales end, product creation end and investment transaction end and focus on developing featured products and services to provide domestic and foreign customers with comprehensive solutions to investment, financing, trading and risk management of different asset classes, currency types and interest rates; in respect of equity derivatives business, it will deeply explore the demands for comprehensive trading platforms, wealth management and global asset allocation from customers and continuously expand business boundaries; in respect of cross-border and structured financing businesses, the Company will focus on the strict risk control as the core of business development, fully advance fund business, improve customer stickiness through model innovation and continue to expand the investment and financing scale; in respect of research and stock sales business, it will give full play to the advantages of local industry research, vigorously expand the network of overseas institutional customers, continuously improve the coverage and penetration of institutional services and consistently deepen the diversification of customer groups; in respect of asset management business, it will strengthen synergy and cooperation, fully exploit the advantages of business resources, actively develop new products, strengthen investment research capabilities, and effectively meet the needs of asset management business.

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

Huatai Securities (USA) will further improve the team building and infrastructure construction, continuously maintain the business relationship with US institutional investors and provide all-dimensional services to meet their demands for asset allocation. Meanwhile, it will strengthen the linkage and collaboration with domestic and Hong Kong business teams, fully tap into new business opportunities, actively develop new products and consistently open up space for business development.

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

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

The Company actively promoted the construction of "Securities Lending Path" (融券通), the first open and online securities leading and trading platform in the whole market, and initiated the new model of digital operation of the securities lending industry. Through comprehensive analysis of major risks in all links in the platform construction and business scenarios, the Company studied and designed the risk management and control mechanism ancillary to businesses covering all links such as access, trading and operation to guarantee the stable and orderly operation of the integrated business and platform.

The Company actively responded to the reform of the ChiNext Market. For the relaxing of restrictions on growth and decline, being subjects of margin financing and securities lending on the first trading day after listing and other changes, the Company comprehensively analyzed the risks and impacts on margin financing and securities lending and the stock pledge business, studied and improved concentration restrictions on the ChiNext Market, margin call and mandatory liquidation mechanism, risk tracking and back-tracing mechanism and other risk prevention measures to ensure that all businesses could be carried out constantly and steadily on the premise that related risks are measurable, controllable and bearable.

The Company actively participated in the qualification application for standardized bills business and the pilot work. Through full analysis of potential risks in the business, the Company formulated ancillary rules on the implementation of systems to specify the responsibilities of relevant departments and positions and standardize business management procedures. It has developed risk control measures in the whole process covering access management, qualification review, product creation and information disclosure and duration management, providing guarantees to the stable and orderly conducting of standardized bills business.

The Company was granted the membership of the interest rate swap and collar option market of the National Interbank Funding Centre. It has set the corresponding risk quotas and strict provisions on the business scale, stopping loss and option sensitivity to ensure business risks under control.

The Company established the interest conflict management mechanism on the entrusted management business, carried out the approval and internal control of entrusted management projects under the internal control guideline on investment banking, and practically performed information disclosure, collateral disposal and other entrusted management responsibilities to guarantee the stable business operation.

## II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

### (I) *Main businesses analysis*

#### 1. *Analysis table of the changes in relevant items of the income statement and the cash flow statement*

Unit: Thousand Yuan Currency: RMB

| Item                                                                          | Amount for<br>the current<br>period | Amount for<br>the same<br>period of last<br>year | Change<br>percentage<br>(%) |
|-------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------|-----------------------------|
| Total revenue and other income                                                | 18,972,166                          | 14,727,802                                       | 28.82                       |
| Total expenses                                                                | 13,114,287                          | 10,589,904                                       | 23.84                       |
| Profit before income tax                                                      | 8,306,061                           | 5,418,042                                        | 53.30                       |
| Profit for the current period attributable to the shareholders of the Company | 6,404,994                           | 4,056,932                                        | 57.88                       |
| Net cash (used in)/generated from operating activities                        | (2,403,010)                         | 2,157,770                                        | (211.37)                    |
| Net cash used in investing activities                                         | (2,629,121)                         | (2,291,118)                                      | 14.75                       |
| Net cash (used in)/generated from financing activities                        | (6,461,999)                         | 16,886,224                                       | (138.27)                    |
| Net (decrease)/increase in cash and cash equivalents                          | (11,494,130)                        | 16,752,876                                       | (168.61)                    |

## 2. *Income and other gains*

As of June 30, 2020, the Group recorded income and other gains of RMB18,972 million, representing a year-on-year increase of 28.82%, which was mainly attributable to the increase in the Group's fee and commission income and net investment gains, in which:

- (1) Fee and commission income recorded a year-on-year increase of 24.66% to RMB7,981 million, accounting for 42.07%, mainly due to the increase in commission income from brokerage business and charges income from investment banking business.
- (2) Interest income recorded a year-on-year increase of 11.62% to RMB4,707 million, accounting for 24.81%, mainly due to the increase in the Group's income from margin financing and securities lending business.
- (3) Net investment gains recorded a year-on-year increase of 57.22% to RMB5,395 million, accounting for 28.43%, mainly due to the increase in the Group's investment transactions and private equity business investment income.
- (4) Other income and gains recorded a year-on-year increase of 31.36% to RMB889 million, accounting for 4.69%, mainly due to the significant increase in exchange gains/losses resulted from the fluctuation of the market exchange rate during the Reporting Period.

The ratios of the Group's income and other gains during the Reporting Period are as follows:

Unit: Thousand Yuan Currency: RMB

| Item                           | From January 1 to<br>June 30, 2020 |                | From January 1 to<br>June 30, 2019 |                | Increase/decrease |               |
|--------------------------------|------------------------------------|----------------|------------------------------------|----------------|-------------------|---------------|
|                                | Amount                             | Ratio          | Amount                             | Ratio          | Amount            | Ratio         |
| Fee and commission income      | 7,981,402                          | 42.07%         | 6,402,718                          | 43.47%         | 1,578,684         | 24.66%        |
| Interest income                | 4,706,531                          | 24.81%         | 4,216,609                          | 28.63%         | 489,922           | 11.62%        |
| Net investment gains           | 5,394,808                          | 28.43%         | 3,431,400                          | 23.30%         | 1,963,408         | 57.22%        |
| Other income and gains         | 889,425                            | 4.69%          | 677,075                            | 4.60%          | 212,350           | 31.36%        |
| Total revenue and other income | <u>18,972,166</u>                  | <u>100.00%</u> | <u>14,727,802</u>                  | <u>100.00%</u> | <u>4,244,364</u>  | <u>28.82%</u> |

### 3. Total expenses

As of June 30, 2020, the Group's total expenses were RMB13,114 million, representing a year-on-year increase of 23.84%, mainly due to the increase in the Group's staff costs and interest expenses, in which:

- (1) Fee and commission expenses amounted to RMB2,182 million, representing a year-on-year increase of 12.45%, mainly due to the increase in expenses from securities brokerage and consulting business of the Group.
- (2) Interest expenses amounted to RMB3,684 million, representing a year-on-year increase of 24.95%, mainly due to the increase in the relevant finance costs during the Reporting Period as a result of the larger debt financing scale as compared to the same period of last year.
- (3) Staff costs amounted to RMB4,506 million, representing a year-on-year increase of 35.39%, mainly due to the increase in accrued staff costs as a result of the income growth in the Group.
- (4) Other expenses mainly include depreciation and amortisation expenses, tax and surcharge as well as (provision for)/reversal of asset impairment loss and other operating expenses.

Unit: Thousand Yuan Currency: RMB

| Item                                    | From January 1 to June 30,<br>2020 |         | From January 1 to June 30,<br>2019 |         | Increase/decrease |           |
|-----------------------------------------|------------------------------------|---------|------------------------------------|---------|-------------------|-----------|
|                                         | Amount                             | Ratio   | Amount                             | Ratio   | Amount            | Ratio     |
| Fee and commission expenses             | (2,181,589)                        | 16.63%  | (1,939,967)                        | 18.32%  | (241,622)         | 12.45%    |
| Interest expenses                       | (3,684,398)                        | 28.09%  | (2,948,673)                        | 27.84%  | (735,725)         | 24.95%    |
| Staff cost                              | (4,506,437)                        | 34.36%  | (3,328,518)                        | 31.43%  | (1,177,919)       | 35.39%    |
| Depreciation and amortisation expenses  | (680,558)                          | 5.19%   | (546,224)                          | 5.16%   | (134,334)         | 24.59%    |
| Tax and surcharges                      | (101,654)                          | 0.78%   | (77,051)                           | 0.73%   | (24,603)          | 31.93%    |
| Other operating expenses                | (1,746,288)                        | 13.32%  | (1,604,817)                        | 15.15%  | (141,471)         | 8.82%     |
| Impairment loss on financial assets     | (206,982)                          | 1.58%   | (146,721)                          | 1.39%   | (60,261)          | 41.07%    |
| Other asset impairment (loss)/ reversal | (6,381)                            | 0.05%   | 2,067                              | (0.02)% | (8,448)           | (408.71)% |
| Total expenses                          | (13,114,287)                       | 100.00% | (10,589,904)                       | 100.00% | (2,524,383)       | 23.84%    |

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

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

Unit: Thousand Yuan Currency: RMB

| Business segment                   | Segment<br>income and<br>other gains<br>for the<br>current<br>period | Percentage<br>of total<br>segment<br>income and<br>other gains<br>for the<br>current<br>period (%) | Segment<br>income and<br>other gains<br>for the same<br>period of last<br>year | Percentage<br>of total<br>segment<br>income and<br>other gains<br>for the same<br>period of last<br>year (%) | Increase or<br>decrease in<br>percentage of<br>total segment<br>income and other<br>gains as compared<br>to the same period<br>of last year |
|------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Wealth management<br>business      | 8,265,300                                                            | 43.57                                                                                              | 7,315,468                                                                      | 49.67                                                                                                        | Decrease of 6.10<br>percentage points                                                                                                       |
| Institutional services<br>business | 4,519,532                                                            | 23.82                                                                                              | 3,112,740                                                                      | 21.14                                                                                                        | Increase of 2.68<br>percentage points                                                                                                       |
| Investment management<br>business  | 2,716,849                                                            | 14.32                                                                                              | 1,925,537                                                                      | 13.07                                                                                                        | Increase of 1.25<br>percentage points                                                                                                       |
| International<br>business          | 2,665,875                                                            | 14.05                                                                                              | 1,834,684                                                                      | 12.46                                                                                                        | Increase of 1.59<br>percentage points                                                                                                       |
| Others<br>(including offset)       | 804,610                                                              | 4.24                                                                                               | 539,373                                                                        | 3.66                                                                                                         | Increase of 0.58<br>percentage point                                                                                                        |

During the Reporting Period, on a combined basis, the Group recorded income and other gains of RMB18,972,166 thousand in total, representing a year-on-year increase of 28.82%. Among the principal business segments, income and other gains from wealth management, institutional services, investment management and international business increased year-on-year by RMB949,832 thousand, RMB1,406,792 thousand, RMB791,312 thousand and RMB831,191 thousand, respectively.

In terms of income structure, the business structure of the Group has continued to be optimized. The income from wealth management business accounted for 43.57% of the Group's revenue, representing a decrease of 6.10 percentage points; benefiting from the good performance of the investment and trading business and investment banking business for the current period, the segments of institutional service business has contributed 23.82% of the revenue to the Group, representing an increase of 2.68 percentage points; the percentage of the income from the investment management business increased by 1.25 percentage points due to the Group's forward-looking layout in respect of the comprehensive health and scientific and technological industry in terms of the private equity investment and the increase in the market valuation; and the percentage of the income from international business increased by 1.59 percentage points, which was mainly attributable to the improvement of the results of Huatai Financial Holdings (Hong Kong) and the good performance of AssetMark.

(2) Statement of analysis on segment expenses

Unit: Thousand Yuan Currency: RMB

| Business segment                | Segment expenses for the current period | Percentage of total segment expenses for the current period (%) | Segment expenses for the same period of last year | Percentage of total segment expenses for the same period of last year (%) | Increase or decrease in percentage of total segment expenses as compared to the same period of last year |
|---------------------------------|-----------------------------------------|-----------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Wealth management business      | (5,169,770)                             | 39.42                                                           | (4,690,436)                                       | 44.29                                                                     | Decrease of 4.87 percentage points                                                                       |
| Institutional services business | (2,410,686)                             | 18.38                                                           | (1,474,759)                                       | 13.93                                                                     | Increase of 4.45 percentage points                                                                       |
| Investment management business  | (894,281)                               | 6.82                                                            | (634,347)                                         | 5.99                                                                      | Increase of 0.83 percentage point                                                                        |
| International business          | (2,336,172)                             | 17.81                                                           | (1,789,936)                                       | 16.90                                                                     | Increase of 0.91 percentage point                                                                        |
| Others (including offset)       | (2,303,378)                             | 17.57                                                           | (2,000,426)                                       | 18.89                                                                     | Decrease of 1.32 percentage points                                                                       |

In terms of expenses of each business segment as a percentage of total expenses of the Group, expenses of wealth management business decreased by 4.87 percentage points, mainly due to the lower increase in the expenses of such segment than the average level of the Group; and the expenses of institutional services business and international business increased by 4.45 percentage points and 0.91 percentage point, respectively, mainly due to the increase in interest expenses and staff costs of such segments.

5. Statement of analysis on cash flow

Unit: Thousand Yuan Currency: RMB

| Item                                                   | Amount for the current period | Amount for the same period of last year | Amount of increase or decrease | Percentage of increase or decrease (%) |
|--------------------------------------------------------|-------------------------------|-----------------------------------------|--------------------------------|----------------------------------------|
| Net cash (used in)/generated from operating activities | (2,403,010)                   | 2,157,770                               | (4,560,780)                    | (211.37)                               |
| Net cash used in investing activities                  | (2,629,121)                   | (2,291,118)                             | (338,003)                      | 14.75                                  |
| Net cash (used in)/generated from financing activities | (6,461,999)                   | 16,886,224                              | (23,348,223)                   | (138.27)                               |
| Net (decrease)/increase in cash and cash equivalents   | (11,494,130)                  | 16,752,876                              | (28,247,006)                   | (168.61)                               |

During the Reporting Period, the net decrease of cash and cash equivalent of the Group was RMB11,494,130 thousand, in which:

- (1) Net cash used in operating activities was RMB2,403,010 thousand, mainly due to the cash outflow of RMB14,249 million as a results of the decline in the scale of repurchase transactions during the Reporting Period while the cash inflow from repurchase transactions amounted to RMB56,966 million for the same period of last year.
- (2) Net cash used in investing activities was RMB2,629,121 thousand, which was basically the same as that of the same period of last year, mainly due to the increased investment scale in financial assets at fair value through other comprehensive income.
- (3) Net cash used in financing activities was RMB6,461,999 thousand, mainly because the issuance size of GDRs for the same period of last year was larger while there is none of equity financing during the current period in terms of equity financing; and the amount of repayment in the current period is larger than the size of new issuance and the total amount of interest payment on existing debt is also higher than that of the same period of last year in terms of debt financing. The above factors have led to a decrease of 138.27% in net cash flow used in financing activities in the current period as compared to the same period of last year.

6. *Detailed description of significant changes in components or sources of the Group's profit*

Unit: Thousand Yuan Currency: RMB

| Item                                                                                   | Amount for the current period | Amount for the same period of last year | Year-on-year change (%) | Principal reason                                               |
|----------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------|-------------------------|----------------------------------------------------------------|
| Total revenue and other gains                                                          | 18,972,166                    | 14,727,802                              | 28.82                   | Increase in fee and commission income and net investment gains |
| Total expenses                                                                         | 13,114,287                    | 10,589,904                              | 23.84                   | Increase in interest expenses and staff costs                  |
| Operating profit                                                                       | 5,857,879                     | 4,137,898                               | 41.57                   | Increase in total revenue and other gains                      |
| Profit before income tax                                                               | 8,306,061                     | 5,418,042                               | 53.30                   | Increase in total revenue and other gains                      |
| Profit for the current period                                                          | 6,443,209                     | 4,100,101                               | 57.15                   | Increase in total revenue and other gains                      |
| Among which: profit for the current period attributable to shareholders of the Company | 6,404,994                     | 4,056,932                               | 57.88                   | Increase in total revenue and other gains                      |

| Item                       | Balance as at the end of the period | Balance as at the beginning of the period | Year-on-year change (%) | Principal reason                                                                    |
|----------------------------|-------------------------------------|-------------------------------------------|-------------------------|-------------------------------------------------------------------------------------|
| Total assets               | 594,164,216                         | 562,180,638                               | 5.69                    | Increase in cash held on behalf of brokerage clients and margin accounts receivable |
| Total liabilities          | 465,870,962                         | 436,525,930                               | 6.72                    | Increase in accounts payable to brokerage clients and other payables                |
| Total shareholders' equity | 128,293,254                         | 125,654,708                               | 2.10                    | Profit retention for the year                                                       |

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

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

Unit: Thousand Yuan Currency: RMB

| Item                                                              | As at June 30, 2020 |                | As at December 31, 2019 |                | Increase/decrease |              |
|-------------------------------------------------------------------|---------------------|----------------|-------------------------|----------------|-------------------|--------------|
|                                                                   | Amount              | Ratio          | Amount                  | Ratio          | Amount            | Ratio        |
| <b>Non - current assets</b>                                       |                     |                |                         |                |                   |              |
| Property and equipment                                            | 4,729,751           | 0.80%          | 4,668,116               | 0.83%          | 61,635            | 1.32%        |
| Investment properties                                             | 512,160             | 0.09%          | 527,089                 | 0.09%          | (14,929)          | (2.83)%      |
| Goodwill                                                          | 2,450,192           | 0.41%          | 2,333,862               | 0.42%          | 116,330           | 4.98%        |
| Other intangible assets                                           | 5,734,911           | 0.97%          | 5,711,457               | 1.02%          | 23,454            | 0.41%        |
| Interest in associates                                            | 15,961,360          | 2.69%          | 14,974,547              | 2.66%          | 986,813           | 6.59%        |
| Interest in joint ventures                                        | 659,538             | 0.11%          | 664,458                 | 0.12%          | (4,920)           | (0.74)%      |
| Debt investment at amortised cost                                 | 11,814,088          | 1.99%          | 15,128,953              | 2.69%          | (3,314,865)       | (21.91)%     |
| Financial assets at fair value through other comprehensive income | 13,339,458          | 2.25%          | 11,232,633              | 2.00%          | 2,106,825         | 18.76%       |
| Financial assets at fair value through profit or loss             | 7,145,237           | 1.20%          | 6,966,333               | 1.24%          | 178,904           | 2.57%        |
| Refundable deposits                                               | 14,567,603          | 2.45%          | 12,653,540              | 2.25%          | 1,914,063         | 15.13%       |
| Deferred tax assets                                               | 194,173             | 0.03%          | 202,825                 | 0.04%          | (8,652)           | (4.27)%      |
| Other non-current assets                                          | 242,705             | 0.04%          | 260,669                 | 0.05%          | (17,964)          | (6.89)%      |
| <b>Total non-current assets</b>                                   | <b>77,351,176</b>   | <b>13.02%</b>  | <b>75,324,482</b>       | <b>13.40%</b>  | <b>2,026,694</b>  | <b>2.69%</b> |
| <b>Current assets</b>                                             |                     |                |                         |                |                   |              |
| Accounts receivable                                               | 7,439,551           | 1.25%          | 5,511,168               | 0.98%          | 1,928,383         | 34.99%       |
| Margin accounts receivable                                        | 78,311,668          | 13.18%         | 69,006,280              | 12.27%         | 9,305,388         | 13.48%       |
| Debt investment at amortised cost                                 | 7,917,074           | 1.33%          | 4,610,805               | 0.82%          | 3,306,269         | 71.71%       |
| Financial assets at fair value through profit or loss             | 245,437,137         | 41.31%         | 245,829,339             | 43.73%         | (392,202)         | (0.16)%      |
| Financial assets at fair value through other comprehensive income | 2,641,721           | 0.44%          | 1,125,342               | 0.20%          | 1,516,379         | 134.75%      |
| Derivative financial assets                                       | 2,787,677           | 0.47%          | 1,858,041               | 0.33%          | 929,636           | 50.03%       |
| Financial assets held under resale agreements                     | 17,257,140          | 2.90%          | 18,466,280              | 3.28%          | (1,209,140)       | (6.55)%      |
| Other receivables and prepayments                                 | 928,771             | 0.16%          | 880,271                 | 0.16%          | 48,500            | 5.51%        |
| Clearing settlement funds                                         | 5,806,368           | 0.98%          | 6,755,604               | 1.20%          | (949,236)         | (14.05)%     |
| Cash held on behalf of brokerage clients                          | 108,258,402         | 18.22%         | 82,959,838              | 14.76%         | 25,298,564        | 30.49%       |
| Cash and bank balances                                            | 40,027,531          | 6.74%          | 49,853,188              | 8.87%          | (9,825,657)       | (19.71)%     |
| <b>Total current assets</b>                                       | <b>516,813,040</b>  | <b>86.98%</b>  | <b>486,856,156</b>      | <b>86.60%</b>  | <b>29,956,884</b> | <b>6.15%</b> |
| <b>Total assets</b>                                               | <b>594,164,216</b>  | <b>100.00%</b> | <b>562,180,638</b>      | <b>100.00%</b> | <b>31,983,578</b> | <b>5.69%</b> |

| Item                                                       | As at June 30, 2020 |                | As at December 31, 2019 |                | Increase/decrease |               |
|------------------------------------------------------------|---------------------|----------------|-------------------------|----------------|-------------------|---------------|
|                                                            | Amount              | Ratio          | Amount                  | Ratio          | Amount            | Ratio         |
| <b>Current liabilities</b>                                 |                     |                |                         |                |                   |               |
| Short-term bank loans                                      | 8,424,558           | 1.81%          | 5,724,131               | 1.31%          | 2,700,427         | 47.18%        |
| Accounts payable to brokerage clients                      | 118,109,942         | 25.35%         | 89,817,920              | 20.58%         | 28,292,022        | 31.50%        |
| Derivative financial liabilities                           | 3,500,453           | 0.75%          | 1,278,399               | 0.29%          | 2,222,054         | 173.82%       |
| Financial liabilities at fair value through profit or loss | 8,449,646           | 1.81%          | 4,689,620               | 1.07%          | 3,760,026         | 80.18%        |
| Financial assets sold under repurchase agreements          | 95,469,565          | 20.49%         | 109,719,045             | 25.13%         | (14,249,480)      | (12.99)%      |
| Employee benefits payable                                  | 1,940,699           | 0.42%          | 2,573,753               | 0.59%          | (633,054)         | (24.60)%      |
| Current tax liabilities                                    | 1,134,178           | 0.24%          | 388,154                 | 0.09%          | 746,024           | 192.20%       |
| Placements from other financial institutions               | 3,028,181           | 0.65%          | 11,362,598              | 2.60%          | (8,334,417)       | (73.35)%      |
| Short-term debt instruments issued                         | 29,783,201          | 6.39%          | 46,425,196              | 10.64%         | (16,641,995)      | (35.85)%      |
| Long-term bonds due within one year                        | 8,235,753           | 1.77%          | 14,716,533              | 3.37%          | (6,480,780)       | (44.04)%      |
| Contract liabilities                                       | 30,079              | 0.01%          | 19,179                  | –              | 10,900            | 56.83%        |
| Other payables and accruals                                | 106,087,811         | 22.77%         | 86,836,626              | 19.89%         | 19,251,185        | 22.17%        |
| <b>Total current liabilities</b>                           | <b>384,194,066</b>  | <b>82.47%</b>  | <b>373,551,154</b>      | <b>85.57%</b>  | <b>10,642,912</b> | <b>2.85%</b>  |
| <b>Net current assets</b>                                  | <b>132,618,974</b>  | <b>–</b>       | <b>113,305,002</b>      | <b>–</b>       | <b>19,313,972</b> | <b>17.05%</b> |
| <b>Total assets less current liabilities</b>               | <b>209,970,150</b>  | <b>–</b>       | <b>188,629,484</b>      | <b>–</b>       | <b>21,340,666</b> | <b>11.31%</b> |
| <b>Non-current liabilities</b>                             |                     |                |                         |                |                   |               |
| Financial liabilities at fair value through profit or loss | 3,017,572           | 0.65%          | 2,690,563               | 0.62%          | 327,009           | 12.15%        |
| Long-term bonds                                            | 67,601,647          | 14.51%         | 49,899,825              | 11.43%         | 17,701,822        | 35.47%        |
| Long-term employee benefits payable                        | 6,858,497           | 1.47%          | 6,360,633               | 1.46%          | 497,864           | 7.83%         |
| Long-term bank loans                                       | 862,632             | 0.19%          | 850,997                 | 0.19%          | 11,635            | 1.37%         |
| Deferred tax liabilities                                   | 2,529,116           | 0.54%          | 2,566,800               | 0.59%          | (37,684)          | (1.47)%       |
| Other payables and accruals                                | 807,432             | 0.17%          | 605,958                 | 0.14%          | 201,474           | 33.25%        |
| <b>Total non-current liabilities</b>                       | <b>81,676,896</b>   | <b>17.53%</b>  | <b>62,974,776</b>       | <b>14.43%</b>  | <b>18,702,120</b> | <b>29.70%</b> |
| <b>Net assets</b>                                          | <b>128,293,254</b>  | <b>–</b>       | <b>125,654,708</b>      | <b>–</b>       | <b>2,638,546</b>  | <b>2.10%</b>  |
| <b>Shareholders' equity</b>                                |                     |                |                         |                |                   |               |
| Share capital                                              | 9,076,650           | 7.07%          | 9,076,650               | 7.22%          | –                 | –             |
| Reserves                                                   | 90,456,152          | 70.51%         | 90,282,418              | 71.85%         | 173,734           | 0.19%         |
| Treasury share                                             | (1,284,837)         | (1.00)%        | –                       | –              | –                 | –             |
| Retained profits                                           | 26,807,689          | 20.90%         | 23,178,411              | 18.45%         | 3,629,278         | 15.66%        |
| Total equity attributable to shareholders of the Company   | 125,055,654         | 97.48%         | 122,537,479             | 97.52%         | 2,518,175         | 2.06%         |
| Non-controlling interests                                  | 3,237,600           | 2.52%          | 3,117,229               | 2.48%          | 120,371           | 3.86%         |
| <b>Total shareholders' equity</b>                          | <b>128,293,254</b>  | <b>100.00%</b> | <b>125,654,708</b>      | <b>100.00%</b> | <b>2,638,546</b>  | <b>2.10%</b>  |

As of June 30, 2020, total non-current assets of the Group amounted to RMB77,351 million, representing an increase of RMB2,027 million as compared to the beginning of the year, which was mainly due to the increase in refundable deposits and financial assets at fair value through other comprehensive income of RMB1,914 million and RMB2,107 million, respectively, and the decrease in debt investment at amortised cost of RMB3,315 million as compared to the beginning of the year.

As of June 30, 2020, total non-current liabilities of the Group amounted to RMB81,677 million, representing an increase of RMB18,702 million as compared to the beginning of the year, which was mainly due to the increase in long-term bonds of RMB17,702 million.

As of June 30, 2020, total current assets of the Group amounted to RMB516,813 million, representing an increase of RMB29,957 million as compared to the beginning of the year, which was mainly due to the increase in cash held on behalf of brokerage clients of RMB25,299 million.

As of June 30, 2020, total current liabilities of the Group amounted to RMB384,194 million, representing an increase of RMB10,643 million as compared to the beginning of the year, which was mainly due to the increase in accounts payable to brokerage clients of RMB28,292 million, the increase in other payables and accruals of RMB19,251 million, the decrease in financial assets sold under repurchase agreements and short-term debt instruments of RMB14,249 million and RMB16,642 million as compared to the beginning of the year, respectively.

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

As of the end of the Reporting Period, major restricted assets of the Group totaled RMB106,336,486 thousand, including bank balances, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and debt investment at amortised cost. Except for the above assets, no prime assets of the Group were seized, detained, frozen, mortgaged or pledged so that they could or could not be realized, or could not be used to pay the debts only under a certain condition. There was no circumstance or arrangement under which the prime assets were occupied, used or benefited or the disposal of them was limited.

## *3. Structure and quality of assets*

As of June 30, 2020, total shareholders' equity of the Group amounted to RMB128,293 million, representing an increase of RMB2,639 million or 2.10% as compared to that of the end of 2019, which was mainly due to the effects of profit retention plus the distribution of dividends and share repurchase by the Group during the Reporting Period.

The asset structure of the Group continued to be optimized and the assets maintained good quality and liquidity. As of June 30, 2020, total assets of the Group amounted to RMB594,164 million, representing an increase of RMB31,984 million or 5.69% as compared to the beginning of the year. Specifically, monetary capital and clearing settlement funds amounted to RMB154,092 million, accounting for 25.94% of the total assets; margin accounts receivable amounted to RMB78,312 million, accounting for 13.18% of the total assets; financial assets at fair value through profit or loss amounted to RMB252,582 million, accounting for 42.51% of the total assets; debt investment at amortization cost and financial assets at fair value through other comprehensive income amounted to RMB35,712 million, accounting for 6.01% of the total assets; property and equipment, investment properties and other intangible assets accounted for 1.86% of the total assets. Most of the assets have strong cashability. The Group's assets have strong liquidity and the asset structure is reasonable.

During the Reporting Period, the Group's debt-to-assets ratio has decreased. As of June 30, 2020, the liabilities of the Group amounted to RMB465,871 million, representing an increase of RMB29,345 million or 6.72%, mainly due to the increase in securities brokerage services. The debt-to-assets ratio was 73.05% (excluding the impact of customer funds), representing a decrease of 0.35 percentage point as compared to the beginning of the year. During the Reporting Period, The structure of the liabilities of the Group has been adjusted. Bonds payable increased by RMB11,221 million as compared to the beginning of the year, and short-term financing funds payable and financial assets sold under repurchase agreements decreased by RMB16,642 million and RMB14,249 million, respectively.

As of June 30, 2020, the Group obtained funds through borrowings and debt financing instruments. As of the end of the Reporting Period, total amount of the placements from other financial institutions of the Group amounted to RMB117,936 million. Details are shown as follows:

Unit: Thousand Yuan Currency: RMB

| <b>Borrowings and debt financing plans</b>                  | <b>As of<br/>June 30, 2020</b> |
|-------------------------------------------------------------|--------------------------------|
| Placement from China Securities Finance Corporation Limited | —                              |
| Placement from other financial institutions                 | 3,028,181                      |
| Short-term borrowings                                       | 8,424,558                      |
| Short-term financing funds payable                          | 29,783,201                     |
| Long-term borrowings                                        | 862,632                        |
| Bonds payable                                               | 75,837,400                     |
| <b>Total</b>                                                | <b>117,935,972</b>             |

Borrowings and debt-financing with a financing maturity of more than one year were RMB68,464 million, accounting for 58.05%. Among them, programs with a financing maturity of one to two years were RMB29,366 million, those with a financing maturity of two to five years were RMB38,236 million and those with a financing maturity of more than five years were RMB862 million. Borrowings and debt-financing with a financing maturity of less than one year were RMB49,472 million, accounting for 41.95%.

As of June 30, 2020, the Group's borrowings and debt financing with fixed interest rate were RMB98,063 million. In particular, the balance of short-term borrowings was RMB8,425 million; the balance of placement from other financial institutions was RMB3,028 million; the balance of income receipts with fixed interest rate was RMB7,132 million; short-term financing bonds were RMB8,008 million; the balance of corporate bonds was RMB57,030 million; the balance of subordinated debts was RMB8,052 million; and the balance of foreign debts was RMB6,388 million.

As of June 30, 2020, cash and cash equivalents of the Group amounted to RMB58,152 million, of which RMB cash and cash equivalents accounted for 79.99%.

As of June 30, 2020, among the Group's short-term bank borrowings, RMB110 million were pledge borrowings and RMB8,315 million were credit borrowings.

As of June 30, 2020, all of the Group's long-term borrowings were credit borrowings.

#### 4. *Analysis of profitability*

In the first half of 2020, the COVID-19 epidemic has had a significant impact around the globe. The Group firmly implemented the "two-pronged" ("雙輪驅動") development strategy of wealth management and institutional services, and enhanced its digital operation capability with technology empowerment. Its main businesses have been growing steadily, and its comprehensive strength was firmly in the forefront of the industry. The market rankings of the Group's key business indicators in terms of stock fund trading volume, financing balance, amount of equity underwriting and amount of mergers and acquisitions approved by and registered with the CSRC were in leading positions in the industry. The Group achieved satisfactory performance in private equity investment business based on its accumulated strength under the forward-looking arrangement, and a rapid development in international business with effective synergy. The Group's general profitability remained stable.

#### 5. *Explanations on the changes in the scope of consolidation of the statements*

##### (1) Business combination involving enterprises not under common control

In February 2020, the Group completed the acquisition of WBI OBS Financial, LLC. WBI OBS Financial, LLC and its subsidiaries became the subsidiaries indirectly held by the Group and were incorporated into its consolidated financial statements. During the Reporting Period, three new subsidiaries of the Group were incorporated into its consolidated financial statements.

- (2) Changes in the scope of consolidation as a result of a decrease of structured entities included into the consolidation scope

The Group consolidated the structured entities where the Group concurrently serves as the manager or investment adviser and investor, and where the Group will be, upon comprehensive assessment, significantly affected by variable returns due to the returns attributable to it for its investment and remuneration as the manager of the structured entities (mainly refers to asset management plan). The structured entities of the Group, which were included in the consolidated statement during the year, decreased by 4 with another 3 added as compared with last year.

#### 6. *Analysis of income tax policy*

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

#### 7. *Analysis of financing channels and financing capacity*

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

Liquidity management  
policies and measures

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

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

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

Analysis of financing  
capability and  
financing strategy

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

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

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

Contingencies and  
their impacts on the  
financial situation of  
the Company

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### ***(III) Analysis of investments***

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

As of the end of the Reporting Period, long-term equity investments of the Group amounted to RMB16.621 billion, representing an increase of RMB0.982 billion or 6.28% as compared to RMB15.639 billion as at the beginning of the period. For details of the overall situation of the Group's external equity investment, please refer to Note 20 headed "Interest in associates" and Note 21 headed "Interest in joint ventures" in the financial statements in this report.

- (1) The Company had no significant equity investment
- (2) The Company had no significant non-equity investment
- (3) Financial assets measured at fair value

Unit: Thousand Yuan Currency: RMB

| Item                                                              | Balance at the end of last period | Balance at the end of current period | Investment gains during the Reporting Period | The changed amount of fair value during the Reporting Period |
|-------------------------------------------------------------------|-----------------------------------|--------------------------------------|----------------------------------------------|--------------------------------------------------------------|
| Financial assets at fair value through profit or loss             | 252,795,672                       | 252,582,374                          | 10,512,918                                   | 2,491,229                                                    |
| Financial assets at fair value through other comprehensive income | 12,357,975                        | 15,981,179                           | 36,932                                       | (270,580)                                                    |
| Derivative financial instruments                                  | 579,642                           | (712,776)                            | (4,224,149)                                  | (2,602,723)                                                  |

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

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

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

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

Under the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) (《關於核准华泰證券股份有限公司首次公開發行股票的批覆》(證監許可[2010]138號)) issued by the CSRC, the Company publicly issued 784,561,275 ordinary shares in RMB to the public on February 9, 2010, each stock of which was RMB1.00 at an offering price of RMB20.00, and the total amount of funds raised was RMB15,691,225,500.00. The raised funds after deducting the underwriting fee and sponsoring fee of RMB130,000,000.00 amounted to RMB15,561,225,500.00, which were all in place on February 12, 2010, and verified by Jiangsu Talent Certified

Public Accountants with the capital verification report of “Tian Heng Yan Zi (2010) No. 009”. As of December 31, 2012, all the principal of the funds raised from the IPO was used up and the accumulative amount of RMB15.681 billion of the raised funds (including interest of raised funds of RMB119.8082 million) were used. All of the accounts designated for the use of raised funds of the Company had been cancelled with settlement of interests.

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

Upon the Approval for the Non-Public Issuance of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) (《關於核准华泰證券股份有限公司非公開發行股票的批覆》(證監許可[2018]315號)) issued by the CSRC, the Company completed the non-public issuance of 1,088,731,200 RMB denominated ordinary shares (A Shares) in July 2018, each with a nominal value of RMB1.00 at an offering price of RMB13.05 and the total amount of funds raised was RMB14,207,942,160.00. After deducting the issuing fees of RMB74,736,488.79 related to the non-public offering (including underwriting sponsorship fee, attorney fee, accountant fee, information disclosure fee, issuance registration fee, stamp duty and other fees), the net funds raised were RMB14,133,205,671.21, which were all in place on July 31, 2018 and were verified by KPMG Huazhen LLP with the capital verification report (KPMG Huazhen Yan Zi No. 1800286). As of December 31, 2019, all the funds raised from the Non-Public Issuance of the Company were used up and the accumulative amount of RMB14,184,000,000 of the raised funds (including current interest income generated by raised funds) were used. Accounts designated for the use of raised funds of the Company have been cancelled.

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

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

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the initial public issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains/losses of the Company on the basis of total raised funds from the issuance of H Shares were RMB78,357,078.57. As of the end of the Reporting Period, RMB30,666,026,830.62 (including interest of raised funds and exchange gains/losses) of funds raised from the H Share issuance was used in total.

As of the date of this report, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by partially exercising the overallotment option, has used raised funds of: RMB18,352,613,762.96 for capital intermediary business such as developing margin financing and securities lending; RMB3,058,768,960.49 for expanding investment and transaction businesses; RMB3,058,768,960.49 for capital increase in Huatai Purple Gold Investment and Huatai Asset Management; RMB3,658,506,345.91 for expanding overseas business; and RMB2,537,368,800.77 for daily operation and other general enterprise purposes. Apart from the above usages, surplus of the Company's proceeds of RMB19,852.89 (including interest of raised funds and exchange gains/losses) was not used and was put into the bank account of the Company. As of June 30, 2020, planned use of the Company's funds raised from H Share issuance was consistent with that disclosed in the prospectus with no change. The Company will continue to put funds raised from H Share issuance into operation according to the development strategy, market conditions and use plan of funds raised from H Share issuance.

③ Overview of the use of funds raised from the issuance of GDRs

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

As of the end of the Reporting Period, the Company, with respect to its GDRs, has used raised funds of: RMB3,547,720,085.15, calculated at actual exchange rate on the date of settlement for continuous investment in the existing main businesses, deeply cultivating the business sectors such as wealth management, institutional services and investment management, and further promoting the business transformation and upgrading; RMB1,000,000,000.00, calculated at actual exchange rate on the date of settlement of foreign currency, for supplementing working capital and meeting general enterprise purposes; USD736,162,689.29 for supporting the internal and external growth of international business, and expanding overseas strategic layout. Apart from the above uses, the Company's remaining proceeds

of RMB1,965,331,868.02 (including interest of raised funds, exchange gains/losses and outstanding issuing fees, at the exchange rate at the end of the Reporting Period) were not used and were put into the special bank account of the Company. As of June 30, 2020, planned use of the Company's funds raised from the issuance of GDRs was consistent with that agreed in the GDR prospectus with no change. The Company will continue to put the funds raised from GDR issuance into operation according to the development strategy, market conditions and usage plan of GDR funds raised from the issuance of GDRs.

### Overview of the use of raised funds

Unit: Ten Thousand Yuan Currency: RMB

| Raising year                                        | Raising method                        | Total amount<br>of raised funds | Total amount<br>of raised funds | Total amount<br>of raised funds | Total amount<br>of raised funds | Usage and whereabouts<br>of raised funds unused                                                                                                                                       |
|-----------------------------------------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     |                                       |                                 | used in the<br>Reporting Period | used<br>accumulatively          | yet to be used                  |                                                                                                                                                                                       |
| 2019                                                | GDR offering                          | 1,131,303.69                    | 513,561.82                      | 968,333.82                      | 196,533.19                      | Supporting endogenous and extensive growth of international business, continue to invest the existing main businesses, replenish working capital and meet general enterprise purposes |
| 2018                                                | Non-Public offering<br>(A Shares)     | 1,420,794.22                    | -                               | 1,418,421.26                    | -                               | -                                                                                                                                                                                     |
| 2015                                                | Initial public offering<br>(H Shares) | 3,058,768.96                    | 60,031.91                       | 3,066,602.68                    | 1.99                            | Used as working capital and for other purposes                                                                                                                                        |
| 2010                                                | Initial public offering<br>(A Shares) | 1,556,122.55                    | -                               | 1,568,103.37                    | -                               | -                                                                                                                                                                                     |
| Total                                               | -                                     | 7,166,989.42                    | 573,593.73                      | 7,021,461.13                    | 196,535.18                      | -                                                                                                                                                                                     |
| Notes to the overview of the use<br>of raised funds |                                       | -                               |                                 |                                 |                                 |                                                                                                                                                                                       |

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

### 3. Projects not funded by raised funds

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

**(IV) There were no sales of significant assets or equities by the Company during the Reporting Period**

**(V) There was no bankruptcy or restructuring, merger or division, major disposal, acquisition, replacement or stripping of assets or restructuring of other companies by the Company during the Reporting Period**

**(VI) Analysis of key subsidiaries**

Unit: Ten Thousand Yuan Currency: RMB

| Company Name                                                                                                                                                                                                                                                                                                                                                         | Shareholding percentage of the Company | Address                                                                                                                                                  | Date of establishment | Responsible person | Telephone No. | Registered capital | Total assets | Net assets   | Operating revenue | Total profit | Net profit |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|---------------|--------------------|--------------|--------------|-------------------|--------------|------------|
| Huatai United Securities Co., Ltd.                                                                                                                                                                                                                                                                                                                                   | 99.92%                                 | 401, Building B7, Qianhai Shenzhen-Hong Kong Fund Town, No. 128 Guiwan Fifth Road, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen | September 5, 1997     | Jiang Yu           | 010-56839300  | 99,748.00          | 638,517.84   | 366,753.14   | 93,544.85         | 27,257.30    | 20,444.06  |
| Main businesses: securities underwriting and sponsorship (excluding treasury bonds, non-financial corporate debt financing instruments and financial bond underwriting); financial advisory for securities trading and investment related activities; other businesses approved by the CSRC.                                                                         |                                        |                                                                                                                                                          |                       |                    |               |                    |              |              |                   |              |            |
| Huatai Securities (Shanghai) Asset Management Co., Ltd.                                                                                                                                                                                                                                                                                                              | 100%                                   | Room 1222, 6 Jilong Road, China (Shanghai) Pilot Free Trade Zone                                                                                         | October 16, 2014      | Cui Chun           | 021-28972188  | 260,000.00         | 888,532.45   | 768,543.68   | 129,903.09        | 85,448.57    | 64,587.60  |
| Main businesses: securities asset management; publicly offered securities investment funds management. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).                                                                                                                                                  |                                        |                                                                                                                                                          |                       |                    |               |                    |              |              |                   |              |            |
| Huatai Purple Gold Investment Co., Ltd.                                                                                                                                                                                                                                                                                                                              | 100%                                   | 180 Hanzhong Road, Nanjing, the PRC                                                                                                                      | August 12, 2008       | Cao Qun            | 025-83389999  | 600,000.00         | 1,429,509.85 | 1,011,476.66 | 218,331.36        | 213,139.93   | 159,767.33 |
| Main businesses: equity investment, debt investment, other fund investments associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment, and financial consulting. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities). |                                        |                                                                                                                                                          |                       |                    |               |                    |              |              |                   |              |            |

| Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the Company |  | Shareholding percentage of the 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| Shareholding percentage of the                                                                                                                              |         | Shareholding percentage of the                                                                |                       |                    |               |                    |                |               |                   |              |            |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------------|-----------------------|--------------------|---------------|--------------------|----------------|---------------|-------------------|--------------|------------|--|
| Company Name                                                                                                                                                | Company | Address                                                                                       | Date of establishment | Responsible person | Telephone No. | Registered capital | Total assets   | Net assets    | Operating revenue | Total profit | Net profit |  |
| China Southern Asset Management Co., Ltd.                                                                                                                   | 41.16%  | 32-42/F, Fund Mansion, 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen            | March 6, 1998         | Zhang Haibo        | 0755-82763888 | 36,172.00          | 967,297.58     | 746,371.72    | 214,031.50        | 79,508.40    | 59,213.92  |  |
| Main businesses: fund raising, fund sales, asset management and other businesses approved by the securities regulatory authorities under the State Council. |         |                                                                                               |                       |                    |               |                    |                |               |                   |              |            |  |
| Huatai-PineBridge Fund Management Co., Ltd.                                                                                                                 | 49%     | 17/F, Building 1, Shanghai Zendaï Wudaokou Square, Lane 1199, Minsheng Road, China (Shanghai) | November 18, 2004     | Jia Bo             | 021-38601777  | 20,000.00          | 143,496.05     | 111,560.75    | 46,348.95         | 16,644.89    | 12,674.73  |  |
| Main businesses: fund raising, fund sales, asset management and other businesses approved by the CSRC.                                                      |         |                                                                                               |                       |                    |               |                    |                |               |                   |              |            |  |
| Bank of Jiangsu Co., Ltd.                                                                                                                                   | 5.54%   | 26 Zhonghua Road, Nanjing                                                                     | January 22, 2007      | Xia Ping           | 025-52890919  | 1,154,445.00       | 222,545,792.10 | 15,780,382.70 | 2,505,680.30      | 895,333.90   | 814,569.40 |  |

Note: The financial data of Bank of Jiangsu Co., Ltd. was extracted from the 2020 half-year report of Bank of Jiangsu. The data of net assets represents owner's equity attributable to shareholders of the listing company, and the data of net profit represents net profit attributable to shareholders of the listing company.

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

The structured entities consolidated by the Group mainly refer to the asset management plans with the Group as the manager or investment adviser and the investor. The Group carries out a comprehensive assessment of whether the Group will be significantly affected by variable returns due to the return which the Group is entitled to for the shares held by it and its remuneration as the manager or investment adviser of the asset management plan, and according to which, determines whether the Group is the main responsible party for the asset management plan. As at June 30, 2020, the Group has consolidated 41 structured entities with assets reaching RMB99,596,459,391.95 in total. The amount of the trading financial assets in the balance sheet, which embodied the equity of the Group in the above consolidated structured entities, was RMB23,777,694,508.85.

## ***(VIII) Potential risks and risk prevention measures***

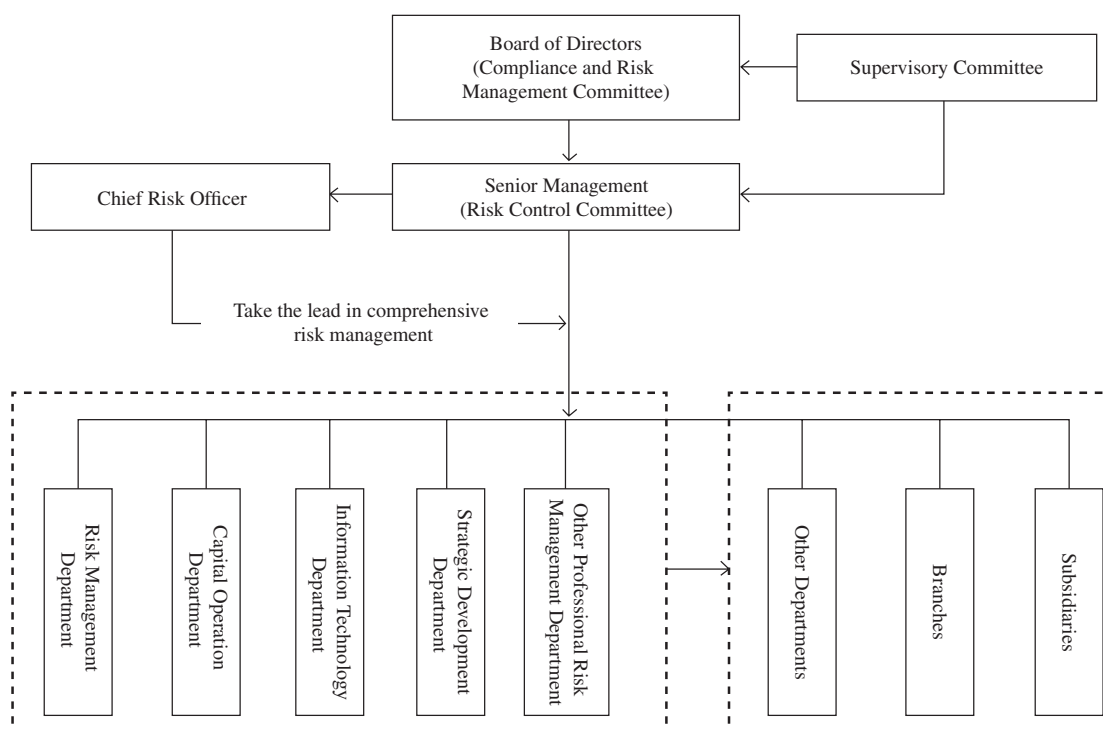
### ***1. Overview of risk management***

The Company attached great importance to risk management. According to regulatory requirements and its current business development, the Company established a relatively sound overall risk management system by taking “high engagement, full coverage and deep penetration” as the principle. The Company has a sound and effective risk management structure with clearly-defined responsibilities and staff at all levels performing their individual duties effectively. The Company worked out a clear risk appetite and tolerance system, which integrated flexibly with development strategies, thereby forming a multi-level risk management system covering the all businesses. In addition, the Company promoted the construction of a collectivized technology-driven risk-management system and built centralized, time-based, quantitative and penetrable pillars for risk management technologies, to improve the effect of risk management of the Group and further strengthen the Group’s ability in overall risk identification, quantitative evaluation and control. The Company included its subsidiaries in the overall risk management system, explored effective risk management patterns for subsidiaries, vigorously deepened the management thinking of centralized and unified professional risk lines, and built a professional risk management system meeting the business development requirements of the Group. The overall risk management system of the Company ran effectively, which practically guaranteed the continuous and healthy development of the Company’s businesses.

During the Reporting Period, the Company comprehensively carried out various risk management with its focus on controlling business risks, developing risk control system and setting up a digital platform. The Company strengthened its risk management and control in key businesses and fields by conducting in-depth investigation into sources of business risks, formulating enhanced control measures and clarifying bottom-line requirements. The Company continued to improve its comprehensive risk management system, study and polish its risk-taking plan at the group level and bottom-line standards, further optimizing its organization structure, mechanism and processes of risk management. Insisting on the empowerment of technology, the Company vigorously established digital risk management platforms. It continued to push forward the construction of the Group’s fourth-phase comprehensive risk management platform (i.e. ERMP system) and built a risk identification system and a risk control system for trading businesses, enhancing the Company’s abilities in risk identification, early warning and detection, measurement monitoring and risk management.

During the Reporting Period, the Company was notified by the CSRC that the Company had been approved to implement the consolidated supervision pilot program. The Company will be, in accordance with the relevant regulatory rules and requirements, braced for various tasks related to the consolidated supervision pilot program to constantly improve the Group's risk management system and build up its risk management capability that matches its business development, ensuring the healthy development of the Company. Meanwhile, the Company will redouble its efforts in risk management and strengthen the establishment of the Group's risk management systems, so as to build its competitive strength in risk management with Huatai's characteristics and make new contributions in serving the real economy, optimizing resources allocation and pursuing steady development of the multi-level capital market.

## 2. Risk management structure



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

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

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

The Company appoints the Risk Management Department to perform the overall risk management duties and take the lead in managing market risk, credit risk and operational risk of the Company; appoints the Capital Operation Department to take the lead in managing the liquidity risk of the Company; appoints the Information Technology Department to take the lead in managing the information technology risk of the Company; and appoints the Strategic Development Department to take the lead in managing the reputation risk of the Company. Other departments, branches and subsidiaries of the Company are responsible for handling various risks in their respective lines, implementing policies, procedures and measures formulated by the Company and the leading professional risk management departments, accepting guidance from various leading risk management departments and decomposing the management and solutions of various risks. The Audit Department includes overall risk management into auditing matters, makes independent and objective review and evaluation on the adequacy and effectiveness of the overall risk management, and is responsible for taking the lead or entrusting external professional institutions to evaluate the overall risk management system of the Company at regular intervals.

### 3. *Market Risk*

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

During the Reporting Period, the Company has taken a series of measures to prevent market risks amid the outbreak of the COVID-19 epidemic and the turbulence in the global capital markets. In respect of equity securities investment, guided by the de-directional investment concept, the Company took the initiative to hedge exposure risks in an attempt to avoid the significant market volatilities, and grasp transaction opportunities to adjust its positions in a dynamic way while trying its best to maintain market neutral, and meanwhile it also paid attention to the market liquidity of investment targets and high dispersion of assets held. In respect of fixed-income securities investment, the Company leveraged interest rate derivatives to effectively hedge market risks, adjusted its position structure to cope with the impact of interest rate fluctuations in the term structure on investment portfolio, and sought the opportunities brought by mispricing to increase overall returns on the basis of controlling the overall duration, basis point value and value at risk (VaR). In respect of derivatives business, the Company adopted market neutral strategy for both OTC derivatives business and market making business for exchange-traded options, to keep risk exposures related to the Greeks such as Delta, Gamma and Vega within tolerable limits, creating profit opportunities based on controllable risks. As for targets of OTC derivatives business, while meeting regulatory requirements, the Company established strict management standards for pool entry, performance guarantee ratio, liquidity and concentration of targets to effectively prevent market risk and counterparty default risk.

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

Currency: RMB

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

|                       | The Company               |                           | The Group                 |                           |
|-----------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                       | As at the end of mid-2020 | As at the end of mid-2019 | As at the end of mid-2020 | As at the end of mid-2019 |
| Equity-sensitive      |                           |                           |                           |                           |
| Financial Instruments | 3,607                     | 3,040                     | 7,504                     | 5,591                     |
| Interest-sensitive    |                           |                           |                           |                           |
| Financial Instruments | 4,073                     | 4,201                     | 4,272                     | 4,209                     |
| Commodity-sensitive   |                           |                           |                           |                           |
| Financial Instruments | 128                       | 290                       | 335                       | 912                       |
| Overall Portfolio     |                           |                           |                           |                           |
| Risk Value            | 5,642                     | 5,317                     | 8,820                     | 6,650                     |

Source: Internal statistics of the Company

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

Currency: RMB

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

|             | At the beginning of the period | At the end of the period | Maximum value | Minimum value |
|-------------|--------------------------------|--------------------------|---------------|---------------|
| The Group   | 9,069                          | 8,820                    | 12,969        | 7,507         |
| The Company | 7,570                          | 5,642                    | 10,364        | 4,711         |

Source: Internal statistics of the Company

#### 4. *Credit risk*

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

During the Reporting Period, as the market has recovered from the bottoming out due to the COVID-19 epidemic, the risk of the Company's financing business and the amount of claims to be recovered remained relatively stable from the previous period. The Company also fully set aside provisions for related risk items. In terms of financing business, the Company has always been committed to robust customer and underlying management, conducted continuous dynamic monitoring and timely risk resolution and other whole-process control measures, and thoroughly controlled the business credit risk. In terms of investment business, in the context of frequent bond defaults, the Company established the unified management system for issuers, enhanced the Group's overall risk identification and control capabilities by systematically monitoring the total investments of the same issuer of the Group's various business units, and conducted bottom-line control on investments in credit bonds of key industries while steadily promoting the credit analysis management system (CAMS system). In terms of trading business, the Company further expanded the coverage area of unified management for the line of credit to counterparties at the group level and enhanced systematic control to strictly control the business risk exposure. In terms of guarantee settlement business, the Company tried its best to enhance the management system for customers' qualifications and customer access standards to improve the front-end control of risk indicator design, and pushed forward the establishment of systems to strengthen its abilities of risk events handling and risk transmission controlling. Meanwhile, the Company promoted the development of the Group's unified customer penetration management system, put the management mechanism for customers' ESG risks in place, and comprehensively sort out and formed credit risk points to enhance measures for control bottom line and consolidate the unified credit risk management system, further improving its ability to respond to complex external credit environment and providing strong risk control guarantee for the development of all credit businesses.

#### 5. *Liquidity risk*

Liquidity risk refers to the risk in which the Company cannot obtain sufficient funds at reasonable costs in time to meet due debts, perform other payment obligations and provide sufficient capital for the operation of normal businesses.

During the Reporting Period, the Company constantly improved the capital use system, strengthened capital position management and ensured day time liquidity safety. Based on the principle of due prudence, the Company set up an analysis framework for liquidity indicators including cash flow and set appropriate risk limits, daily monitoring the framework through the information technology system to improve the efficiency of identifying and managing liquidity risk. The Company regularly and occasionally analyzed the cash flow and liquidity indicators under stressful scenarios, evaluated the Company's ability to bear liquidity risk, analyzed the stress test results, and persistently raised the Company's pressure resistance against liquidity risk. The Company increased its support related to liquidity risk for subsidiaries to improve the liquidity risk management capabilities of its subsidiaries, and made efforts to establish an intergroup liquidity contingency

system. The Company, according to the risk appetite, built adequate liquidity asset reserves and maintained sufficient liquidity assets with high quality to meet liquidity needs under stressful scenarios in a timely manner. The Company improved the liquidity risk reporting system to ensure that the management is able to keep abreast of the liquidity risk level and its management status. During the Reporting Period, the Company's liquidity coverage ratio (LCR) and net stable funding rate (NSFR) continued to meet regulatory requirements and were under great control.

#### 6. *Operational risks*

Operational risk refers to the risk of losses caused by inadequate or problematic internal procedures, staff, system and external events.

During the Reporting Period, the Company, centering on both risk prioritization and risks monitoring and detection, facilitated the effective operation of the whole process from operational risk identification, assessment, monitoring, handling to reporting. By virtue of risk prioritization, the Company intensified its efforts in the identification of operational risks in a more careful way and normalized business risk prioritization and control measures, laying a solid foundation for operational risk management; continuously developed and improved its risk identification mechanism to enhance its ability to identify control failures and potential risks; enhanced its in-depth analysis and attribution analysis of operational risk events and improved rectification and tracing mechanisms for common events that occur periodically to find and close control loopholes; optimized risk assessment methods and assessment processes to improve the comprehensiveness and accuracy of assessment and strengthened the tracing of actual control to effectively identify control defects; and solidified risk assessment processes of new business and strengthened retrospective tracing of the actual development of new business that has already been launched, thereby improving business control measures.

#### 7. *Compliance risk*

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

During the Reporting Period, the Company continued to improve the compliance management system, optimized the compliance management mechanism, accelerated the transformation of compliance risk management from passive response to active control; continuously improved business compliance management mechanism, and enhanced the control and support for main businesses through compliance assessment, process analysis, provision of tips and supervision and meeting attendance, etc.; deepened implementation mechanism in fostering staff's compliance concept, improved the compliance training system and enriched training forms, striving to infuse business personnel with regulatory requirements and compliance consciousness and urging the business department to take early action on self-regulation; and prudently carried out compliance audit, timely pointed out compliance issues or defects and proposed regulation suggestions to promote the compliance operation of relevant business or products.

## 8. *Information technology risk*

Information technology risk mainly refers to exposure to losses caused by the failure of the information system to continuously ensure the stable, efficient and safe operation of transaction and business management in terms of business realization, timely response, solving capacity and data security, resulting from technical problems or data leakage out of various internal or external reasons.

The business lines and the middle and back office management of the Company are highly depended on the information technology system, which has become the key support to the operation of businesses of the Company. During the Reporting Period, the Company continued to increase investment in information technology to improve the management process of information technology risks from information technology risk identification, assessment, handling to reporting and promote the implementation of information technology risk management, further improving the effectiveness of risk management. The Company formulated emergency plans for network and information security incidents, conducted regular assessment and drills, and constantly improved emergency plans. The Company upheld the bottom line of technical compliance and kept enhancing quality control on information technology. During the Reporting Period, the Company's information system was operated safely and stably. No major information technology risk events occurred.

## 9. *Reputational risk*

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

During the Reporting Period, the Company's reputational risk management mechanism was running steadily without occurrence of any significant reputational risk events. Focusing on its strategy and key business, the Company increased its communication with domestic and foreign media and intensified its monitoring and handling of reputational risks, which have created a good public sentiment for the Company's development. At the same time, the Company continued to improve its management system and workflow, and strengthened collective management, prior management and internal publicity, further enhancing its response to reputational risk.

## MAJOR EVENTS

### I. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETINGS, MEETINGS OF THE BOARD OF DIRECTORS AND MEETINGS OF THE SUPERVISORY COMMITTEE

| Meeting                     | Convening date | Inspection indexes of the websites designated for publishing the resolutions                                                                                                                                                                                                   | Date of disclosure for publishing the resolutions |
|-----------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| 2019 Annual General Meeting | June 18, 2020  | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a><br><a href="http://www.londonstockexchange.com">http://www.londonstockexchange.com</a><br><a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a> | June 19, 2020                                     |

Explanations on meetings of the Board and the Supervisory Committee are as follows:

| Session                                              | Convening date    | Meeting form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Third Meeting of the Fifth Session of the Board  | January 23, 2020  | By means of teleconference                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | To consider the resolution on the appointment of Ms. Jiao Xiaoning as the Chief Financial Officer of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| The Fourth Meeting of the Fifth Session of the Board | February 28, 2020 | By means of teleconference                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | To consider the resolution on the engagement of the external evaluation institution for compliance management effectiveness for 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| The Fifth Meeting of the Fifth Session of the Board  | March 30, 2020    | By means of onsite & video meetings<br>Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Simulated Video Conference Room, Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22 Fengsheng Alley, Xicheng District, Beijing; Simulated Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; Simulated Video Conference Room, Shenzhen Branch Office of Huatai Securities, 42/F, Fund Mansion, No. 5999 Yitian Road, Shenzhen; Simulated Video London Conference Room, Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center, 99 Queen's Road Central, Hong Kong. | <ol style="list-style-type: none"> <li>To consider the 2019 Work Report of the Senior Management of the Company;</li> <li>To consider the 2019 Final Financial Report of the Company;</li> <li>To consider the 2020 Financial Budget Report of the Company;</li> <li>To consider the proposal on the 2019 profit distribution of the Company;</li> <li>To consider the 2019 Work Report of the Board of the Company;</li> <li>To consider the resolution on the 2019 Annual Report of the Company;</li> <li>To consider the resolution on the 2019 Compliance Report of the Company;</li> <li>To consider the resolution on the 2019 Risk Management Report of the Company;</li> <li>To consider the resolution on the 2019 Internal Control Evaluation Report of the Company;</li> <li>To consider the resolution on the Special Report on Information Technology Management of the Company for 2019;</li> <li>To consider the resolution on the 2019 Corporate Social Responsibility Report of the Company;</li> <li>To consider the proposal on the estimated ordinary transactions with related parties of the Company for 2020;</li> </ol> |

| Session | Convening date | Meeting form | Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------|----------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                |              | <ul style="list-style-type: none"> <li>13. To consider the proposal on the estimated investment amount for the proprietary business of the Company for 2020;</li> <li>14. To consider the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2019;</li> <li>15. To consider the resolution on the re-appointment of the accounting firm by the Company;</li> <li>16. To consider the proposal on the election of Mr. Wang Jianwen as an independent non-executive Director of the fifth session of the Board of the Company;</li> <li>17. To consider the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>18. To consider the resolution on amendments to the System for Investor Relationship Management of Huatai Securities Co., Ltd.;</li> <li>19. To consider the resolution on the repurchase of A shares of the Company through centralized price bidding;</li> <li>20. To consider the resolution on the Key Work Plan for Promoting the Establishment of First-Class Enterprises by Huatai Securities (2020);</li> <li>21. To consider the Report on Performance Assessment and Remuneration of Directors of the Company for 2019;</li> <li>22. To consider the Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Management of the Company for 2019;</li> <li>23. To consider the resolution on convening the 2019 Annual General Meeting of the Company;</li> <li>24. Debriefing of the Work Report of Independent Directors of the Company for 2019;</li> <li>25. Debriefing of the Report on Performance of Duties by the Audit Committee of the Board of the Company for 2019;</li> <li>26. Debriefing of the Work Report of the Chief Compliance Officer of the Company for 2019;</li> <li>27. Debriefing of the Work Report on Anti-money Laundering of the Company for 2019;</li> <li>28. Review of the Report on Net Capital and Other Risk Control Indicators of the Company for 2019.</li> </ul> |

| Session                                                              | Convening date | Meeting form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Sixth Meeting of the Fifth Session of the Board                  | April 29, 2020 | By means of on-site & video meetings<br>Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Medium Conference Room, Beijing Branch Office of Huatai Securities, Floor 18, Building A, China Pacific Insurance Plaza, Fengming International Building, No. 28 Fengsheng Alley, Xicheng District, Beijing; The Seventh Poly Conference Room, Shanghai Branch Office of Huatai Securities, Floor 18, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; Simulated Video Conference Room, Shenzhen Branch Office of Huatai Securities, 42/F, Fund Mansion, No. 5999 Yitian Road, Shenzhen; Simulated Video London Conference Room, Huatai Financial Holdings (Hong Kong) Limited, 62/F, The Center, 99 Queen's Road Central, Hong Kong. | <ol style="list-style-type: none"> <li>1. To consider the resolution on the First Quarterly Report of the Company for 2020;</li> <li>2. To consider the resolution on the Work Outline for the Cultural Construction of Huatai Securities Co., Ltd..</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| The Second Meeting of the Fifth Session of the Supervisory Committee | March 30, 2020 | By means of on-site meeting<br>Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228 Middle Jiangdong Road, Nanjing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <ol style="list-style-type: none"> <li>1. To consider the 2019 Work Report of the Supervisory Committee;</li> <li>2. To consider the proposal on the 2019 Profit Distribution of the Company;</li> <li>3. To consider the resolution on the 2019 Annual Report of the Company;</li> <li>4. To consider the resolution on the 2019 Annual Internal Control Evaluation Report of the Company;</li> <li>5. To consider the Special Report on the Deposit and Actual Use of Raised Funds for 2019;</li> <li>6. To consider the Report on the Performance Assessment and Remuneration of Supervisors of the Company for 2019;</li> <li>7. Debriefing of the Report on Internal Audit of the Company for 2019;</li> <li>8. Debriefing of the Internal Audit Work Plan of the Company for 2020.</li> </ol> |
| The Third Meeting of the Fifth Session of the Supervisory Committee  | April 29, 2020 | By means of on-site meeting<br>Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228 Middle Jiangdong Road, Nanjing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | To consider the resolution on the First Quarterly Report of the Company for 2020.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVE

### *(I) Proposal of profit distribution or capitalization from capital reserve to share capital for the first half of the year*

|                                                                                                                                                                                                 |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Whether to make profit distribution or capitalization of capital reserve into share capital                                                                                                     | No |
| Number of bonus share per 10 shares (share)                                                                                                                                                     | —  |
| Amount of cash dividend per 10 shares (Yuan) (including tax)                                                                                                                                    | —  |
| Number of shares converted per 10 shares (share)                                                                                                                                                | —  |
| Description of proposed profit distribution or capitalization from capital reserves                                                                                                             |    |
| When reviewing the interim report, the Board of Directors of the Company did not draft any proposal of profit distribution or proposal of capitalization from capital reserve to share capital. |    |

## III. PERFORMANCE OF UNDERTAKINGS

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

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

## IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

### **Description of appointment and removal of accounting firm**

As considered and approved at the 2019 Annual General Meeting of the Company, the Company reappointed KPMG Huazhen LLP to provide audit services for the accounting statements and internal control of the Company and its holding subsidiaries for 2020, and issue audit report and internal control audit report for 2020. The audit service fee totaled not more than RMB6 million.

## V. BANKRUPTCY AND RESTRUCTURING

The Company was not involved in any bankruptcy or restructuring during the Reporting Period.

## VI. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was not involved in any new material litigation or arbitration during the Reporting Period.

### (I) *Litigation and arbitration disclosed in ad hoc announcements without subsequent development*

| Summary and type of event                                                                                                                                                                        | Inspection indexes                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Debt disputes between Huatai United Securities, Stone Group (四通集團) and Stone Group Financial Company (四通集團財務公司)                                                                                  | Retrievable in the 2011-2019 annual reports |
| Debt disputes between Huatai United Securities and Beijing Huazi Syndicated Group (北京華資銀團集團)                                                                                                     | Retrievable in the 2011-2019 annual reports |
| Debt disputes between Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司)                              | Retrievable in the 2011-2019 annual reports |
| A considerable over loss in futures account of Zhang Xiaodong, a client of Huatai Futures                                                                                                        | Retrievable in the 2013-2019 annual reports |
| Bill dispute under No. 1 Targeted Assets Management Plan of Huatai Securities Bank of Huafu Xiamen (華福廈門銀行) (Huatai Asset Management as the manager, listed as third person of the civil action) | Retrievable in the 2016-2019 annual reports |

### (II) *Litigation and arbitration not disclosed in ad hoc announcements or with subsequent development*

Unit: Yuan Currency: RMB

During the Reporting Period:

| Plaintiff<br>(claimant)                               | Defendant<br>(respondent)                    | Joint<br>liability<br>party | Type of<br>litigation or<br>arbitration | Basic status<br>of litigation<br>(arbitration) | Amount<br>involved<br>in litigation<br>(arbitration) | Whether<br>litigation<br>(arbitration)<br>forms<br>estimated<br>liabilities and<br>amount | Progress<br>of litigation<br>(arbitration) | Result and<br>effect of<br>litigation<br>(arbitration) | Enforcement<br>of judgment<br>of litigation<br>(arbitration) |
|-------------------------------------------------------|----------------------------------------------|-----------------------------|-----------------------------------------|------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------|
| (Entrust) Chengdu Branch of Bank of Tianjin Co., Ltd. | Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司) |                             | Debt dispute                            | See the notes below                            | 70,537,840                                           | No                                                                                        | See the notes below                        | See the notes below                                    | See the notes below                                          |

1. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd.: The corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 (“12 Shengda bond” (12 聖達債), bond code: 1280443) failed to fully pay off the interest and redeem the principal to Huatai Securities on time. Huatai Securities and other creditors jointly entrusted Chengdu Branch of Bank of Tianjin Co., Ltd. to raise litigation at Sichuan Higher People’s Court on June 7, 2016 according to the decision made at the meeting of bondholders, requesting Sichuan Shengda Group Co., Ltd. to repay the principal amounts and interests. The total principal amount was RMB300 million with the interest at a coupon rate of 7.25% accrued from December 6, 2014 till the date of settlement, and the penalty interest at an annual interest rate of 3.625% accrued from December 6, 2015 till the date of settlement (of which the principal of RMB50 million was attributable to Huatai Securities). The case has been settled through mediation. Sichuan Shengda Group Co., Ltd. agreed to pay the amounts above, confirming that Chengdu Branch of Bank of Tianjin Co., Ltd. is entitled to the priority of claim for the money from disposal of the pledge and that relevant personnel are jointly responsible for liquidation. At present, Sichuan Leshan Intermediate People’s Court, the executive court, is disposing the pledge, among which, 10 million shares of “GWACG” (“長城動漫”, stock code: 000835) went through the second auction on November 21, 2018, and the second largest shareholder of GWACG won the equity with RMB42.68 million. In February 2019, Huatai Securities received the auction proceeds of approximately RMB7.01 million. As of June 30, 2020, the principal, interest and penalty interest receivable by Huatai Securities from Sichuan Shengda Group Co., Ltd. were RMB44,566,800, RMB17,996,800 and RMB7,974,200, respectively. The disposal of the other two pledges is still in progress.

### ***(III) Punishment and public denouncement suffered by the Company during the Reporting Period***

1. On February 13, 2020, the Company received the Decision on Administrative Punishment (Bank Punishment Decision [2020] No. 23) (《行政處罰決定書》(銀罰字[2020]23號)) from the People’s Bank of China. Pursuant to Article 32 of the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》), the People’s Bank of China imposed a fine of RMB8.80 million on the Company for failing to fulfill its obligation of verification of customers’ identities, a fine of RMB0.90 million for failing to report suspicious transactions in accordance with the requirements, and a fine of RMB0.40 million for conducting transactions with customers whose identities were unknown.

The Company has paid such fine within the prescribed time. In respect of the problems stipulated in the Decision on Administrative Punishment, the Company investigated such problems and made rectifications immediately during the period under inspection and, in accordance with the requirements of the “Opinion on Law Enforcement Inspection” (《執法檢查意見書》) of the People’s Bank of China, formulated the “Rectification Plan for Problems Found in Field Inspection of Anti-Money Laundering by the People’s Bank of China” (《關於中國人民銀行反洗錢現場檢查問題的整改方案》), which was considered and approved at the 25th meeting of the fourth session of the Board of the Company. When opening new accounts, the Company has verified the authenticity of customers’ identities and implemented the real-name account management system in strict compliance with the laws, regulations and regulatory requirements. For the problems found in the inspection, the Company has made deep analyses and strictly implemented the rectification plan thereon to comprehensively promote the continuous identification of historical existing customers. Moreover, the Company has further improved its anti-money laundering work mechanism, upgraded its new generation of anti-money laundering system, continued to improve the function of its business system, optimized the process of customer identification and suspicious transaction reporting, and strengthened its anti-money laundering supervision and inspection.

At present, the business operations of the Company are normal and the abovementioned punishment has no material impact on the business operations and financial position of the Company. The Company will continue to strengthen its internal control mechanism on anti-money laundering and improve internal control compliance management in the future, so as to lay a solid foundation for anti-money laundering related work.

2. On March 11, 2020, Shenzhen Securities Regulatory Bureau issued the “Decision on Taking Administrative Regulatory Measures Against Securities Branch of Huatai Securities in Hongli Road, Shenzhen by Issuing Warning Letter” (Decision on Administrative Regulatory Measures Decision [2020] No. 19) (《關於對華泰證券深圳紅荔路證券營業部採取出具警示函行政監管措施的決定》(行政監管措施決定書[2020]19號)) to the Securities Branch of the Company in Hongli Road, Shenzhen. The following problems were identified in the securities branch: first, during the period from May 2018 to March 2019, the securities branch monitored and found that there occurred abnormal trading alerts in the account of the customer surnamed Deng for 14 trading days, but the suspicion was ruled out only through telephone inquiries and sending text messages; second, the customer surnamed Deng said in a telephone call that he/she had handed over his/her account to another person to operate, but the securities branch did not fully investigate the actual operator, the actual beneficiary, the source of the account funds and other material information to prevent risks; third, the securities branch did not carefully verify the customers related to the account with abnormal trading alerts, or report such major abnormal behavior in a timely manner. Shenzhen Securities Regulatory Bureau decided to take an administrative supervision measure against the securities branch by issuing a warning letter, requiring it to further strengthen transaction monitoring and warning of its customers to improve the relevant work process, and diligently verify account anomalies to prevent facilitating customers’ non-compliance in trading activities.

The Company has urged Shenzhen Branch and the Securities Branch in Hongli Road, Shenzhen to make prompt rectification and practice responsibility investigation. The Securities Branch in Hongli Road, Shenzhen has rectified the problems pointed out in the letter, and the relevant personnel involved in the incidents has been strictly held accountable. In addition, the Company has set up a special group for prevention of and coping with over-the-counter funding activities, which organises branches to verify key clients suspected of being engaged in over-the-counter funding activities on a quarterly basis, and makes classification based on the verification results and reports to the regulatory departments in a timely manner.

3. On June 23, 2020, Huatai Futures received the “Decision on Issuance of Warning Letter to Huatai Futures Co., Ltd.” (Decision on Administrative Regulatory Measures [2020] No. 47) (《關於對華泰期貨有限公司採取出具警示函措施的決定》(行政監管措施決定書[2020]47號)) from Zhejiang Securities Regulatory Bureau, mainly stating that Huatai Futures held a president’s office meeting on February 17, 2020, issued a decision on appointment and dismissal on March 13, 2020, and submitted relevant materials to Zhejiang Securities Regulatory Bureau on April 13, 2020, which violated Articles 30 and 31 of the Measures for the Administration of Qualification Requirements for Directors, Supervisors and Senior Management Personnel of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》) and Article 102 of the Measures for

the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》). According to the Article 109 of the Measures for the Supervision and Administration of Futures Companies, Zhejiang Securities Regulatory Bureau decided to take a regulatory measure against Huatai Futures by issuing a warning letter, and include it in the integrity records of the securities and futures market. Zhejiang Securities Regulatory Bureau also required Huatai Futures to learn relevant laws and regulations to raise its awareness of standardized operation, take practical and effective measures to prevent the recurrence of such violations, and submit a written report by July 10, 2020.

On July 9, 2020, Huatai Futures submitted the “Rectification Report on the Delay in Reporting Change of Head of Securities Branch”(《關於營業部負責人變更報送延遲事宜的整改報告》)to Zhejiang Securities Regulatory Bureau. Main rectification measures are as follows: (1) It will pay great attention to reporting work. A special compliance reminder shall be given immediately, and the compliance awareness of responsible departments on reporting work shall be strengthened; (2) A mechanism will be established immediately. Through convening special meetings, it will sort out and analyze the reporting process of changes in information of branches, improve requirements of the system and clarify the reporting responsibilities; (3) It will refine OA process nodes and explore to achieve the tracking and management of reporting work by technical means; (4) Its branches will carry out coordinated rectification to implement the management requirements for information reporting; (5) In response to the risks and impacts arisen from the delayed reporting incident on the Company, the Company will commence its internal accountability procedures according to the provisions of the accountability system when and as appropriate.

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

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

For details of punishment on and rectification of the Company during the Reporting Period, please refer to “(III) Punishment and public denouncement suffered by the Company during the Reporting Period” under “Material litigations and arbitrations” under this section in this report.

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

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

## **IX. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPLICATION**

During the Reporting Period, the Company did not implement any equity incentive plan or employee stock ownership plan.

On July 3, 2019, the Company's Board of Directors adopted, and the Company's sole stockholder approved, the 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan"), which became effective on July 17, 2019, the date of effectiveness of the Company's IPO (as defined below) registration statement on Form S-1. As of June 30, 2020, 3,672,918 shares were available for issuance under the 2019 Equity Incentive Plan.

### **(1) *Restricted Stock Awards (RSAs)***

On July 17, 2019, AssetMark Financial Holdings, Inc. granted the original holders of Class C Common Unites RSAs equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock. The RSAs are subject to the same vesting schedule as the Class C Common Units of AssetMark Holdings, LLC. The RSAs was classified as equity-settled share-based payments by the Group.

Share-based compensation expense related to the RSAs was US\$25.034 million, equivalent to RMB176.032 million, for the six months ended June 30, 2020.

### **(2) *Stock Options***

In connection with the IPO, the Company issued options to certain officers to acquire an aggregate of 918,981 shares of the Company's common stock outside of the 2019 Equity Incentive Plan, with an exercise price of US\$22 dollars per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of July 18, 2019.

Share-based compensation expense related to the stock options was US\$1.167 million, equivalent to RMB8.206 million, for the six months ended June 30, 2020.

AssetMark Financial Holdings, Inc. uses the Black-Scholes options pricing model to estimate the fair value of Stock Options.

### **(3) *Restricted Stock Units (RSUs)***

Also in connection with the IPO, the Company issued restricted stock units ("RSUs") to certain officers and sales employees covering an aggregate of 85,737 shares of the Company's common stock under the 2019 Equity Incentive Plan. Each of these RSUs is scheduled to vest in substantially equal installments on each of the first three anniversaries of July 18, 2019. On June 9, 2020, the Company issued 296,884 RSUs to all officers, certain employees and independent directors of the board. Each of these RSUs is scheduled to vest in substantially equal installments on each of the first four anniversaries of June 7, 2020.

Share-based compensation expense related to the RSUs was US\$0.783 million, equivalent to RMB5.5058 million, for the six months ended June 30, 2020.

#### **(4) Stock Appreciation Rights (SARs)**

On June 9, 2020, the Company issued stock appreciation rights (“SARs”) with a grant date fair value of \$7,764,000 to certain officers with respect to 819,844 shares of the Company’s common stock under the 2019 Equity Incentive Plan. Each SAR has a strike price equal to the fair market value of the Company’s common stock on the date of grant and is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of June 9, 2020. Upon exercise, each of these SARs will be settled in shares of the Company’s common stock with a value equal to the excess, if any, of the fair market value of the Company’s common stock measured on the exercise date over the strike price.

Share-based compensation expense related to SARs was US\$138 thousand, equivalent to RMB970.4 thousand, for the six months ended June 30, 2020.

### **X. MAJOR RELATED-PARTY TRANSACTIONS**

For details of the related-party transactions under relevant accounting standards, please refer to note 54 to the financial statements of this report headed “Related party relationships and transactions”. The Company confirmed that the related-party transactions were not categorised in the “connected transactions” or the “continuing connected transactions” (as the case may be) as defined in Chapter 14A of the Hong Kong Listing Rules, and were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

### **XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF**

#### **(I) Custody, contracting or leasing**

During the Reporting Period, the Company was not engaged in any custody, contracting or leasing.

#### **(II) Guarantees**

Unit: 100 Million Yuan Currency: RMB

##### **External guarantees of the Company (excluding the guarantees for subsidiaries)**

|                                                                                                    |   |
|----------------------------------------------------------------------------------------------------|---|
| Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries) | – |
|----------------------------------------------------------------------------------------------------|---|

|                                                                                                                |   |
|----------------------------------------------------------------------------------------------------------------|---|
| Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries) | – |
|----------------------------------------------------------------------------------------------------------------|---|

##### **Guarantees of the Company for its subsidiaries**

|                                                                         |        |
|-------------------------------------------------------------------------|--------|
| Total amount of guarantees for subsidiaries during the Reporting Period | 172.48 |
|-------------------------------------------------------------------------|--------|

|                                                                                     |        |
|-------------------------------------------------------------------------------------|--------|
| Total balance of guarantees for subsidiaries at the end of the Reporting Period (B) | 380.35 |
|-------------------------------------------------------------------------------------|--------|

##### **Total guarantee amount of the Company (including the guarantees for subsidiaries)**

|                              |        |
|------------------------------|--------|
| Total guarantee amount (A+B) | 380.35 |
|------------------------------|--------|

|                                                                           |       |
|---------------------------------------------------------------------------|-------|
| Percentage of the total guarantee amount to net assets of the Company (%) | 30.41 |
|---------------------------------------------------------------------------|-------|

Among which:

|                                                                                                     |   |
|-----------------------------------------------------------------------------------------------------|---|
| Amount of guarantees provided for shareholders, actual controllers and their associated parties (C) | – |
|-----------------------------------------------------------------------------------------------------|---|

|                                                                                                                                    |        |
|------------------------------------------------------------------------------------------------------------------------------------|--------|
| Amount of debt guarantees provided directly or indirectly for the guaranteed parties with an asset-liability ratio of over 70% (D) | 298.35 |
|------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                     |   |
|---------------------------------------------------------------------|---|
| Excess amount of the total guarantee over 50% of the net assets (E) | – |
|---------------------------------------------------------------------|---|

|                                                              |        |
|--------------------------------------------------------------|--------|
| Total amount of the three guarantees mentioned above (C+D+E) | 298.35 |
|--------------------------------------------------------------|--------|

Undue guarantees with joint  
and several liabilities  
Description of guarantees

Bearing the principal, interest and  
other expenses of the bonds

1. Guarantees Provided by the Company
  - (1) In January 2015, Huatai Asset Management was officially founded. With the steady development of the Company's asset management business and the rapid expansion of the scale of asset management, in order to ensure the risk control indicators of Huatai Asset Management meet the supervisory requirements, the Company's shareholders' general meeting reviewed and approved relevant resolutions respectively on March 30, 2015 and September 13, 2016, approving the Company to offer Huatai Asset Management a net capital guarantee with the maximum amount of RMB1.2 billion and RMB5 billion and promised that, whenever Huatai Asset Management needs cash support to expand businesses, it will provide cash support within the aforesaid amount unconditionally.
  - (2) In 2017, as approved and passed at the fifth meeting of the fourth session of the Board and the 2016 Annual General Meeting of the Company, the Company provided a net capital guarantee with the maximum amount of RMB1.9 billion to Huatai Asset Management. The net capital guarantee of RMB1.9 billion has not been utilized during the Reporting Period.
  - (3) In 2018, as approved and passed at the sixteenth meeting of the fourth session of the Board, the Company provided a net capital guarantee with the maximum amount of RMB2.0 billion to Huatai United Securities. The net capital guarantee will be available from July 1, 2019.
  - (4) On May 23, 2019, as considered and approved at the twentieth meeting of the fourth session of the Board, the Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as the trustee) for the provision of an unconditional and irrevocable guarantee of USD500 million for the USD bonds issued by Pioneer Reward Limited, a subsidiary of Huatai International.
  - (5) On February 12, 2020, as considered and approved at the second meeting of the fifth session of the Board, the Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as the trustee) for the provision of an unconditional and irrevocable guarantee of USD400 million for the USD bonds issued by Pioneer Reward Limited, a subsidiary of Huatai International.

## 2. Guarantees Provided by the Subsidiaries

During the Reporting Period, Huatai International and its subsidiaries had provided guarantees for the benefits of their subsidiaries in connection with their business operations, which mainly supported financing guarantee, guarantees for medium-term notes, and guarantees for transactions with counterparties involving the signing of International Swaps and Derivatives Association Agreements (ISDA Agreements). The aggregate guaranteed amount was approximately RMB23.464 billion as of the end of the Reporting Period.

3. The aforesaid amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% was RMB29.835 billion, including: 1) two guarantees of USD900 million in total provided by the Company to Pioneer Reward Limited, a subsidiary of Huatai International, for the issuance of USD bonds; 2) the guarantee provided by Huatai International and its subsidiaries to meet the needs of the business operation of their subsidiaries.

### (III) Other Material Contracts

Currency: RMB

| Name of contract                                                       | Contracting parties                                                                                                                 | Date of signing | Price for transaction | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General construction contract for Huatai Securities Square             | Huatai Securities Co., Ltd. and China Jiangsu International Economic and Technological Cooperation Group Co., Ltd. (中國江蘇國際經濟技術合作公司) | July 30, 2010   | RMB 986,019,300       | In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Co., Ltd. entered into the General Construction Contract for Huatai Securities Square. In December 2018, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed. By the end of the Reporting Period, the Company has paid RMB955,973,900 in total under the general construction contract.                                                                                                                                                                                                                               |
| Construction Contract for smart facilities at Huatai Securities Square | Huatai Securities Co., Ltd. and Shanghai Haode Tech Co., Ltd. (上海浩德科技股份有限公司)                                                        | March 6, 2012   | RMB 213,821,100       | In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at Huatai Securities Square at a total contract price of RMB198,899,700. A supplementary agreement was signed on February 15, 2016 and the total contract price was changed to RMB213,000,000. In December 2018, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB7,183,700 under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB209,285,800 in total under the construction contract for smart facilities. |

| Name of contract                                                                                    | Contracting parties                                                                                                         | Date of signing | Price for transaction | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construction Contract for interior decoration of the second bid section of Huatai Securities Square | Huatai Securities Co., Ltd. and Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司)                                          | May 21, 2013    | RMB 141,060,400       | On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of Huatai Securities Square at a contract price of RMB117,584,500. A supplementary agreement was signed on July 14, 2016 and the contract price was changed to RMB122,000,000. In December 2017, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB2,115,900 under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB139,649,800 in total under the construction contract for interior decoration of the second bid section.                                                                                                                                |
| Construction Contract for interior decoration of the first bid section of Huatai Securities Square  | Huatai Securities Co., Ltd. and China State Construction Engineering Corporation Ltd. (中國建築集團有限公司)                          | May 21, 2013    | RMB 140,028,600       | On May 21, 2013, the Company and China State Construction Engineering Corporation Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of Huatai Securities Square at a contract price of RMB78,771,800. Supplementary Agreement (2) was signed on July 9, 2015 to change the total contract price to RMB98,000,000 and Supplementary Agreement (3) was signed on July 14, 2016 to change the total contract price to RMB120,071,300. In December 2017, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB2,100,400 under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB138,625,800 in total under the construction contract for interior decoration of the first bid section. |
| Construction contract for interior decoration of the third bid section of Huatai Securities Square  | Huatai Securities Co., Ltd. and Shenzhen Shenzhuangzong Decoration and Construction Industrial Co., Ltd. (深圳市深裝總裝飾工程工業有限公司) | October 2013    | RMB 132,444,300       | In October 2013, the Company and Shenzhen Shenzhuangzong Decoration and Construction Industrial Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of Huatai Securities Square at a contract price of RMB131,586,300. A supplementary agreement was signed on February 3, 2016 and the total contract price added RMB3,466,300 to RMB135,052,600. In December 2018, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed. By the end of the Reporting Period, the Company has paid RMB122,728,100 in total under the construction contract for interior decoration of the third bid section.                                                                                                                                                                                                 |

## **XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANIES**

### ***(I) Targeted Poverty Alleviation Planning***

- (1) Basic strategies: alleviating and overcoming poverty in targeted areas
- (2) General objectives: to help poor counties get rid of poverty soon, and to make due contribution in respect of building a moderately prosperous society in all respects by 2020 in order to overcome poverty by fully capitalizing on the Company's advantages on talents, intelligence, resources and capital.
- (3) Main missions: to help targets of poverty alleviation and areas in poverty proactively develop industries with characteristics and advantages by integrating local resources, to enhance the development capability of such targets and areas with the help of the capital market and to continue to strengthen the internal momentum of economic development.

- (4) Protective measures:

- 1) Establishing poverty alleviation work stations that offer financial services

Establishing poverty alleviation work stations that offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to deepen the connection between the Company and the poverty alleviation targets.

- 2) Setting up branches

Setting up branches in poor areas when conditions are mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.

- 3) Providing multi-layered capital market poverty alleviation services

- ① Meeting the cultivation and incubation demand of listing guidance of enterprises in poor counties precisely, recommending eligible quality enterprises to seek financing by listing proactively, providing assistance to enterprises in county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.
    - ② Participating proactively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes and types and in different growth stages.
    - ③ Carrying out trainings on financial knowledge.

4) Providing industry poverty alleviation services

- ① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small and medium sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening financing channels.
- ② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the actual industry development conditions of the poor counties.

5) Providing poverty alleviation services regarding consumption

Helping poor counties to broaden their sales channels of special agricultural products by using the China Securities' inter-connection business platform on poverty alleviation regarding consumption actively in order to increase farmers' income and boost industrial development.

6) Providing poverty alleviation services regarding education

Organising outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.

7) Providing poverty alleviation services regarding employment

Under the same condition, employing fresh graduates from poor families with established archives and cards in poor counties that are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.

8) Providing community services for poverty alleviation

- ① Operating activities of aiding impoverished groups specifically, organising compassionate people to offer donations of money and materials to poor villages and poor families with established archives and cards.
- ② Operating multi-type community activities such as caring for the construction of Children's Home to promote the development of poor counties' public undertakings.

9) Actively introducing local characteristic resources

Integrating the practice of the Company itself with that of poor areas, actively introducing ecology, tourism, education, and other local characteristic resources such as founding patriotic education bases at former revolutionary districts.

10) Selecting staff to take temporary posts

In line with the demands of poverty-stricken areas, the Company selected professionals who were politically qualified with a sense of responsibility and strong organizational and coordination skills to take temporary posts in the poor neighborhoods to carry out targeted poverty alleviation.

***(II) Outline of Targeted Poverty Alleviation during the Reporting Period***

Since 2020, by upholding a strong sense of social responsibility, Huatai Securities has continued its efforts in targeted poverty alleviation. The Company further participated in the campaign themed “One Company Helps One County” (“一司一縣”) Assistance in Pair in Jinzhai County, Anhui Province, dispatched a squad to launch a new round of “Five Parties Linking Together” (“五方掛鉤”) to provide targeted assistance in Feng County, and carried out poverty alleviation by supporting industry and by public assistance in Xinghe County, Inner Mongolia, and other areas.

The Company committed itself to poverty alleviation through supporting industries to enhance the endogenous power in poverty-stricken areas. In order to help Dengzhuang village in Feng County to accomplish the task of poverty alleviation, the Company allocated RMB2,000,000 for high-efficiency agricultural facilities for increasing farmers’ income, road hardening, cultural square, publicity of targeted poverty alleviation by financial aid and other projects in the area. In Xinghe County, Inner Mongolia, the Company invested RMB3,010,000 million to establish water purification project and the deep processing project of beef and mutton products to improve local production and living environment, and generate steady income for the village collective. The Company also carried out poverty alleviation through consumption to broaden the income channel of the local people. In the first half of this year, the Company invested a total of RMB236,200 to procure apples in Xianyang, Shaanxi Province, Sihong rice in Jiangsu Province, “Dazhaoshengquan (大昭聖泉)” mineral water in Tibet and other products for supporting the poverty alleviation through consumption. Branches actively participated in and the Party general branch of Northwest Branch supported the poverty alleviation of Suasu Village in Tekesi County, and organized 5 poverty alleviation campaigns to sell cheese, honey, naan, yak butter and other local featured products in the first half of the year. The Party general branch of Guangdong Branch adopted new moves by organising poverty alleviation activities with Southern Finance Omnimedia Group (南方財經全媒體集團), Guangzhou Local Financial Supervision and Administration Bureau (廣州市地方金融監管局), Stock Market News Broadcasting (股市廣播) and other institutions, and inviting financial celebrities to sell tea produced in Shangwei Village, Liuhuang Town, Fengshun County, Meizhou City, via the internet. In such way, financial celebrities interacted with guests on the site and online audience, which created satisfactory economic and social benefits.

The Company committed itself to poverty alleviation through public welfare undertakings to provide more living guarantee for people in difficulties. During the Spring Festival, the Company visited 59 poverty-stricken families in the Feng County, Jinzhai County and other assistance-in-pair areas. In order to care for the left-behind children and other children in need, the Company launched the “Commonweal Heart of Huatai – For Tomorrow” Program (“益心華泰•一個明天”) in 2016, established

project sites in Suqian City, Jiangsu Province, Yuexi County and Jinzhai County in Anhui Province, Enshi City in Hubei Province and Yushu City Qinghai Province, and allied with the Amity Foundation and other professional NGOs to enhance the professionalism of projects in various ways and provide continuous assistance for children in need. During the outbreak of COVID-19 epidemic, the Company donated supplies for epidemic prevention and control to 18 schools, including schools at the project sites, providing safety guarantee for the resumption of school. In addition, the Company also launched “Internet + training” program to give online training courses to teachers of left-behind children by cooperating with East China Normal University. The Company raised donations of RMB1,160,000 in total from employees and the public to carry out the “Funding Program for Children in Need” (“困境兒童資助計劃”) for three consecutive years.

The Company committed itself to ecological protection to jointly build a beautiful homeland. Originated in the Yangtze River Delta, the Company is always grateful to nature, and launched the environmental protection campaign “One Commonweal Heart of Huatai One Yangtze River” in 2018 in active response to the national strategy of “Great Protection of Yangtze River”. The Company, together with professional NGOs such as the Shan Shui Nature Conservation Center, World Wildlife Fund (WWF) and Green River Environmental Protection Promotion Association, jointly protected the biodiversity and promoted the sustainable development in the Yangtze River basin. The Company launched the “One Yangtze River • A Micro Fund for the Protection of Wildlife” jointly with WWF to support the biodiversity protection in the middle and lower reaches of Yangtze River. After the project application, audit and oral defense, the first batch of 11 projects from 13 teams, including Fudan University, were granted the funding support, aiming to promote the growth of Chinese domestic NGOs.

Furthermore, faced with the sudden outbreak of the epidemic, the Company showed a strong sense of social responsibility. On January 26, 2020, at a critical moment for epidemic prevention and control of the COVID-19, the Company cooperated with the Amity Foundation to establish the “Commonweal Heart of Huatai Special Fund for Public Health” and worked with the healthcare partners to urgently procure and directly transport medical supplies for fighting the epidemic to hospitals and communities at the frontline of epidemic prevention and control, such as Hubei Province, and provide bonus and subsidies for medical care personnel from Jiangsu medical team to aid coronavirus control in Hubei and journalists who reported news at the frontline of the epidemic. Meanwhile, Party members of the Company actively participated in the donation for the epidemic prevention and control and made charitable contributions of RMB557,000 from approximately 2,400 Party members in total. As the epidemic prevention and control entered the steady period in China, the Company released a public service animated short films for the epidemic prevention and control, “Guoguo Fantasy Adventure” (“果果奇幻歷險記”), and cooperated with healthcare partners to raise the awareness and capacity of protection against infectious diseases among children and adolescents.

### ***(III) Achievements of Targeted Poverty Alleviation***

Unit: Ten Thousand Yuan Currency: RMB

| <b>Index</b>                                                                                                                           | <b>Number and implementation information</b>                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| I. General information                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Of which: 1. Funds                                                                                                                     | 530.22                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| II. Itemized input                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 1. Poverty alleviation through industrial development                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Of which : 1.1 Types of industrial poverty alleviation projects                                                                        | <input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry industry<br><input type="checkbox"/> Poverty alleviation through tourism<br><input type="checkbox"/> Poverty alleviation through E-commerce<br><input type="checkbox"/> Poverty alleviation through assets and income<br><input type="checkbox"/> Poverty alleviation through science and technology<br><input checked="" type="checkbox"/> Others |
| 1.2 Number of industrial poverty alleviation projects (Projects)                                                                       | 2                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 1.3 Amount invested in industrial poverty alleviation projects                                                                         | 301.00                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 1.4 Number of poor people who are removed from administrative record for poverty administration with the help of the Company (Persons) | —                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2. Poverty alleviation through health                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Of which : 2.1 Amount of investment in the medical and health resources of poverty-stricken areas                                      | 15.00                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3. Social poverty alleviation                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Of which : 3.1 Amount invested in poverty alleviation in East and West China                                                           | —                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 3.2 Amount invested in targeted poverty alleviation                                                                                    | 213.00                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3.3 Public funds for poverty alleviation                                                                                               | 1.22                                                                                                                                                                                                                                                                                                                                                                                                                                        |

#### ***(IV) Follow-up Targeted Poverty Alleviation Plans***

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

### **XIII.CONVERTIBLE CORPORATE BONDS**

During the Reporting Period, the Company did not issue any convertible corporate bonds.

### **XIV.ENVIRONMENT INFORMATION**

#### ***(I) Description of the environmental protection of enterprises excluding attention units discharging pollutants***

Neither the Company as a financial enterprise nor its subsidiaries are on the list of attention units discharging pollutants issued by the environmental protection department. The Company will entrust qualified third-party organizations to inspect the headquarters office in terms of wastewater, exhaust gases and noises. The Company’s annual environmental assessment in 2020 will be conducted in the second half of the year.

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

| <b>Key measures</b>                          | <b>Details</b>                                                                                                                                                                                                                                        |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Practicing the concept of garden-like office | In order to practice the concept of garden-like office, the Company created a multi-level landscape in different areas by phases to further improve and optimise the ecological environment of the square and build the most beautiful Huatai garden. |

| Key measures                                 | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increasing the procurement of green products | <p>The Company has strictly complied with the requirements of relevant laws and regulations, such as the Interim Provisions on Management of Centralized Procurement of State-owned Financial Enterprises (《國有金融企業集中採購管理暫行規定》), to prioritize procuring energy-saving and environment-protection products, and closely monitored the standards in the tendering procurement. For example, in selection of furniture suppliers by tender, the environmental protection standards of boards and other materials shall be E0 class or above. In selection of decoration contractors by tender, energy-saving and environmental-protection construction materials shall be preferred among the selected materials. It is expressly provided in the management measures for motor vehicles of the Company that new energy vehicles shall be given priority when buying vehicles under the economically feasible condition.</p> |
| Encouraging low-carbon mobility              | <p>The construction of Tesla supercharger of Huatai Securities Square has been completed and put into use. The underground garage of Huatai Securities Square is equipped with charging piles for new energy vehicles and electric motorcycles to encourage employees to practice green commuting. The Company advocates to use public transport for business trips in the city and take official vehicles with others in collective business activities to fully utilize transport efficiency and thus to reduce the environmental pollution caused by vehicle exhaust emissions. The Company makes full use of the video conference system to reduce the number of on-site meetings, so as to reduce the carbon emission generated by business travels.</p>                                                                                                                                                             |
| Making full use of renewable energy          | <p>Huatai Securities Square makes full use of renewable energy by installing an air-conditioning system applying technologies featuring energy conservation and environmental protection such as solar photovoltaic power generation system, solar water heating system, sunlight induced lighting device system, ground source heat pump system, ice storage, floor air supply system and rainwater reuse, which has brought positive social benefits to the low carbon economy. At the same time, all pieces of equipment are under effective monitoring to ensure the stable, safe and reliable operations of all types of equipment systems, which could meet the management requirements for energy conservation and environmental protection. In the first half of 2020, the Company saved 42,519 kwh of electricity through photovoltaic power generation system.</p>                                              |

| Key measures                                                  | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Promoting green technology transform                          | In the first half of 2020, the Company completed the low-nitrogen transformation of six Viessmann boilers in Huatai Securities Square, and the nitrogen oxide emission concentration of a single boiler after transformation met the low-nitrogen transformation requirements. In all of the renovation projects of Huatai Securities, all the fluorescent and incandescent lamps were replaced by LED lights which are more environmentally friendly.                                                                                                                                                                                            |
| Using energy saving and environmental protection consumables  | The Company has fully used environmental protection paper in the business card production. In the printing of 2019 Interim Report and 2019 Annual Report, the Company also used environmental protection paper, integrating the concept of energy conservation and environmental protection into daily office.                                                                                                                                                                                                                                                                                                                                    |
| Advocating scientific use of water and consciously save water | Huatai Securities pays attention to the cultivation of employees' awareness of scientific use of water and consciously save water, and takes saving water measures in the process of using water to save water resources consumption. The Company uses water saving sanitary ware, and fully uses of rainwater recovery system, and maximize the utilization of water resources by collecting rainwater in rainy season and irrigating and greening in dry season.                                                                                                                                                                                |
| Insisting on the waste use and innovation value               | Huatai Securities adheres to the core values of "Waste Use, Innovation Value" to dispose of waste, evaluates the use of waste office equipment, encourages the reuse of waste materials, and reduces unnecessary waste of resources; hazardous wastes such as electronic wastes, light pipes, toner cartridges and ink cartridges are recovered by qualified entities for further disposal or recycling; office wastes are collected and transported by property to minimize adverse impact on the environment; office waste water is brought into the municipal sewage pipe network and transported to the municipal sewage plant for treatment. |

## XV. CORPORATE GOVERNANCE

As a public company listed in both domestic and overseas markets, the Company has standardised its operation in strict compliance with the requirements of relevant laws, regulations and normative documents applicable in places where the shares of the Company are listed. The Company is committed to continuously maintaining and improving corporate image in the market. During the Reporting Period, the Company was in strict compliance with the requirements of the Company Law (《公司法》), the Securities Law (《證券法》), the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》), and the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), together with the Corporate Governance Code (《企業管治守則》) and the Corporate Governance Report (《企業管治報告》) set out in Appendix 14 to the Hong Kong Listing Rules (《香港上市規則》), and other relevant laws and regulations as well as the Articles of Association of the Company. In order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed, which features the separation among the shareholders' general meeting, the Board, the Supervisory Committee and senior management. Under such structure, each of the parties at various levels performs their respective functions and is held accountable for their respective responsibilities and authorization, ensuring the prudent and standardised operation of the Company.

### ***(I) Corporate governance policies and the Board's responsibilities for corporate governance***

The Company strictly followed all the principles in the Corporate Governance Code (《企業管治守則》) and the Corporate Governance Report (《企業管治報告》) as set out in Hong Kong Listing Rules (《香港上市規則》) as its own corporate governance policies. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

- (1) to formulate and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and the senior management;
- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (5) to review the Company's compliance with the Corporate Governance Code (《企業管治守則》) and disclosure in the Corporate Governance Report (《企業管治報告》).

***(II) Compliance with the provisions under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules***

During the Reporting Period, the Company convened 1 shareholders' general meeting, 4 meetings of the Board of Directors, 2 meetings of the Supervisory Committee, 4 meetings of the Audit Committee, 2 meetings of the Compliance and Risk Management Committee, 2 meetings of the Development Strategy Committee, 1 meeting of the Remuneration and Appraisal Committee and 2 meetings of Nomination Committee. The total number of meetings convened was 18. The convening and holding and voting procedures of the general meeting, meetings of the Board of Directors and the meetings of the Supervisory Committee were legal and valid. During the Reporting Period, by continuously enhancing investor relationship management and information disclosure, the Company applied standardised and professional investor relationship management, disclosed truthful and accurate information in a complete, timely and fair manner and continuously improved the transparency of its operation and management.

According to provision of A.2.1 of the Corporate Governance Code (《企業管治守則》), the roles of the chairman and chief executive shall be separate and shall not be assumed by the same person at the same time. On December 16, 2019, in the first meeting of the fifth session of the Board, the Company elected Mr. Zhang Wei as the chairman of the fifth session of the Board and continued to appoint Mr. Zhou Yi as the chief executive officer and chairman of the Executive Committee of the Company. The Board believes that the management structure of the Company is effective and has enough checks and balances for the operation of the Company.

The Company has been striving for continuous improvement of corporate governance structure and system establishment. The Company has strengthened its corporate governance with gradual standardisation of corporate governance structure. There is no deviation of the actual performance of its corporate governance from the Company Law (《公司法》) and relevant requirements of the CSRC. Meanwhile, save as disclosed above, the Company was in full compliance with all the codes and provisions of the Corporate Governance Code (《企業管治守則》) as well as the Corporate Governance Report (《企業管治報告》). It also complies with substantially all of the recommended best practices as set out in the Corporate Governance Code (《企業管治守則》).

***(III) Securities transactions by Directors, Supervisors and relevant employees***

During the Reporting Period, the Company adopted the Model Code as the code of conduct for securities transactions by Directors, Supervisors and relevant employees of the Company. According to the domestic regulatory requirements, the Company convened the thirteenth meeting of the third session of the Board on November 25, 2014 to consider and approve the Administrative System Regarding the Shares of the Company Held by Directors, Supervisors and Senior Management ("Administrative System") in order to regulate the holding and trading in the shares of the Company by Directors, Supervisors and senior management. On March 6, 2015, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the Administrative System, which were considered and approved at the sixteenth meeting of the third session of the Board. The compulsory provisions contained in the Administrative System are stricter than those

under the Model Code. Having made all enquiries with Directors, Supervisors and senior management, all Directors, Supervisors and senior management of the Company confirmed that they had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on corporate governance and operation of the Company in order to ensure the relevant provisions under the Hong Kong Listing Rules are well observed and to protect the interests of the shareholders. There was no breach of guidelines by relevant employees during the Reporting Period to the knowledge of the Company.

#### ***(IV) Independent non-executive Directors***

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise in accordance with the Hong Kong Listing Rules. As of the end of the Reporting Period, the Company has appointed five independent non-executive Directors, namely Mr. Chen Chuanming, Mr. Lee Chi Ming, Ms. Liu Yan, Mr. Chen Zhibin and Mr. Wang Jianwen.

### **XVI. AUDIT COMMITTEE AND AUDITING**

The Audit Committee was established under the Board in accordance with the requirements of the CSRC, the Shanghai Stock Exchange and the Hong Kong Listing Rules. The Audit Committee of the fifth session of Board of the Company is composed of independent Directors and Directors assigned by shareholders. As of the end of the Reporting Period, the Audit Committee of the Company is composed of three members, namely Mr. Lee Chi Ming, Mr. Ding Feng and Mr. Chen Zhibin, most of whom are independent Directors and Mr. Lee Chi Ming is the chairman (convener) of the Audit Committee. The Audit Committee is responsible for the communication, supervision and verification of internal and external audits of the Company and provides professional advice to the Board.

During the Reporting Period, the Audit Committee of the Board of the Company convened four meetings, as detailed below:

1. The first meeting of the Audit Committee of the fifth session of the Board for 2020 was convened by way of face to face and video conference on January 17, 2020, at which staff from KPMG Huazhen LLP introduced their schedule of audit work, focus of annual audit and pre-audit work in 2019.
2. The second meeting of the Audit Committee of the fifth session of the Board for 2020 was convened by way of communication on February 28, 2020, which considered and approved the Resolution on the Auditing Plan of the Company for 2019.
3. The third meeting of the Audit Committee of the fifth session of the Board for 2020 was convened by way of communication on March 27, 2020, at which the Final Financial Report of the Company for 2019, the Financial Budget Report of the Company for 2020, the Proposal on the Profit Distribution Plan of the Company for 2019, the Resolution on the Annual Financial Statements of the Company for 2019, the Proposal on the Annual Report of the Company for 2019, the Resolution on the Internal Control

Assessment Report of the Company for 2019, the Special Report on the Company's Deposit and Actual Use of the Fund Raised in 2019, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2020, the Proposal on the Re-appointment of the Company's Accounting Firm for 2020, the Report on Performance of Duties of Audit Committee under the Board of the Company for 2019, the Special Audit Report on Connected Transactions of the Company for 2019, and the Work Plan for the Internal Audit of the Company for 2020 were considered and approved, and the Audit Committee reviewed the important matters involved in the "Key Audit Matters" as set out in the annual audit report of the Company for 2019, and the briefing in relation to the internal audit report of the Company for 2019.

4. The fourth meeting of the Audit Committee of the fifth session of the Board for 2020 was convened by way of communication on April 28, 2020, at which the Resolution on the Financial Statements for January to March 2020 of the Company was considered and approved.

The interim financial report of the Company for 2020 prepared according to the International Financial Reporting Standards has been reviewed by KPMG in accordance with the International Standard on Review Engagements. On August 25, 2020, the Audit Committee reviewed and confirmed the Interim Results Announcement of the Group for the six months ended June 30, 2020, the Interim Report for 2020 and unaudited interim financial statements for the six months ended June 30, 2020 prepared according to the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".

## **XVII. DETAILS OF OTHER MAJOR EVENTS**

### ***(I) Changes in accounting policies, accounting estimates and accounting methods from the previous accounting period, reasons for the changes and their impact***

For the content of and reasons for changes in accounting policies of the Company please refer to the relevant content in note 4 to the financial statements in this report.

### ***(II) Others***

1. Establishment, relocation and cancellation of securities branches and branches during the Reporting Period

#### **(1) Changes in names of branches during the Reporting Period:**

| No. | Name before change | Name after change                         | Address after name changed                        | Issue Date of License |
|-----|--------------------|-------------------------------------------|---------------------------------------------------|-----------------------|
| 1   | Huai'an Branch     | Securities Branch in East Huahai, Huai'an | 9/F, Building 1, No. 18 East Huahai, Huai'an      | March 17, 2020        |
| 2   | Jiangyin Branch    | Securities Branch in Futai Road, Jiangyin | 5/F, New Baiye Square, No. 8 Futai Road, Jiangyin | March 17, 2020        |

(2) Relocation of securities branches during the Reporting Period:

| No. | Name of Securities Branch before Relocation                     | Name of Securities Branch after Relocation                      | Address after Relocation                                                                                                                                    | Issue Date of License |
|-----|-----------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1   | Securities Branch in Raffles Square, Huangpu District, Shanghai | Securities Branch in Raffles Square, Huangpu District, Shanghai | Room 5003-05 (actually located at 4403A, 4403B, 4404), No. 268 Central Tibet Road, Huangpu District, Shanghai                                               | January 16, 2020      |
| 2   | Securities Branch in Middle Guangzhou Avenue, Guangzhou         | Securities Branch in Middle Guangzhou Avenue, Guangzhou         | Rooms 103, 3205 and 3206, No. 307 Middle Guangzhou Avenue, Yuexiu District, Guangzhou                                                                       | January 17, 2020      |
| 3   | Securities Branch in Ningxia Road, Qingdao                      | Securities Branch in West Hong Kong, Qingdao                    | No. 79 West Hong Kong, Shinan District, Qingdao, Shandong Province                                                                                          | February 24, 2020     |
| 4   | Securities Branch on Huafei Road, Ma'anshan                     | Securities Branch in Middle Hudong, Ma'anshan                   | No. 1046, Middle Hudong, Huashan District, Ma'anshan City                                                                                                   | March 9, 2020         |
| 5   | Securities Branch in Wenhua Avenue, Xingjian, Nanchang          | Securities Branch in Fenghezhong Avenue, Nanchang               | North side of Room 104 and Room 204, No. 2 Commerce Building, Xinghehui Business Center, 1333 Fenghezhong Avenue, Honggutan New District, Nanchang, Jiangxi | March 17, 2020        |
| 6   | Securities Branch in Tianfu Avenue, Xipu, Chengdu               | Securities Branch in Shixili, Xipu, Chengdu                     | Annex 13, 14 of No. 68, Yuanlin Road, Xipu Town, Pidu District, Chengdu City                                                                                | March 3, 2020         |
| 7   | Securities Branch in Chunhui Road, Chongqing                    | Securities Branch in Jiangbeizui, Chongqing                     | Room 1503, 15/F, Unit 2, No.9 Huixianyan Square, Jiangbei District, Chongqing                                                                               | April 14, 2020        |
| 8   | Securities Branch in Gangtie Main Street, Baotou                | Securities Branch in Gangtie Main Street, Baotou                | Building 2, No.15 Gangtie Main Street, Baotou City, Inner Mongolia                                                                                          | April 22, 2020        |
| 9   | Securities Branch in Jinhai Middle Road, Dongtai                | Securities Branch in Middle Hailing, Dongtai                    | Rooms 8017 & 8018, Building 3, Shangye New Village, No. 78 Middle Hailing, Dongtai                                                                          | April 26, 2020        |
| 10  | Securities Branch in Xiahe Road, Xiamen                         | Securities Branch in Xiahe Road, Xiamen                         | Rooms 201 and 202, Unit One, Block B, CCRE Building, No. 668 Xiahe Road, Siming District, Xiamen                                                            | March 19, 2020        |
| 11  | Securities Branch in Shuixian Avenue, Zhangzhou                 | Securities Branch in Shuixian Avenue, Zhangzhou                 | Rooms 101, 403 and 404, Block B, No. 88 Shuixian Avenue, Longwen District, Zhangzhou City, Fujian Province                                                  | January 20, 2020      |
| 12  | Securities Branch in Xidi 3rd Road, Wuzhou                      | Securities Branch in Xidi 3rd Road, Wuzhou                      | No. 1 of 1/F and Rooms 2801-2809 of 28/F, No. 19 Xidi 3rd Road, Wuzhou City                                                                                 | May 11, 2020          |

| No. | Name of Securities<br>Branch before Relocation | Name of Securities<br>Branch after Relocation   | Address after Relocation                                                                                                                                        | Issue Date of License |
|-----|------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 13  | Securities Branch in Huaihe Avenue, Tongling   | Securities Branch in Huaihe Avenue, Tongling    | Shop No. 142 of 1/F and No. 203A of 2/F, Huijin Building, Tongling Trade Building, Middle Section of Huaihe Avenue, Tongguan District, Tongling, Anhui Province | May 9, 2020           |
| 14  | Securities Branch in Dongmen Street, Jintan    | Securities Branch in Nanhuan First Road, Jintan | No. 109-112, Building 1, Binhe Xingcheng, Jintan District, Changzhou City                                                                                       | May 28, 2020          |
| 15  | Securities Branch in Xiandai Avenue, Suzhou    | Securities Branch in East Suzhou Avenue, Suzhou | 29A, Modern Media Plaza, No. 265 East Suzhou Avenue, Suzhou Industrial Park                                                                                     | June 30, 2020         |

- (3) The Company did not establish or cancel any branch or securities branch and no branches were relocated during the Reporting Period.

## 2. Huatai Purple Gold Investment and its subsidiaries

### (1) Major changes of industrial and commercial registration

During the Reporting Period, Jiangsu Huatai Ares Fund Management Co., Ltd., a joint venture of Huatai Purple Gold Investment, completed its industrial and commercial deregistration. Shanghai Jingrui Investment Center (Limited Partnership) (上海京瑞投資中心(有限合夥)) and Jining Ruilian Equity Investment Fund (Limited Partnership) (濟寧瑞聯股權投資基金合夥企業(有限合夥)), formerly known as Beijing Huatai Ruilian M&A Fund (Limited Partnership) (北京華泰瑞聯併購基金中心(有限合夥)) under the management of Huatai Purple Gold Investment completed the liquidation and cancellation.

### (2) Changes of directors and general manager

During the Reporting Period, the fourth session of the board of directors of Huatai Purple Gold Investment was formed, comprising Cao Qun, Fan Xin and Chen Gang. The chairman and legal representative of Huatai Purple Gold Investment was changed from Jiang Jian to Cao Qun. Cao Qun ceased to be the general manager of Huatai Purple Gold Investment, and Fan Xin was appointed as the general manager of Huatai Purple Gold Investment.

## 3. Huatai International

During the Reporting Period, AssetMark Financial, Inc., a subsidiary of Huatai International, acquired three wholly-owned overseas subsidiaries, namely WBI OBS Financial, LLC (incorporated in Ohio, USA), OBS Holdings, Inc. (incorporated in Ohio, USA) and OBS Financial Services, Inc. (incorporated in Delaware, USA).

During the Reporting Period, Huatai International incorporated a wholly-owned subsidiary, Huatai International Corporate Finance Limited, in Hong Kong.

During the Reporting Period, Huatai International completed the structure reorganization of its U.S. subsidiaries and directly held Huatai International Investment Holdings Limited and U.S. subsidiaries, which were no longer indirectly held through its subsidiary, Huatai Financial Holdings (Hong Kong).

4. Jiangsu Equity Exchange

During the Reporting Period, the chairman of Jiangsu Equity Exchange was changed to Ms. Li Yun from Mr. Hu Zhi.

5. For other major events disclosed by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) during the Reporting Period, please refer to the appendix.
6. The Company's communication with its shareholders and the investor relations management during the Reporting Period

Investor relations management is one of the most important tasks for the normative development and legitimate operation of the Company, and is highly valued by the Board of the Company. The Company planned, arranged and organized various activities for the management of investor relations with a strong sense of responsibility, including coordinating on-site interviews to the Company, keeping in contact with regulatory authorities, investors, intermediary agencies and news media, etc.

During the Reporting Period, the Company updated in a timely manner information on the "Investor Relations" column on the Company's website, and answered inquiries from investors of the interactive E-platform on the website of the Shanghai Stock Exchange. The Company has received 8 batches of onsite investigations and surveys or telephone interviews conducted by around 21 researchers and investment professionals from a number of domestic and overseas brokers, fund companies and other organizations during the first half of the year, and also has earnestly provided daily consulting services for investors and answered their questions in detail. Meanwhile, to assist the announcement of periodic reports, the Company held one results presentation, proactively attended strategy seminars and investment forums held by domestic or overseas securities institutions, which total 6 times during the first half of the year, and had full communications with investors and researchers on issues such as the development trend of the industry, and the operating results and business development strategy of the Company, which has effectively promoted the investors and researchers' in-depth understanding of the business condition and performance of the Company, completely marketed the development advantages of the Company, and effectively guided the market expectations. The Company persisted in inducing and analyzing various questions proposed by institutional investors and researchers, so as to continuously improve the professionalism, normalization and quality of the investor relations management of the Company.

The Company's reception of investigations and surveys, communications and interviews in the first half of 2020 is as follows:

| No. | Date of reception | Place of reception | Way of reception    | Guests                                                                                                                                 | Major topics discussed and information provided                                                   |
|-----|-------------------|--------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 1   | January 15, 2020  | Shanghai Office    | On-site interview   | Bank of China Investment Management, Fullgoal Fund, Galaxy AMC, China International Fund, Industrial Securities, etc. (6 person-times) | Business development, innovative business and long-term development strategy of the Company, etc. |
| 2   | February 6, 2020  | Hong Kong Office   | Telephone interview | Wellington Management (1 person-time)                                                                                                  |                                                                                                   |
| 3   | April 3, 2020     | Hong Kong Office   | Telephone interview | Schroders Group (5 person-times)                                                                                                       |                                                                                                   |
| 4   | April 3, 2020     | Hong Kong Office   | Telephone interview | BlackRock, Inc. (1 person-time)                                                                                                        |                                                                                                   |
| 5   | April 21, 2020    | Hong Kong Office   | Telephone interview | M&G Asset Management (2 person-times)                                                                                                  |                                                                                                   |
| 6   | May 21, 2020      | Hong Kong Office   | Telephone interview | Qianxi Asset Management (千禧资管) (2 person-times)                                                                                        |                                                                                                   |
| 7   | May 29, 2020      | Hong Kong Office   | Telephone interview | Morgan Stanley (1 person-time)                                                                                                         |                                                                                                   |
| 8   | June 4, 2020      | Hong Kong Office   | Telephone interview | Ping An Annuity Insurance Company of China, Ltd. (3 person-times)                                                                      |                                                                                                   |

The Company's participation in strategy seminars and investment forums held by domestic or overseas securities institutions in the first half of 2020 is as follows:

| No. | Date of reception       | Place of reception                                                         | Way of reception    | Guests                                                                                                                   | Major topics discussed and information provided                                                            |
|-----|-------------------------|----------------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| 1   | January 14 and 15, 2020 | UBS GCC 2020                                                               | On-site interview   | Goldman Sachs Asset Management, BlackRock, Inc., Schroders Group, Fidelity Funds, etc. (33 person-times)                 | Business highlights, operations and financial performance, and long-term strategic planning of the Company |
| 2   | May 6, 2020             | Haitong Securities 2020 Spring Listed Companies Online Exchange Conference | Telephone interview | Xingyin Fund, ChinaAMC, CITIC-Prudential Fund, China Merchants Fund, Haitong Securities, etc. (75 person-times)          |                                                                                                            |
| 3   | May 8, 2020             | BOC International (China) 2020 Summer Online Exchange Conference           | Telephone interview | Lombarda China Fund, BOCI (China), PICC Pension, etc. (4 person-times)                                                   |                                                                                                            |
| 4   | June 4, 2020            | Shenwan Hongyuan Securities 2020 Summer Capital Market Conference          | Telephone interview | CICC Fund, Fullgoal Fund, AEGON-INDUSTRIAL Fund, Yinhua Fund, Springs Capital, etc. (62 person-times)                    |                                                                                                            |
| 5   | June 9, 2020            | CITIC Securities 2020 Capital Market Forum                                 | Telephone interview | CCB Principal Asset Management, Baoying Fund, Rosefinch Investment, CITIC Securities, etc. (16 person-times)             |                                                                                                            |
| 6   | June 24, 2020           | J.P. Morgan 2020 China Investment Conference                               | Telephone interview | Southern Asset Management, Fidelity Funds, Temasek Holdings, Sumitomo Mitsui DS Asset Management, etc. (15 person-times) |                                                                                                            |

## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

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

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

During the Reporting Period, there were no changes in the total number of shares and share capital structure of the Company.

##### 2. Other contents that the Company deems necessary or the securities regulatory authorities require to disclose

On April 1, 2020, Guoxin Group notified the Company that it planned to increase its holding of H Shares of the Company via Southbound Trading within the six months from April 3, 2020, with the increased shareholding percentage in aggregate not less than 0.2203% (20 million shares) of the Company's total shares and not higher than 0.5% of the Company's total shares (see Shanghai Stock Exchange announcement 2020-030 for details).

On June 4, 2020, Guoxin Group notified the Company that the implementation of the shareholding increase plan had been completed. During the period from April 3, 2020 to June 4, 2020, Guoxin Group has increased its holding of H Shares of the Company by 20,009,400 shares through Southbound Trading, accounting for approximately 0.2204% of the Company's total shares, which reached the lower limit but did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB231,336,025.29 (exclusive of service fees). After the increase in shareholding, Guoxin Group held 1,349,233,436 shares of the Company, accounting for 14.8649% of the total shares of the Company (see Shanghai Stock Exchange announcement 2020-047 for details).

### II. INFORMATION ON SHAREHOLDERS

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

|                                                                                                                               |         |
|-------------------------------------------------------------------------------------------------------------------------------|---------|
| Total number of shareholders of ordinary shares as of the end of the Reporting Period                                         | 228,975 |
| Total number of shareholders of preferred shares whose voting rights have been restored as of the end of the Reporting Period | —       |

Among the total number of shareholders of ordinary shares as of the end of the Reporting Period, the number of shareholders of A Shares amounted to 220,907 and the number of registered shareholders of H Shares amounted to 8,068.

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

Unit: Shares

| Name of shareholder (in full)                                                                                                    | Increase/<br>decrease<br>during the<br>Reporting<br>Period | Shareholding of top ten shareholders                                       |                   |                                                                   | Pledged or frozen shares |                     |                                           |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------|--------------------------|---------------------|-------------------------------------------|
|                                                                                                                                  |                                                            | Number of<br>shares held<br>as at the end<br>of the<br>Reporting<br>Period | Percentage<br>(%) | Number<br>of shares<br>held subject<br>to selling<br>restrictions | Status<br>of shares      | Number<br>of shares | Nature of<br>shareholder                  |
| HKSCC Nominees Limited                                                                                                           | -37,416,200                                                | 1,568,539,327                                                              | 17.28             | –                                                                 | Nil                      | –                   | Foreign legal person                      |
| Jiangsu Guoxin Investment<br>Group Limited                                                                                       | 20,009,400                                                 | 1,349,233,436                                                              | 14.86             | –                                                                 | Nil                      | –                   | State-owned legal<br>person               |
| Jiangsu Communications<br>Holding Co., Ltd.                                                                                      | –                                                          | 489,065,418                                                                | 5.39              | –                                                                 | Nil                      | –                   | State-owned legal<br>person               |
| Govtor Capital Group Co., Ltd.                                                                                                   | –                                                          | 356,233,206                                                                | 3.92              | –                                                                 | Nil                      | –                   | State-owned legal<br>person               |
| Alibaba (China) Technology<br>Co., Ltd.                                                                                          | –                                                          | 268,199,233                                                                | 2.95              | –                                                                 | Nil                      | –                   | Domestic non state-<br>owned legal person |
| Essence Securities – China<br>Merchants Bank – Essence<br>Securities Dingzengbao<br>No. 1 Collective Asset<br>Management Program | –                                                          | 247,545,593                                                                | 2.73              | –                                                                 | Nil                      | –                   | Unknown                                   |
| China Securities Finance<br>Corporation Limited                                                                                  | –                                                          | 246,720,811                                                                | 2.72              | –                                                                 | Nil                      | –                   | Unknown                                   |
| Hong Kong Securities Clearing<br>Company Limited                                                                                 | 65,612,160                                                 | 227,374,550                                                                | 2.51              | –                                                                 | Nil                      | –                   | Foreign legal person                      |
| Jiangsu SOHO Holdings<br>Group Co., Ltd.                                                                                         | 1,752,550                                                  | 152,411,585                                                                | 1.68              | –                                                                 | Nil                      | –                   | State-owned legal<br>person               |
| Suning.com Co., Ltd.                                                                                                             | -9,503,100                                                 | 131,270,840                                                                | 1.45              | –                                                                 | Unknown                  | 122,860,000         | Domestic non state-<br>owned legal person |

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

| Name of shareholder                                                                                                        | Number<br>of tradable<br>shares held<br>not subject<br>to selling<br>restrictions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Class and number of shares     |               |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------|
|                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Class                          | Number        |
| HKSCC Nominees Limited                                                                                                     | 1,568,539,327                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Overseas listed foreign shares | 1,568,539,327 |
| Jiangsu Guoxin Investment Group Limited                                                                                    | 1,349,233,436                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Ordinary shares in RMB         | 1,271,072,836 |
|                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Overseas listed foreign shares | 78,160,600    |
| Jiangsu Communications Holding Co., Ltd.                                                                                   | 489,065,418                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 452,065,418   |
|                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Overseas listed foreign shares | 37,000,000    |
| Govtor Capital Group Co., Ltd.                                                                                             | 356,233,206                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 342,028,006   |
|                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Overseas listed foreign shares | 14,205,200    |
| Alibaba (China) Technology Co., Ltd.                                                                                       | 268,199,233                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 268,199,233   |
| Essence Securities – China Merchants Bank<br>– Essence Securities Dingzengbao No. 1<br>Collective Asset Management Program | 247,545,593                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 247,545,593   |
| China Securities Finance Corporation Limited                                                                               | 246,720,811                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 246,720,811   |
| Hong Kong Securities Clearing Company<br>Limited                                                                           | 227,374,550                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 227,374,550   |
| Jiangsu SOHO Holdings Group Co., Ltd.                                                                                      | 152,411,585                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 135,011,585   |
|                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Overseas listed foreign shares | 17,400,000    |
| Suning.com Co., Ltd.                                                                                                       | 131,270,840                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ordinary shares in RMB         | 131,270,840   |
| Description of the connected relationships<br>or action in concert among the above<br>shareholders                         | Guoxin Group, Communications Holding, Govtor Capital and Jiangsu SOHO Holdings Group Co., Ltd. are wholly-owned by Jiangsu SASAC. Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), which holds more than 5% shares of Suning.com Co., Ltd., and Alibaba (China) Technology Co., Ltd. are wholly-owned subsidiaries of Alibaba Group Holding Ltd. Apart from the above, the Company is not aware of any connection among other shareholders or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies. |                                |               |
| Explanation of shareholders of preferred<br>shares with restored voting rights and<br>the number of shares held by them    | There are no shareholders of preferred shares of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                |               |

Notes: 1. The class of shareholders of ordinary shares in RMB (A Shares) represents the class of accounts held by them registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

2. Among the holders of overseas listed foreign shares (H Shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited on their behalf. As of the end of the Reporting Period, Guoxin Group, Communications Holding, Govtor Capital and Jiangsu SOHO Holdings Group Co., Ltd. acquired, via Southbound Trading, 78,160,600 shares, 37,000,000 shares, 14,205,200 shares and 17,400,000 shares of the Company's H Shares, respectively, which are also being held by HKSCC Nominees Limited. These shares are specifically and separately listed at the time of disclosure of this report; should such shares be included, the actual number of shares held by HKSCC Nominees Limited on their behalf would have been 1,715,305,127 shares, representing 18.90% of the Company's total shares.

3. Hong Kong Securities Clearing Company Limited is the nominal holder of the A Shares of the Company held by the investors in Northbound Trading under Shanghai-Hong Kong Stock Connect.
4. Citibank, National Association is the depositary of the Company's GDRs, and the domestic underlying A shares represented by the GDRs are legally registered under its name. According to the statistics provided by the depositary, the Company had a total of 12,822,311 GDRs in the duration period as of the end of the Reporting Period, accounting for 14.13% of the approved number of issuance by the CSRC.

***(III) A strategic investor or common legal person who became one of the top ten shareholders as a result of subscription for new shares allotted to them***

During the Reporting Period, no strategic investor or common legal person became one of the top ten shareholders as a result of subscription for new shares allotted to them.

### **III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS**

During the Reporting Period, there was no change in controlling shareholders or de facto controllers of the Company.

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

As of June 30, 2020, as far as the Directors were aware after making all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executives of the Company) held interests or short positions in shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| No. | Name of substantial shareholders         | Class of shares               | Nature of interests                                                   | Number of shares held (share) | Percentage of the total issued shares of the Company (%) | Percentage of the total issued A Shares/H Shares of the Company (%) | Long position (Note 2)/ short position (Note 3)/ shares available for lending |
|-----|------------------------------------------|-------------------------------|-----------------------------------------------------------------------|-------------------------------|----------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 1   | Jiangsu Guoxin Investment Group Limited  | A Shares                      | Beneficial owner (Note 1)                                             | 1,271,072,836                 | 14.00                                                    | 17.28                                                               | Long position                                                                 |
|     |                                          | H Shares (Southbound Trading) | Beneficial owner (Note 1)                                             | 78,160,600                    | 0.86                                                     | 4.55                                                                | Long position                                                                 |
| 2   | Jiangsu Communications Holding Co., Ltd. | A Shares                      | Beneficial owner (Note 1)                                             | 452,065,418                   | 4.98                                                     | 6.14                                                                | Long position                                                                 |
|     |                                          | H Shares (Southbound Trading) | Beneficial owner (Note 1)                                             | 37,000,000                    | 0.41                                                     | 2.15                                                                | Long position                                                                 |
| 3   | SSF                                      | H Shares                      | Beneficial owner (Note 1)                                             | 142,346,200                   | 1.57                                                     | 8.28                                                                | Long position                                                                 |
| 4   | Citigroup Inc.                           | H Shares                      | Interests of controlled corporations, approved lending agent (Note 1) | 101,304,925                   | 1.12                                                     | 5.89                                                                | Long position                                                                 |

| No. | Name of substantial shareholders | Class of shares | Nature of interests                           | Number of shares held (share) | Percentage of the total issued shares of the Company (%) | Percentage of the total issued A Shares/H Shares of the Company (%) | Long position (Note 2)/ short position (Note 3)/ shares available for lending |
|-----|----------------------------------|-----------------|-----------------------------------------------|-------------------------------|----------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------|
|     |                                  | H Shares        | Interests of controlled corporations (Note 1) | 498,700                       | 0.01                                                     | 0.02                                                                | Short position                                                                |
|     |                                  | H Shares        | Approved lending agent (Note 1)               | 99,907,669                    | 1.10                                                     | 5.81                                                                | Shares available for lending                                                  |
| 5   | Schroders Plc                    | H Shares        | Investment manager (Note 1)                   | 100,339,600                   | 1.11                                                     | 5.84                                                                | Long position                                                                 |
| 6   | BlackRock, Inc.                  | H Shares        | Interests of controlled corporations (Note 1) | 93,180,123                    | 1.03                                                     | 5.42                                                                | Long position                                                                 |
|     |                                  | H Shares        | Interests of controlled corporations (Note 1) | 238,200                       | 0.003                                                    | 0.01                                                                | Short position                                                                |

Note 1: According to the information disclosed on the websites of HKEX ([www.hkex.com.hk](http://www.hkex.com.hk)) and China Securities Depository and Clearing Corporation Limited ([www.chinaclear.cn](http://www.chinaclear.cn)). Under Section 336 of the SFO, forms disclosing interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange unless certain conditions are satisfied. Therefore, there could be differences between substantial shareholders' latest shareholdings in the Company and the shareholding information reported to the Hong Kong Stock Exchange; Citigroup Inc., through a series of its controlled corporations, indirectly held a long position in 101,304,925 H Shares of the Company, of which 99,907,669 shares were held in the capacity of approved lending agent, and a short position in 498,700 H Shares of the Company;

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

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

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) having any interests or short positions in the shares or underlying shares of the Company as at June 30, 2020, which shall be recorded in the register pursuant to Section 336 of the SFO.

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

In July 2015, due to the significant fluctuation in share price of the Company, Mr. Zhou Yi and Mr. Zhu Xuebo, both being Directors of the fifth session of the Board, purchased H Shares of the Company through the targeted asset management scheme for QDII in compliance with the relevant laws and regulations, so as to actively help maintain the stability of the capital market. In May 2020, both two Directors redeemed all shares held under the targeted asset management scheme for QDII as a result of the expiry of the duration period of the targeted asset management scheme.

As at June 30, 2020, the Company was not aware of any Directors, Supervisors or chief executives of the Company having any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be recorded in the register of interests, or which shall, pursuant to the Model Code, be notified to the Company and the Hong Kong Stock Exchange.

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

On March 30, 2020, the Company convened the fifth meeting of the fifth session of the Board, at which the Resolution on Repurchase of A Shares through Centralized Price Bidding was considered and approved (see Shanghai Stock Exchange announcement 2020-023 for details).

As of August 26, 2020, the Company has accumulatively repurchased 88,090,995 A Shares with the highest and lowest purchase price of RMB23.08 per share and RMB17.19 per share, respectively. The total amount paid was RMB1,626,402,152.88 (excluding transaction costs).

Save for the above circumstances, the Company and its subsidiaries did not repurchase, sell or redeem any listed securities of the Company and its subsidiaries during the Reporting Period.

## **VII. INFORMATION ON PREFERRED SHARES**

During the Reporting Period, the Company had no preferred shares.

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **I. CHANGES IN SHAREHOLDING STRUCTURE**

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

During the Reporting Period, there were no changes in shareholding structure of current and retired Directors, Supervisors and senior management.

#### ***(II) Option incentive granted to Directors, Supervisors and senior management during the Reporting Period***

During the Reporting Period, the Company had no option incentives granted to Directors, Supervisors and senior management.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name           | Position                              | Change                                                                                           |
|----------------|---------------------------------------|--------------------------------------------------------------------------------------------------|
| Liu Hongzhong  | Independent Director                  | Resigned                                                                                         |
| Wang Jianwen   | Independent Director                  | Elected                                                                                          |
| Zhai Jun       | Chairman of the Supervisory Committee | Elected by the Supervisory Committee in 2019 and duly discharge duty during the Reporting Period |
| Li Shiqian     | Member of the Executive Committee     | Appointed by the Board in 2019 and duly discharge duty during the Reporting Period               |
| Chen Tianxiang | Member of the Executive Committee     | Appointed by the Board in 2019 and duly discharge duty during the Reporting Period               |
| Jiao Xiaoning  | Chief financial officer               | Appointed                                                                                        |
| Jiao Kai       | Chief compliance officer              | Appointed by the Board in 2019 and duly discharge duty during the Reporting Period               |

Information on the changes of Directors, Supervisors and senior management of the Company

Upon consideration and approval by the Company at the first meeting of the fifth session of the Board held on December 16, 2019, Mr. Li Shiqian and Mr. Chen Tianxiang were appointed as members of the Executive Committee of the Company and Mr. Jiao Kai was appointed as the chief compliance officer and general legal advisor of the Company. At the same date, upon consideration and approval by the Company at the first meeting of the fifth session of the Supervisory Committee, Mr. Zhai Jun was elected as the Chairman of the fifth session of the Supervisory Committee.

Upon consideration and approval by the Company at the third meeting of the fifth session of the Board held on January 23, 2020, Ms. Jiao Xiaoning was appointed as the chief financial officer of the Company.

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

On February 18, 2020, the Company received the Approval on Qualification of Zhai Jun as Chairman of the Supervisory Committee of Securities Companies (Su Zheng Jian Xu Ke [2020] No. 8) (《關於核准翟軍證券公司監事會主席任職資格的批覆》(蘇證監許可字[2020]8號)) from the Jiangsu Securities Regulatory Bureau, pursuant to which, Mr. Zhai Jun's qualification as the chairman of the Supervisory Committee of Securities Companies has been approved. Pursuant to the relevant requirements and the resolution at the first meeting of the fifth session of the Supervisory Committee of the Company, the appointment of Mr. Zhai Jun as the chairman of the Supervisory Committee of the Company has taken effect from February 18, 2020. On the same date, the Company received the Approval on Qualification of Chen Tianxiang as Senior Management of Securities Companies (Su Zheng Jian Xu Ke [2020] No. 9) (《關於核准陳天翔證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字[2020]9號)) from the Jiangsu Securities Regulatory Bureau, the appointment of Mr. Chen Tianxiang as the member of the Executive Committee of the Company has taken effect from February 18, 2020.

According to the new Securities Law and the CSRC's Announcement on Various Issues in relation to the Cancellation or Adjustment of Certain Administrative Approval Projects of Securities Companies (CSRC Announcement [2020] No. 18) (《關於取消或調整證券公司部分行政審批項目等事項的公告》(證監會公告[2020]18號)), senior management of securities companies no longer need regulatory authorities to approve their qualifications before taking office. Ms. Jiao Xiaoning formally performs her duties as the chief financial officer of the Company from March 5, 2020. Mr. Li Shiqian formally performs his duties as a member of the Executive Committee of the Company from March 10, 2020.

On June 18, 2020, the Company considered and approved the Resolution on the Election of Mr. Wang Jianwen as an Independent Non-executive Director of the Fifth Session of the Board of the Company at 2019 annual general meeting, and elected Mr. Wang Jianwen as an independent non-executive Director of the fifth session of the Board of the Company. Mr. Wang Jianwen has replaced Mr. Liu Hongzhong to serve as an independent non-executive Director of the fifth session of the Board of the Company from June 18, 2020, and the term of office shall expire at the end of the term of the current session of the Board.

Save as disclosed above, the Company did not appoint or dismiss any Director, Supervisor and senior management during the Reporting Period. Meanwhile, there is no change of information about the Directors, Supervisors and chief executives which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### **III. OTHER INFORMATION**

#### ***(I) Service contract of Directors and Supervisors***

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of (among other things) the compliance of relevant laws and regulations and observance of the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into and does not propose to enter into any service contract with any of the Directors or Supervisors in respect of their capacities as Directors or Supervisors (other than contracts expiring within one year or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

#### ***(II) Employees and remuneration policy***

##### **1. Remuneration Policy**

The Company attaches importance to external competitiveness and internal fairness of salary incentive, and implements a remuneration distribution system based on market standards and on performance-oriented basis. Staff remuneration of the Company consists of fixed salary, performance bonus and benefits system.

Pursuant to relevant laws and regulations, the Company makes full payments to different types of social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for staff in accordance with laws. Meanwhile, the Company has established the supplementary medical insurance plan and enterprise annuity plan to improve supplementary medical care and retirement treatment of staff.

## **2. Training**

In line with the development trend of industry innovation and transformation, the Company continued to centralize its training on the aspects including business innovation, employee orientation, common skills, management capability and internal trainers. The Company propelled training programs with a combination of centralized training and external training as well as on-site training and HTSC Cloud Academy training; its annual training plan was implemented smoothly. The Company built the talent development system HTalent based on the business strategy of the two-pronged and talent development strategy of empowerment of people. In the first half of the year, the Company organized and carried out one session of training for new persons in charge of securities branches in the BAL Star Battle Camp (BAL星戰營), two sessions of training for new team heads, one session of Fintech HIPO-talent training program, two sessions of investment advisory business training, and one session of micro-class contest themed by “Professionalism Wins the Future (專業贏未來)”. The Company also planned and launched R2 online carnival learning activities across the Group, including seven weekly activities themed by Career Energy (職涯Energy), Wealth Energy (財富Energy), Strategy Energy (戰略Energy), Digital Intelligence Energy (數智化Energy), Partner Strength (合夥人Strength), Respondent Strength (答人Strength), and HTalk Strength. The Company launched a total of 363 live broadcast training sessions, with over 82,000 participants via live broadcast and over 1,137,000 participants by studying through the Cloud Academy. 7,283 employees in total completed 167,000 hours of online learning through the Cloud Academy. Internal trainers provided 600 hours of lectures in total and developed over 550 courses.

By virtue of the HTalent talent development system, the Company was committed to meeting employees’ demand for dynamic development by launching the HTSC STAR project for new employees, high potential/backbone HIPO project, and manager BAL project throughout the employees’ career, and investment consultants, institutional businesses, technology empowerment project and other professional training programs across the entire business chain, and focusing on employee’s career growth and professional empowerment. The Company customized each project based on employee portraits to cater to employees’ demand and provided targeted learning courses to meet the personalized development needs of employees. It explored to establish a learning platform combining online and offline, and launched a number of online and offline training programs to accelerate the digital transformation of training development and to upgrade the functions of the Cloud Academy. It established a think tank focusing on the development of the financial industry to create high-quality knowledge under an ecological synergy model. In addition, it adhered to the future growth concept of Meet&Foresee, and trained organizations to foresee the direction of future development of the Company’s business, and the needs of employees’ future ability development.

## **3. Number of Employees**

During the Reporting Period, there were 10,147 employees in the Group, of which 2,984 were from the subsidiaries.

## CORPORATE BONDS

### I. BASIC INFORMATION ON CORPORATE BONDS

Unit: 100 million Yuan    Currency: RMB

| Name of bond                                                                                               | Abbreviation | Code      | Issue date        | Expiration date   | Balance | Interest rate (%) | Principal and interest payment method                                 | Place for trading       |
|------------------------------------------------------------------------------------------------------------|--------------|-----------|-------------------|-------------------|---------|-------------------|-----------------------------------------------------------------------|-------------------------|
| 2013 Corporate Bonds of 13 Huatai Securities (Ten-year bonds)                                              | 02           | 122262.SH | June 5, 2013      | June 5, 2023      | 60.00   | 5.10              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2016 Corporate Bonds of 16 Huatai Securities (First tranche) (Type II)                                     | G2           | 136852.SH | December 6, 2016  | December 6, 2021  | 25.00   | 3.78              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2016 Corporate Bonds of Huatai Securities (Second tranche) (Type II)                                       | G4           | 136874.SH | December 14, 2016 | December 14, 2021 | 30.00   | 3.97              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2018 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type I)  | G1           | 155047.SH | November 26, 2018 | November 26, 2021 | 30.00   | 3.88              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2018 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type II) | G2           | 155048.SH | November 26, 2018 | November 26, 2023 | 10.00   | 4.17              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2019 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type I)  | G1           | 155240.SH | March 19, 2019    | March 19, 2022    | 70.00   | 3.68              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2019 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Second tranche) (Type I) | G3           | 155358.SH | April 22, 2019    | April 22, 2022    | 50.00   | 3.80              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2020 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type I)  | G1           | 163353.SH | March 26, 2020    | March 26, 2023    | 80.00   | 2.99              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |

| Name of bond                                                                                                | Abbreviation | Code      | Issue date     | Expiration date | Balance | Interest rate (%) | Principal and interest payment method                                 | Place for trading       |
|-------------------------------------------------------------------------------------------------------------|--------------|-----------|----------------|-----------------|---------|-------------------|-----------------------------------------------------------------------|-------------------------|
| 2020 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Second tranche)           | 20 Huatai G3 | 163482.SH | April 29, 2020 | April 29, 2025  | 35.00   | 2.90              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2020 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Third tranche)            | 20 Huatai G4 | 163558.SH | May 21, 2020   | May 21, 2025    | 30.00   | 3.20              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2020 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Fourth tranche) (Type I)  | 20 Huatai G5 | 163669.SH | June 18, 2020  | June 18, 2021   | 23.00   | 2.58              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |
| 2020 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Fourth tranche) (Type II) | 20 Huatai G6 | 163670.SH | June 18, 2020  | June 18, 2023   | 32.00   | 3.10              | Principal to be paid upon expiration and interest to be paid annually | Shanghai Stock Exchange |

### ***Interest Payment for and Redemption of Corporate Bonds***

On March 19, 2020, the Company paid the interest for “19 Huatai G1” bond for the period from March 19, 2019 to March 18, 2020 with a total amount of RMB257.60 million (tax inclusive); On April 22, 2020, the Company paid the interest for “19 Huatai G3” bond for the period from April 22, 2019 to April 21, 2020 with a total amount of RMB190.00 million (tax inclusive); On June 5, 2020, the Company paid the interest for “13 Huatai 02” bond for the period from June 5, 2013 to June 4, 2020 with a total amount of RMB306.00 million (tax inclusive).

### ***Other Information on Corporate Bonds***

Arrangements for investors’ appropriateness: targets of the issuance are qualified investors who hold A share securities accounts of China Securities Depository and Clearing Corporation Limited, Shanghai Branch and are in compliance with the requirements of the Administrative Measures for Issuance and Trading of Corporate Bonds and relevant laws and regulations (excluding purchasers subject to prohibition under laws and regulations). Investors shall not subscribe by illegal use of others’ accounts or fund accounts, or illegally financing or financing for others. Investors subscribing for this tranche of bonds shall observe relevant laws and regulations and relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.

## II. ENTRUSTED MANAGERS OF CORPORATE BONDS AND THEIR CONTACTS AND CONTACTS OF THE CREDIT RATING AGENCY

|                            |                 |                                                                                                         |
|----------------------------|-----------------|---------------------------------------------------------------------------------------------------------|
| Entrusted manager of bonds | Name            | GF Securities Co., Ltd.                                                                                 |
|                            | Office address  | 16th Floor, Phase I, Shanghai IFC,<br>8 Century Avenue, Lujiazui, Pudong<br>New Area, Shanghai, the PRC |
|                            | Contact persons | Li Peng                                                                                                 |
| Entrusted manager of bonds | Tel. no.        | 021-60757512                                                                                            |
|                            | Name            | Shenwan Hongyuan Securities Co., Ltd.                                                                   |
|                            | Office address  | 39th Floor, 989 Changle Road, Xuhui<br>District, Shanghai, the PRC                                      |
| Credit rating agency       | Contact persons | Liu Qiuyan                                                                                              |
|                            | Tel. no.        | 021-33388507                                                                                            |
|                            | Name            | Shanghai Brilliance Credit Rating &<br>Investors Service Co., Ltd.                                      |
|                            | Office address  | 14th Floor, Huasheng Mansion, 398<br>Hankou Road, Shanghai, the PRC                                     |

Other notes:

The entrusted manager of “13 Huatai 02” is GF Securities Co., Ltd., the entrusted manager of “16 Huatai G2”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2”, “19 Huatai G1”, “19 Huatai G3”, “20 Huatai G1”, “20 Huatai G3”, “20 Huatai G4”, “20 Huatai G5” and “20 Huatai G6” is Shenwan Hongyuan Securities Co., Ltd., and the credit rating agency for each tranche of bonds is Shanghai Brilliance.

## III. USAGE OF PROCEEDS FROM CORPORATE BONDS

All of the proceeds from 2013 corporate bonds have been used to supplement the Company’s working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and stock pledged repurchase business, which is in compliance with the requirements of the prospectus. All of the proceeds from the two tranches of corporate bonds issued in 2016 have been used to supplement the Company’s working capital and mainly for the purposes of capital-based intermediary businesses such as stock pledge and investment businesses such as FICC, which is in line with the covenants undertaken in the prospectus. All of the proceeds from the corporate bonds issued in 2018 have been used to supplement working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus. All of the proceeds from the two tranches of corporate bonds issued in 2019 have been used to supplement the Company’s working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus. All of the proceeds from the four tranches of corporate bonds issued in 2020 have been used to supplement the Company’s working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus.

#### IV. RATING OF CORPORATE BONDS

On April 28, 2020, Shanghai Brilliance conducted follow-up credit ratings for the corporate bonds “13 Huatai 02”, “16 Huatai G2”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2”, “19 Huatai G1”, “19 Huatai G3” and “20 Huatai G1” issued by the Company, and issued the Report on the Follow-up Credit Rating of Huatai Securities Co., Ltd. and Its Issued 13 Huatai 02, 16 Huatai G2, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2, 19 Huatai G1, 19 Huatai G3 and 20 Huatai G1 (《华泰证券股份有限公司及其發行的13華泰02、16華泰G2、16華泰G4、18華泰G1、18華泰G2、19華泰G1、19華泰G3與20華泰G1跟蹤評級報告》) (No.: Brilliance Follow-up Rating [2020]100031), pursuant to which the credit ratings of the Company’s bonds “13 Huatai 02”, “16 Huatai G2”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2”, “19 Huatai G1”, “19 Huatai G3” and “20 Huatai G1” were AAA, the credit rating of the Company remained as AAA and the credit rating outlook is stable.

On April 28, 2020, Shanghai Brilliance conducted follow-up ratings for credit status of the financial bonds “19 Huatai Securities Financial Bonds 01” issued by the Company, and issued the Report on the Follow-up Rating of the 2019 Financial Bonds of Huatai Securities Co., Ltd. (First Tranche) (《华泰证券股份有限公司2019年度第一期金融債券跟蹤評級報告》) (No.: Brilliance Follow-up Rating [2020]100028), pursuant to which the credit rating of the Company’s bonds “19 Huatai Securities Financial Bonds 01” was AAA and the credit rating outlook is stable.

On April 17, 2020, Shanghai Brilliance conducted credit ratings for the corporate bonds “20 Huatai G3” issued by the Company, and issued the Report on the Credit Rating of the 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche) (《华泰证券股份有限公司2020年面向合格投資者公開發行公司債券(第二期)信用評級報告》) (No.: [Brilliance Bond Rating (2020)010549]), pursuant to which the credit rating of “20 Huatai G3” was AAA, the credit rating of the Company was AAA and the credit rating outlook is stable. On May 13, 2020, Shanghai Brilliance conducted credit ratings for the corporate bonds “20 Huatai G4” issued by the Company, and issued the Report on the Credit Rating of the 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Third Tranche) (《华泰证券股份有限公司2020年面向合格投資者公開發行公司債券(第三期)信用評級報告》) (No.: [Brilliance Bond Rating (2020)010682]), pursuant to which the credit rating of “20 Huatai G4” was AAA, the credit rating of the Company was AAA and the credit rating outlook is stable. On June 5, 2020, Shanghai Brilliance conducted credit ratings for the corporate bonds “20 Huatai G5” and “20 Huatai G6” issued by the Company, and issued the Report on the Credit Rating of the 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Fourth Tranche) (《华泰证券股份有限公司2020年面向合格投資者公開發行公司債券(第四期)信用評級報告》) (No.: [Brilliance Bond Rating (2020)010857]), pursuant to which the credit ratings of “20 Huatai G5” and “20 Huatai G6” were AAA, the credit rating of the Company was AAA and the credit rating outlook is stable.

For details of the rating results, please refer to the announcements on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## **V. CREDIT ENHANCEMENT MECHANISM, SETTLEMENT PLAN AND OTHER RELEVANT INFORMATION ON CORPORATE BONDS DURING THE REPORTING PERIOD**

The credit enhancement mechanism for the ten tranches of corporate bonds issued by the Company is to issue unsecured bonds, and the settlement plan is to pay interest once annually in the duration of the bonds and to pay the principal together with the last installment of interest. During the Reporting Period, there was no change to the credit enhancement mechanism, settlement plan or other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants as set out in the prospectus in relation to the settlement plan, paid the interest for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, so as to protect the legal interest of investors.

## **VI. INFORMATION ON CORPORATE BONDHOLDERS' MEETING**

There was no corporate bondholders' meeting during the Reporting Period.

## **VII. PERFORMANCE OF DUTIES BY THE ENTRUSTED MANAGERS OF CORPORATE BONDS**

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year 2019) (《华泰证券股份有限公司2013年公司債券受託管理事務報告(2019年度)》), and the Interim Report on the Significant Matters Entrusted Affairs in Relation to the 2013 Corporate Bonds (Ten-year bonds) of Huatai Securities Co., Ltd. (2020-1-17) (《华泰证券股份有限公司2013年公司債券(10年期) 重大事項的臨時受託管理事務報告(2020-1-17)》). For details, please refer to the relevant announcements disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the Reporting Period, Shenwan Hongyuan Securities Co., Ltd., as the entrusted manager, issued the Reports on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. and the 2016 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. (Year 2019) (《华泰证券股份有限公司2016年公司債券(第一期)、华泰证券股份有限公司2016年公司債券(第二期)受託管理事務報告(2019年度)》), the Reports on the Entrusted Affairs in Relation to the 2018 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche), 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche) and 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche) (《华泰证券股份有限公司2018年面向合格投資者公開發行公司債券(第一期)、华泰证券股份有限公司2019年面向合格投資者公開發行公司債券(第一期)、华泰证券股份有限公司2019年面向合格投資者公開發行公司債券(第二期)受託管理事務報告(2019年度)》), and the Interim Report on the Significant Matters Entrusted Affairs in Relation to the Corporate Bonds of Huatai Securities Co., Ltd. (2020-1-20) (《华泰证券股份有限公司公司債券重大事項的臨時受託管理事務報告(2020-1-20)》). For details, please refer to the relevant announcements disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

**VIII.ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR (OR OF THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF THE PREVIOUS YEAR)**

Unit: Yuan Currency: RMB

| Primary indicators              | As of the end of the Reporting Period       | As of the end of the previous year        | Increase/decrease as of the end of the Reporting Period from the end of the previous year (%)    | Reason for the change |
|---------------------------------|---------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------|
| Current ratio                   | 1.50                                        | 1.40                                      | 7.14                                                                                             | —                     |
| Quick ratio                     | 1.50                                        | 1.40                                      | 7.14                                                                                             | —                     |
| Gearing ratio (%)               | 73.05                                       | 73.40                                     | Decreased by 0.35 percentage point                                                               | —                     |
| Loan repayment ratio (%)        | 100.00                                      | 100.00                                    | —                                                                                                | —                     |
|                                 | The Reporting Period (from January to June) | Corresponding period of the previous year | Increase/decrease of the Reporting Period from the corresponding period of the previous year (%) | Reason for the change |
| Times interest earned of EBITDA | 3.59                                        | 3.15                                      | 13.97                                                                                            | —                     |
| Interest payment ratio (%)      | 100                                         | 100                                       | —                                                                                                | —                     |

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

Unit: 100 million Yuan Currency: RMB

| Abbreviation of the bond | Issuing scale | Closing balance | Coupon rate (%) | Value date | Maturity date | Redemption and interest payment |
|--------------------------|---------------|-----------------|-----------------|------------|---------------|---------------------------------|
| 17 Huatai 02             | 20.00         | —               | 4.65            | 2017-02-24 | 2020-02-24    | Redemption and interest payment |
| 17 Huatai 04             | 60.00         | —               | 5.25            | 2017-05-15 | 2020-05-15    | Redemption and interest payment |
| 17 Huatai C2             | 50.00         | 50.00           | 4.95            | 2017-07-27 | 2020-07-27    | —                               |
| 18 Huatai C1             | 10.00         | —               | 5.65            | 2018-03-15 | 2020-03-15    | Redemption and interest payment |
| 18 Huatai C2             | 28.00         | 28.00           | 5.20            | 2018-05-10 | 2021-05-10    | Interest payment                |
| 19 Huatai 02             | 50.00         | 50.00           | 3.94            | 2019-05-27 | 2022-05-27    | Interest payment                |
| 19 Huatai 03             | 40.00         | 40.00           | 3.68            | 2019-10-24 | 2022-10-24    | —                               |
| 19 Huatai Securities     | 60.00         | 60.00           | 3.40            | 2019-08-21 | 2022-08-21    | —                               |
| Financial Bonds 01       |               |                 |                 |            |               |                                 |

| Abbreviation of the bond   | Issuing scale  | Closing balance | Coupon rate (%)      | Value date | Maturity date | Redemption and interest payment |
|----------------------------|----------------|-----------------|----------------------|------------|---------------|---------------------------------|
| 19 Huatai Securities CP005 | 50.00          | –               | 2.83                 | 2019-10-11 | 2020-01-09    | Redemption and interest payment |
| 19 Huatai Securities CP006 | 50.00          | –               | 3.05                 | 2019-11-14 | 2020-02-12    | Redemption and interest payment |
| 19 Huatai Securities CP007 | 50.00          | –               | 3.02                 | 2019-12-06 | 2020-03-05    | Redemption and interest payment |
| 20 Huatai Securities CP001 | 60.00          | –               | 2.80                 | 2020-01-06 | 2020-04-05    | Redemption and interest payment |
| 20 Huatai Securities CP002 | 50.00          | –               | 2.65                 | 2020-02-10 | 2020-05-10    | Redemption and interest payment |
| 20 Huatai Securities CP003 | 30.00          | –               | 2.39                 | 2020-02-27 | 2020-05-27    | Redemption and interest payment |
| 20 Huatai Securities CP004 | 40.00          | –               | 2.31                 | 2020-03-06 | 2020-06-04    | Redemption and interest payment |
| 20 Huatai Securities CP005 | 40.00          | 40.00           | 1.90                 | 2020-06-09 | 2020-08-28    | –                               |
| 20 Huatai Securities CP006 | 40.00          | 40.00           | 2.20                 | 2020-06-16 | 2020-09-14    | –                               |
| Offshore Bonds             | USD500 million | USD500 million  | 3.375                | 2019-05-23 | 2022-05-23    | Interest payment                |
| Offshore Bonds             | USD400 million | USD400 million  | 3 month LIBOR +95bps | 2020-02-12 | 2023-02-12    | Interest payment                |

### **1. Interest payment for and redemption of subordinated bonds**

During the Reporting Period, the Company settled the principal and interest for 2018 Non-publicly Issued Subordinated Bonds (First Tranche) (“18 Huatai C1”) with the payment amounting to RMB1,056,500,000 (tax inclusive); paid the interest for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Type I) (“18 Huatai C2”) for the period from May 10, 2019 to May 9, 2020, with the interest payment amounting to RMB145,600,000 (tax inclusive). For details of relevant announcements, please refer to the disclosure of the Company on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)).

### **2. Interest payment for and redemption of non-publicly issued corporate bonds**

During the Reporting Period, the Company settled the principal and interest for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Type II) (“17 Huatai 02”) with the payment amounting to RMB2,093,000,000 (tax inclusive) and for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Type II) (“17 Huatai 04”) with the payment amounting to RMB6,315,000,000 (tax inclusive); paid the interest for 2019 Non-publicly Issued Corporate Bonds (First Tranche) (Type II) (“19 Huatai 02”) for the period from May 27, 2019 to May 26, 2020, with the interest payment amounting to RMB197,000,000 (tax inclusive).

### **3. *Interest payment for and redemption of short-term financing bonds***

During the Reporting Period, the Company settled the principal and interest for the following short-term financing bonds: the fifth tranche of the short-term financing bonds in 2019 (“19 Huatai Securities CP005”), with the payment amounting to RMB5,034,795,081.97 (tax inclusive); the sixth tranche of the short-term financing bonds in 2019 (“19 Huatai Securities CP006”), with the payment amounting to RMB5,037,500,000 (tax inclusive); the seventh tranche of the short-term financing bonds in 2019 (“19 Huatai Securities CP007”), with the payment amounting to RMB5,037,131,147.54 (tax inclusive); the first tranche of the short-term financing bonds in 2020 (“20 Huatai Securities CP001”) with the payment amounting to RMB6,041,311,475.41 (tax inclusive); the second tranche of the short-term financing bonds in 2020 (“20 Huatai Securities CP002”) with the payment amounting to RMB5,032,581,967.21 (tax inclusive); the third tranche of the short-term financing bonds in 2020 (“20 Huatai Securities CP003”) with the payment amounting to RMB3,017,631,147.54 (tax inclusive); and the fourth tranche of the short-term financing bonds in 2020 (“20 Huatai Securities CP004”) with the payment amounting to RMB4,022,783,561.64 (tax inclusive).

### **4. *Interest payment for and redemption of offshore bonds***

During the Reporting Period, Pioneer Reward Limited, a subsidiary of Huatai International, paid interest on two offshore bonds, totaling US\$11,104,000.

## **X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company continued to enhance credit management. As of the end of June 2020, the total credit line obtained by the Company from commercial banks amounted to RMB475.2 billion, which effectively supported the development of various businesses of the Company.

The Company enjoyed a good reputation, and repaid bank loans on time during the Reporting Period without extension, reduction or exemption of any loan.

## **XI. PERFORMANCE OF RELEVANT COVENANTS OR UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations of information disclosure and paid the interest for bonds on time to protect the legal interests of investors. During the Reporting Period, the Company did not default on the redemption and interest payment of issued bonds, and operated stably with satisfactory earnings with no risk identified that may lead to the inability of the Company to make payments on time in the future.

## **XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY**

During the Reporting Period, the Company did not experience any major event that would have an impact on the Company’s operation and solvency.

## INDEX OF DOCUMENTS FOR INSPECTION

### INDEX OF DOCUMENTS FOR INSPECTION

Financial statements carrying the signature and seal of the Company's legal representative, person in charge of accounting work and head of accounting organ  
All company documents and announcements made public on the newspapers designated by the CSRC within the Reporting Period  
Articles of Association

Chairman of the Board: Zhang Wei

Date of Submission as Approved by the Board of Directors: August 26, 2020

## INFORMATION DISCLOSURE OF SECURITIES COMPANIES

### I. MAJOR ADMINISTRATIVE APPROVALS OF THE COMPANY

1. Approval on Qualification of Jiao Kai as Senior Management of Securities Companies (Su Zheng Jian Xu Ke [2020] No. 3) (《關於核准焦凱證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字[2020]3號)) dated January 21, 2020;
2. No-objection Letter on Appointment of Jiao Kai as Chief Compliance Officer of Huatai Securities Co., Ltd. (Su Zheng Jian Han [2020] No. 71) (《關於焦凱任华泰證券股份有限公司合規負責人的無異議函》(蘇證監函[2020]71號)) dated February 14, 2020;
3. Approval on Qualification of Zhai Jun as Chairman of the Supervisory Committee of Securities Companies (Su Zheng Jian Xu Ke [2020] No. 8) (《關於核准翟軍證券公司監事會主席任職資格的批覆》(蘇證監許可字[2020]8號)) and Approval on Qualification of Chen Tianxiang as Senior Management of Securities Companies (Su Zheng Jian Xu Ke [2020] No. 9) (《關於核准陳天翔證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字[2020]9號)) dated February 17, 2020;
4. Reply on Matters Regarding Conducting Pilot Fund Investment Advisory Business by Huatai Securities Co., Ltd. (Ji Gou Bu Han [2020] No. 387) (《關於华泰證券股份有限公司試點開展基金投資顧問業務有關事項的覆函》(機構部函[2020]387號)) dated February 28, 2020.

### II. RESULTS OF CLASSIFICATION BY REGULATORY AUTHORITIES

1. In 2017, the Company was rated Class AA under Category A according to the classification of securities companies.
2. In 2018, the Company was rated Class AA under Category A according to the classification of securities companies.
3. In 2019, the Company was rated Class AA under Category A according to the classification of securities companies.

## APPENDIX: INFORMATION DISCLOSURE INDEX

1. During the Reporting Period, the Company disclosed the following matters on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the website of the Shanghai Stock Exchange (www.sse.com.cn):

| No. | Date       | Announcement                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | 2020-01-06 | Announcement by HTSC on Results on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited                                                                                                                                                                                                                                                                                                                                                     |
| 2   | 2020-01-07 | Announcement by HTSC on Issuance Results for Short-term Debentures (First Tranche) in 2020                                                                                                                                                                                                                                                                                                                                                                 |
| 3   | 2020-01-10 | Announcement by HTSC on Key Financial Information of Business Operation for December 2019                                                                                                                                                                                                                                                                                                                                                                  |
| 4   | 2020-01-15 | Announcement by HTSC on Accumulative Increase of New Borrowings in Current Year Exceeding Net Assets at the End of Previous Year by 40%                                                                                                                                                                                                                                                                                                                    |
| 5   | 2020-01-18 | Extraordinary Report by GF Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Corporate Bonds of Huatai Securities Co., Ltd.                                                                                                                                                                                                                                                                                                          |
| 6   | 2020-01-21 | Extraordinary Report by Shenwan Hongyuan Securities Co., Ltd. on the Entrusted Management Affairs in Relation to Major Events of Corporate Bonds of Huatai Securities Co., Ltd., Extraordinary Report by China International Capital Corporation Limited on the Entrusted Management Affairs in Relation to Accumulative Increase of New Borrowings of Huatai Securities Co., Ltd. in Current Year Exceeding Net Assets at the End of Previous Year by 40% |
| 7   | 2020-01-23 | Announcement by HTSC on Positive Profit Alert for the 2019 Annual Results                                                                                                                                                                                                                                                                                                                                                                                  |
| 8   | 2020-01-31 | Announcement by HTSC on the Resolutions of the Third Meeting of the Fifth Session of the Board and Independent Opinion of HTSC Independent Directors on Engagement of Chief Financial Officer                                                                                                                                                                                                                                                              |
| 9   | 2020-02-08 | Announcement by HTSC on Key Financial Information of Business Operation for January 2020                                                                                                                                                                                                                                                                                                                                                                   |
| 10  | 2020-02-12 | Announcement by HTSC on Issuance Results for Short-term Debentures (Second Tranche) in 2020                                                                                                                                                                                                                                                                                                                                                                |
| 11  | 2020-02-13 | Announcement by HTSC on the Listing of Offshore Bonds on The Stock Exchange of Hong Kong Limited, Announcement by HTSC on Settlement the Principal and Interest of 2020 and Delisting for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II) and Announcement by HTSC on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries                                                                    |
| 12  | 2020-02-19 | Announcement by HTSC on Approval of Qualification as Chairman of the Supervisory Committee, Announcement by HTSC on the Appointment of Certain Senior Management                                                                                                                                                                                                                                                                                           |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                           |
|------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13         | 2020-02-29  | Announcement by HTSC on Issuance Results for Short-term Debentures (Third Tranche) in 2020 and Announcement by HTSC on the Resolutions of the Fourth Meeting of the Fifth Session of the Board                                                                                                                                |
| 14         | 2020-03-04  | H Share Announcement by HTSC – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 29, 2020, Announcement by HTSC on Reply from the CSRC in Relation to Conducting Pilot Fund Investment Advisory Business                                                                                |
| 15         | 2020-03-05  | Announcement by HTSC on Settlement the Principal and Interest of 2020 and Delisting for 2018 Non-publicly Issued Subordinated Bonds (First Tranche)                                                                                                                                                                           |
| 16         | 2020-03-06  | Announcement by HTSC on Key Financial Information of Business Operation for February 2020                                                                                                                                                                                                                                     |
| 17         | 2020-03-07  | Announcement by HTSC on Issuance Results for Short-term Debentures (Fourth Tranche) in 2020 and Announcement by HTSC on the Appointment of Chief Financial Officer and Change in the Chairman of its Subsidiaries                                                                                                             |
| 18         | 2020-03-11  | Announcement by HTSC on the Appointment of Mr. Li Shiqian, a member of Executive Committee                                                                                                                                                                                                                                    |
| 19         | 2020-03-12  | Announcement on 2020 Interest Payment of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche) (Type I)                                                                                                                                                                                         |
| 20         | 2020-03-19  | H Share Announcement by HTSC-- Date of Board Meeting                                                                                                                                                                                                                                                                          |
| 21         | 2020-03-20  | Announcement by HTSC on Reply from the CSRC in Relation to Approval on Public Issuance of Corporate Bonds                                                                                                                                                                                                                     |
| 22         | 2020-03-23  | Announcement on Issuance of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus Summary of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche) |
| 23         | 2020-03-24  | Announcement on Extension of Bookkeeping Time of 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche), Announcement on Extension of Bookkeeping Time of 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)      |
| 24         | 2020-03-25  | Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)                                                                                                                                                                                                            |
| 25         | 2020-03-26  | Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)                                                                                                                                                                                                      |
| 26         | 2020-03-27  | Announcement by HTSC on the Online Briefing on the Annual Results of 2019                                                                                                                                                                                                                                                     |
| 27         | 2020-03-30  | Announcement by HTSC on Approval on Formal Pilot Implementation of Consolidated Supervision                                                                                                                                                                                                                                   |

| No. | Date       | Announcement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 28  | 2020-03-31 | <p>2019 Annual Report of HTSC, 2019 Annual Report Summary of HTSC, Annual Internal Control Audit Report in 2019, Special Review Report on Deposit and Actual Use of Huatai Securities Co., Ltd.'s Funds Raised in 2019 by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Report on Performance of Duties of Audit Committee under the Board of HTSC in 2019, Special Verification Opinions on Anticipation of Ordinary Transactions with Related Parties in 2020 of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., 2019 Annual Report on Continuously Performing Supervision on Non-Public Issuance of A Shares by Huatai Securities Co., Ltd. of Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Annual Internal Control Evaluation Report of HTSC in 2019, Announcement by HTSC on the Resolutions of the Fifth Meeting of the Fifth Session of the Board, Independent Opinion of HTSC Independent Directors on Matters Concerning 2019 Annual Report of the Company, Independent Opinions of Independent Directors of HTSC on Repurchase of A Shares of the Company through Centralized Price Bidding, Independent Opinion on Nomination of Candidates for Independent Non-executive Directors of the Company of HTSC's Independent Directors, Personal Statements of Nominators of HTSC Independent Director Candidates, Personal Statements of HTSC Independent Director Candidates, Reports from Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd. on Ongoing Supervision, Sponsoring and Summary of Huatai Securities Co., Ltd.'s Non-public Issuance of A Shares, Announcement on Annual Profit Distribution Plan of HTSC in 2019, Announcement on the re-appointment of the accounting firm by HTSC, Announcement by HTSC on the Resolutions of the Second Meeting of the Fifth Session of the Board, Announcement by HTSC on Amendments to the Articles of Association of the Company, Announcement on Anticipation of Ordinary Transactions with Related Parties in 2020 of HTSC, Announcement by HTSC on Repurchase of A Shares through Centralized Price Bidding, 2019 Annual Auditing Report, Special Explanation on Occupation of Non-operating Funds and Transaction of Other Associated Funds for 2019, Report on Performance of Duties of HTSC's Independent Directors in 2019, Special Report on Deposit and Actual Use of the Funds Raised in 2019 by HTSC, Corporate Social Responsibility Report of HTSC for 2019, Assurance Report on the Special Report on Deposit and Actual Use of HTSC Fund Raised in 2019, Special Explanation by HTSC on Matters of Changes in Accounting Policies in 2019</p> |
| 29  | 2020-04-03 | <p>Announcement by HTSC on the Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 30  | 2020-04-07 | <p>Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2020, Report on Repurchase of A Shares by HTSC through Centralized Bidding Trading, Legal Opinions from Shanghai Office of King &amp; Wood Mallesons on Repurchase of Part of A Shares by HTSC through Centralized Bidding Trading, Announcement by HTSC on Shareholdings of Top Ten Shareholders and Top Ten Holders of Shares not Subject to Lock-up, Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| No. | Date       | Announcement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31  | 2020-04-08 | Announcement by HTSC on Change in the General Manager of Huatai Purple Gold Investment Co., Ltd., Announcement by HTSC on Initial Repurchase of A Shares of the Company through Centralized Bidding Trading, H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 32  | 2020-04-09 | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 33  | 2020-04-10 | Announcement by HTSC on Key Financial Information of Business Operation for March 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 34  | 2020-04-14 | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 35  | 2020-04-15 | Announcement on 2020 Interest Payment of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche) (Category I), H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 36  | 2020-04-16 | Announcement by HTSC on the Progress on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 37  | 2020-04-18 | H Share Announcement of HTSC – Date of Board Meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 38  | 2020-04-24 | Prospectus of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Credit Rating Report on 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus Summary of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Announcement on Issuance of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)                                                                                                                                                                                                                                                                                                                                                                                                    |
| 39  | 2020-04-27 | Announcement on Extension of Bookkeeping Time of 2020 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 40  | 2020-04-28 | Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 41  | 2020-04-29 | Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018, 2019 and 2020, Financial Bonds Issued in 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and 13 Huatai 02, 16 Huatai G2, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2, 19 Huatai G1, 19 Huatai G3 and 20 Huatai G1 Issued by It, Report on Tracking Rating of 2019 Financial Bonds of HTSC (First Tranche), Report on Tracking Rating of 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) by HTSC, Announcement by HTSC on settlement the principal and interest of 2020 and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II), Announcement by HTSC on 2020 Interest Payment and Delisting for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Type I) |
| 42  | 2020-04-30 | Text of First Quarterly Report of 2020 of HTSC, First Quarterly Report of 2020 of HTSC, Announcement by HTSC on the Resolutions of the Sixth Meeting of the Fifth Session of the Board, Notice of HTSC 2019 Annual General Meeting, Document of HTSC 2019 Annual General Meeting, Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 43         | 2020-05-06  | Report on the Entrusted Management Affairs in Relation to the 2013 Corporate Bonds of HTSC (Year 2019) (Ten-year bonds)                                                                                                                                                                                                                                                                                                                                     |
| 44         | 2020-05-07  | H Share Announcement of HTSC – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2020, Announcement by HTSC on the Progress of Repurchase of A Shares of the Company through Centralized Price Bidding, Announcement by HTSC on the Appointment of General Manager of Huatai Securities (Shanghai) Asset Management Co., Ltd.                                                                                        |
| 45         | 2020-05-08  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 46         | 2020-05-09  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 47         | 2020-05-12  | Announcement by HTSC on Key Financial Information of Business Operation for April 2020, H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                           |
| 48         | 2020-05-13  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 49         | 2020-05-14  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 50         | 2020-05-15  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 51         | 2020-05-16  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 52         | 2020-05-19  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 53         | 2020-05-20  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 54         | 2020-05-21  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 55         | 2020-05-22  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 56         | 2020-05-23  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 57         | 2020-05-26  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 58         | 2020-05-27  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 59         | 2020-05-28  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 60         | 2020-05-29  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 61         | 2020-05-30  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 62         | 2020-06-02  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 63         | 2020-06-03  | Announcement by HTSC on the Progress of Repurchase of A Shares of the Company through Centralized Price Bidding, Second Notice of HTSC 2019 Annual General Meeting, Announcement by HTSC on Change in Registered Address of Huatai United Securities Co., Ltd., a Holding Subsidiary of the Company, H Share Announcement of HTSC – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2020, Next Day Disclosure Return |
| 64         | 2020-06-04  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                   |
| 65         | 2020-06-05  | Announcement by HTSC on Results on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited, Announcement on Key Financial Information of Business Operation for May 2020, H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                                                                             |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                               |
|------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 66         | 2020-06-06  | H Share Announcement of HTSC – Next Day Disclosure Return, Proposed 2019 Final Dividend and Closure of Register of Members                                                                                        |
| 67         | 2020-06-09  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 68         | 2020-06-10  | Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Fifth Tranche), H Share Announcement of HTSC – Next Day Disclosure Return                                                                |
| 69         | 2020-06-11  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 70         | 2020-06-12  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 71         | 2020-06-13  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 72         | 2020-06-16  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 73         | 2020-06-17  | Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Sixth Tranche), H Share Announcement of HTSC – Next Day Disclosure Return                                                                |
| 74         | 2020-06-18  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |
| 75         | 2020-06-19  | H Share Announcement of HTSC – Next Day Disclosure Return, Announcement by HTSC on Resolutions of 2019 Annual General Meeting, Articles of Association of HTSC, Legal Opinion of HTSC 2019 Annual General Meeting |
| 76         | 2020-06-20  | H Share Announcement of HTSC – Next Day Disclosure Return                                                                                                                                                         |

2. During the Reporting Period, the Company disclosed the following matters on the HKEXnews website of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)):

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                         |
|------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1          | 2020-01-03  | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2019                                                                                                                                            |
| 2          | 2020-01-06  | Overseas Regulatory Announcement -Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (First Tranche), Announcement by HTSC on Results on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited           |
| 3          | 2020-01-09  | Announcement on Key Financial Information of Business Operation for December 2019                                                                                                                                                           |
| 4          | 2020-01-14  | Overseas Regulatory Announcement – Announcement by HTSC on Accumulative Increase of New Borrowings in Current Year Exceeding Net Assets at the End of Previous Year by 40%                                                                  |
| 5          | 2020-01-22  | Positive Profit Alert for the 2019 Annual Results                                                                                                                                                                                           |
| 6          | 2020-01-23  | Overseas Regulatory Announcement -Announcement by HTSC on the Resolutions of the Third Meeting of the Fifth Session of the Board, Independent Opinion of HTSC Independent Directors on Engagement of Chief Financial Officer of the Company |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7          | 2020-02-05  | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2020                                                                                                                                                                                                                                                                                                                         |
| 8          | 2020-02-07  | Announcement on Key Financial Information of Business Operation for January 2020                                                                                                                                                                                                                                                                                                                                        |
| 9          | 2020-02-11  | Overseas Regulatory Announcement -Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Second Tranche)                                                                                                                                                                                                                                                                                              |
| 10         | 2020-02-12  | Overseas Regulatory Announcement – Announcement by HTSC on the Listing of Offshore Bonds on The Stock Exchange of Hong Kong Limited, Announcement by HTSC on Settlement the Principal and Interest of 2020 and Delisting for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II), Announcement by HTSC on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries |
| 11         | 2020-02-18  | Approval of Qualification as Chairman of the Supervisory Committee, Overseas Regulatory Announcement – Announcement by HTSC on the Appointment of Certain Senior Management                                                                                                                                                                                                                                             |
| 12         | 2020-02-28  | Overseas Regulatory Announcement -Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Third Tranche), Announcement by HTSC on the Resolutions of the Fourth Meeting of the Fifth Session of the Board                                                                                                                                                                                              |
| 13         | 2020-03-03  | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 29, 2020, Overseas Regulatory Announcement – Announcement by HTSC on Reply from the CSRC in Relation to Conducting Pilot Fund Investment Advisory Business                                                                                                                                                                      |
| 14         | 2020-03-04  | Overseas Regulatory Announcement – Announcement by HTSC on Settlement the Principal and Interest of 2020 and Delisting for 2018 Non-publicly Issued Subordinated Bonds (First Tranche)                                                                                                                                                                                                                                  |
| 15         | 2020-03-05  | Announcement on Key Financial Information of Business Operation for February 2020                                                                                                                                                                                                                                                                                                                                       |
| 16         | 2020-03-06  | Overseas Regulatory Announcement – Announcement by HTSC on the Results of the Issuance of the 2020 Fourth Tranche of Short-term Debt Instruments, Announcement by HTSC on the Appointment of Chief Financial Officer and Change in the Chairman of its Subsidiaries                                                                                                                                                     |
| 17         | 2020-03-10  | Overseas Regulatory Announcement – Announcement by HTSC on the Appointment of Mr. Li Shiqian, a member of Executive Committee                                                                                                                                                                                                                                                                                           |
| 18         | 2020-03-11  | Overseas Regulatory Announcement -Announcement by HTSC on 2020 Interest Payment for 2019 publicly Issued Corporate Bonds to Qualified Investors (First Tranche) (Type I)                                                                                                                                                                                                                                                |
| 19         | 2020-03-18  | Date of Board Meeting                                                                                                                                                                                                                                                                                                                                                                                                   |
| 20         | 2020-03-19  | Overseas Regulatory Announcement – Announcement by HTSC on Reply from the CSRC in Relation to Approval on Public Issuance of Corporate Bonds                                                                                                                                                                                                                                                                            |

| No. | Date       | Announcement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21  | 2020-03-26 | Overseas Regulatory Announcement – Announcement by HTSC on the Online Briefing on the Annual Results of 2019, Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 22  | 2020-03-29 | Overseas Regulatory Announcement – Announcement by HTSC on Approval on Formal Pilot Implementation of Consolidated Supervision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 23  | 2020-03-30 | Proposed Amendments to the Articles of Association, Announcement on Repurchase of A Shares through Centralized Price Bidding, Results Announcement for the Year Ended December 31, 2019, Proposed Change of Independent Non-executive Director, 2019 Corporate Social Responsibility Report, Overseas Regulatory Announcement -Special Review Report on Deposit and Actual Use of Huatai Securities Co., Ltd.'s Funds Raised in 2019 by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Special Explanation by HTSC on Matters of Changes in Accounting Policies, 2019 Internal Control Auditing Report, Assurance Report on the Special Report on Deposit and Actual Use of HTSC Fund Raised in 2019, Special Explanation on Occupation of Non-operating Funds and Transaction of Other Associated Funds for 2019, Independent Opinion on Nomination of Candidates for Independent Non-executive Directors of the Company of HTSC's Independent Directors, Independent Opinions of Independent Directors of HTSC on Repurchase of A Shares of the Company through Centralized Price Bidding, Independent Opinion of HTSC Independent Directors on Matters Concerning 2019 Annual Report of the Company, Special Report on Deposit and Actual Use of HTSC Funds Raised in 2019, Annual Internal Control Evaluation Report of HTSC in 2019, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2019, Report on Performance of Duties of HTSC's Independent Directors in 2019, Announcement by HTSC on Anticipation of Ordinary Transactions with Related Parties in 2020, Announcement by HTSC on the Resolutions of the Second Meeting of the Fifth Session of the Board of Supervisors, Announcement on the re-appointment of the accounting firm by HTSC, Announcement on Annual Profit Distribution Plan of HTSC in 2019, Announcement by HTSC on the Resolutions of the Fifth Meeting of the Fifth Session of the Board, 2019 Annual Report Summary of HTSC, 2019 Annual Report of HTSC |
| 24  | 2020-04-02 | Overseas Regulatory Announcement -Announcement by HTSC on the Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 25  | 2020-04-03 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2020, Overseas Regulatory Announcement – Report on Repurchase of A Shares by HTSC through Centralized Bidding Trading, Legal Opinions from Shanghai Office of King & Wood Mallesons on Repurchase of Part of A Shares by HTSC through Centralized Bidding Trading, Announcement by HTSC on Shareholdings of Top Ten Shareholders and Top Ten Holders of Shares not Subject to Lock-up                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 26         | 2020-04-07  | Overseas Regulatory Announcement – Announcement by HTSC on Change in the General Manager of Huatai Purple Gold Investment Co., Ltd., Announcement by HTSC on Initial Repurchase of A Shares of the Company through Centralized Bidding Trading, Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 27         | 2020-04-08  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 28         | 2020-04-09  | Announcement on Key Financial Information of Business Operation for March 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 29         | 2020-04-13  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 30         | 2020-04-14  | Overseas Regulatory Announcement -Announcement by HTSC on 2020 Interest Payment for 2019 publicly Issued Corporate Bonds to Qualified Investors (Second Tranche) (Type I), Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 31         | 2020-04-15  | Overseas Regulatory Announcement -Announcement by HTSC on Progress of Increase of Shareholding of Jiangsu Guoxin Investment Group Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 32         | 2020-04-17  | Date of Board Meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 33         | 2020-04-24  | Notification Letter and Request Form to Non-Registered Holders, Notification Letter and Request Form to Registered Shareholders, 2019 Annual Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 34         | 2020-04-28  | Overseas Regulatory Announcement -Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 35         | 2020-04-29  | 2020 First Quarterly Report, Notification Letter and Request Form to Non-Registered Holders, Notification Letter and Request Form to Registered Shareholders, Reply Slip for Holders of H Share for Attending the Annual General Meeting to be Held on June 18, 2020, Form of Proxy of Holders of H Shares for use at the Annual General Meeting to be Held on June 18, 2020, Notice of AGM, Circular of 2019 Annual General Meeting, Overseas Regulatory Announcement -Document of HTSC 2019 Annual General Meeting, Announcement by HTSC on the Resolutions of the Sixth Meeting of the Fifth Session of the Board, Notice by HTSC on Convening 2019 Annual General Meeting, Announcement by HTSC on settlement the principal and interest of 2020 and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II), Announcement by HTSC on 2020 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Category I), Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018, 2019 and 2020, Financial Bonds issued in 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and 13 Huatai 02, 16 Huatai G2, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2, 19 Huatai G1, 19 Huatai G3 and 20 Huatai G1 Issued by It, Report on Tracking Rating of 2019 Financial Bonds (First Tranche), Report on Tracking Rating by HTSC for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                                                                      |
|------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 36         | 2020-05-04  | Overseas Regulatory Announcement -Report on the Entrusted Management Affairs in Relation to the 2013 Corporate Bonds of HTSC (Ten-year bonds) (Year 2019), Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)                                                                                     |
| 37         | 2020-05-06  | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2020, Overseas Regulatory Announcement – Announcement by HTSC on the Progress of Repurchase of A Shares of the Company through Centralized Price Bidding, Announcement by HTSC on the Appointment of General Manager of Huatai Securities (Shanghai) Asset Management Co., Ltd. |
| 38         | 2020-05-07  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 39         | 2020-05-08  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement by HTSC on Settlement the Principal and Interest of 2020 and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Type II)                                                                                                                                                |
| 40         | 2020-05-11  | Next Day Disclosure Return, Announcement on Key Financial Information of Business Operation for April 2020                                                                                                                                                                                                                                                               |
| 41         | 2020-05-12  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 42         | 2020-05-13  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 43         | 2020-05-14  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 44         | 2020-05-15  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 45         | 2020-05-18  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 46         | 2020-05-19  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 47         | 2020-05-20  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Third Tranche)                                                                                                                                                                                         |
| 48         | 2020-05-21  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Third Tranche)                                                                                                                                                                                   |
| 49         | 2020-05-22  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 50         | 2020-05-25  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 51         | 2020-05-26  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 52         | 2020-05-27  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 53         | 2020-05-28  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 54         | 2020-05-29  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                               |
| 55         | 2020-06-01  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement by HTSC on 2020 Interest Payment for 2013 Corporate Bonds                                                                                                                                                                                                                                     |

| <b>No.</b> | <b>Date</b> | <b>Announcement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 56         | 2020-06-02  | Second Notice of HTSC 2019 Annual General Meeting, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2020, Next Day Disclosure Return, Overseas Regulatory Announcement – Announcement by HTSC on the Progress of Repurchase of A Shares of the Company through Centralized Price Bidding, Announcement by HTSC on Change in Registered Address of Huatai United Securities Co., Ltd., a Holding Subsidiary of the Company |
| 57         | 2020-06-03  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 58         | 2020-06-04  | Announcement on Key Financial Information of Business Operation for May 2020, Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement by HTSC on Results on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited                                                                                                                                                                                                              |
| 59         | 2020-06-05  | Proposed 2019 Final Dividend and Closure of Register of Members, Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                     |
| 60         | 2020-06-08  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 61         | 2020-06-09  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Fifth Tranche)                                                                                                                                                                                                                                                                                                           |
| 62         | 2020-06-10  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 63         | 2020-06-11  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 64         | 2020-06-12  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 65         | 2020-06-15  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 66         | 2020-06-16  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Issuance Results for 2020 Short-term Debentures of HTSC (Sixth Tranche)                                                                                                                                                                                                                                                                                                           |
| 67         | 2020-06-17  | Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Coupon Rate of 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Fourth Tranche)                                                                                                                                                                                                                                                                               |
| 68         | 2020-06-18  | Articles of Association, List of Directors and their Roles and Functions, Poll Results of the 2019 Annual General Meeting; Payment of Final Dividends ; Change of Independent Non-executive Director ; and Approval and Effectiveness of the Articles of Association, Next Day Disclosure Return, Overseas Regulatory Announcement--Announcement on Issuance Results for 2020 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Fourth Tranche)   |
| 69         | 2020-06-19  | Next Day Disclosure Return                                                                                                                                                                                                                                                                                                                                                                                                                                      |

HUATAI SECURITIES CO., LTD.  
(STOCK CODE: 6886)

INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2020

# Report on review of interim financial report

To the board of directors of Huatai Securities Co., Ltd.  
(Incorporated in the People's Republic of China with Limited Liability)

## Introduction

We have reviewed the accompanying interim financial report set out on pages 3 to 77, which comprises the condensed consolidated statement of financial position of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# Report on review of interim financial report (continued)

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34.

## **KPMG**

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 August 2020

# Unaudited condensed consolidated statement of profit or loss

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                 |      | <u>Six months ended 30 June</u> |                     |
|-----------------------------------------------------------------|------|---------------------------------|---------------------|
|                                                                 | Note | <u>2020</u>                     | <u>2019</u>         |
|                                                                 |      | <u>(Unaudited)</u>              | <u>(Unaudited)</u>  |
| <b>Revenue</b>                                                  |      |                                 |                     |
| Fee and commission income                                       | 5    | 7,981,402                       | 6,402,718           |
| Interest income                                                 | 6    | 4,706,531                       | 4,216,609           |
| Net investment gains                                            | 7    | 5,394,808                       | 3,431,400           |
| <b>Total revenue</b>                                            |      | <u>18,082,741</u>               | <u>14,050,727</u>   |
| Other income and gains                                          | 8    | <u>889,425</u>                  | <u>677,075</u>      |
| <b>Total revenue and other income</b>                           |      | <u>18,972,166</u>               | <u>14,727,802</u>   |
| Fee and commission expenses                                     | 9    | (2,181,589)                     | (1,939,967)         |
| Interest expenses                                               | 10   | (3,684,398)                     | (2,948,673)         |
| Staff costs                                                     | 11   | (4,506,437)                     | (3,328,518)         |
| Depreciation and amortisation expenses                          | 12   | (680,558)                       | (546,224)           |
| Tax and surcharges                                              |      | (101,654)                       | (77,051)            |
| Other operating expenses                                        | 13   | (1,746,288)                     | (1,604,817)         |
| Net provision for impairment loss on financial assets           | 14   | (206,982)                       | (146,721)           |
| Net (provision for)/reversal of impairment loss on other assets |      | <u>(6,381)</u>                  | <u>2,067</u>        |
| <b>Total expenses</b>                                           |      | <u>(13,114,287)</u>             | <u>(10,589,904)</u> |
| <b>Operating profit</b>                                         |      | <u>5,857,879</u>                | <u>4,137,898</u>    |
| Share of profit of associates and joint ventures                |      | <u>2,448,182</u>                | <u>1,280,144</u>    |
| <b>Profit before income tax</b>                                 |      | <u>8,306,061</u>                | <u>5,418,042</u>    |
| Income tax expense                                              | 15   | <u>(1,862,852)</u>              | <u>(1,317,941)</u>  |
| <b>Profit for the period</b>                                    |      | <u>6,443,209</u>                | <u>4,100,101</u>    |
| Attributable to:                                                |      |                                 |                     |
| Shareholders of the Company                                     |      | 6,404,994                       | 4,056,932           |
| Non-controlling interests                                       |      | 38,215                          | 43,169              |
|                                                                 |      | <u>6,443,209</u>                | <u>4,100,101</u>    |
| Earnings per share (in Renminbi per share)                      | 16   |                                 |                     |
| - Basic                                                         |      | <u>0.71</u>                     | <u>0.49</u>         |
| - Diluted                                                       |      | <u>0.70</u>                     | <u>0.49</u>         |

The notes on pages 13 to 77 form part of this interim financial report.

Unaudited condensed consolidated statement of profit or  
loss and other comprehensive income  
For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                                   | <u>Six months ended 30 June</u> |                  |
|-----------------------------------------------------------------------------------|---------------------------------|------------------|
| Note                                                                              | 2020                            | 2019             |
|                                                                                   | (Unaudited)                     | (Unaudited)      |
| <b>Profit for the period</b>                                                      | <u>6,443,209</u>                | <u>4,100,101</u> |
| <b>Other comprehensive income for the period</b>                                  |                                 |                  |
| Items that will not be reclassified to profit or loss:                            |                                 |                  |
| Equity investment at fair value through other comprehensive income                |                                 |                  |
| - Net change in fair value                                                        | (301,613)                       | 676,245          |
| Income tax impact                                                                 | 75,403                          | (169,061)        |
| Items that may be reclassified subsequently to profit or loss:                    |                                 |                  |
| Net gain from debt investment at fair value through other comprehensive income    | 53,004                          | 29,325           |
| Reserve from cash flow hedging instruments                                        | (44,394)                        | -                |
| Share of other comprehensive income of associates and joint ventures              | 21,665                          | 96,280           |
| Exchange differences on translation of financial statements in foreign currencies | <u>186,787</u>                  | <u>14,918</u>    |
| <b>Total other comprehensive income for the period, net of tax</b>                | <u>(9,148)</u>                  | <u>647,707</u>   |
| <b>Total comprehensive income for the period</b>                                  | <u>6,434,061</u>                | <u>4,747,808</u> |
| Attributable to:                                                                  |                                 |                  |
| Shareholders of the Company                                                       | 6,370,394                       | 4,724,273        |
| Non-controlling interests                                                         | <u>63,667</u>                   | <u>23,535</u>    |
| <b>Total</b>                                                                      | <u>6,434,061</u>                | <u>4,747,808</u> |

The notes on pages 13 to 77 form part of this interim financial report.

# Unaudited condensed consolidated statement of financial position

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                   | Note | As at 30<br><u>June 2020</u><br>(Unaudited) | As at 31<br><u>December 2019</u><br>(Audited) |
|-------------------------------------------------------------------|------|---------------------------------------------|-----------------------------------------------|
| <b>Non-current assets</b>                                         |      |                                             |                                               |
| Property and equipment                                            | 17   | 4,729,751                                   | 4,668,116                                     |
| Investment properties                                             |      | 512,160                                     | 527,089                                       |
| Goodwill                                                          | 18   | 2,450,192                                   | 2,333,862                                     |
| Other intangible assets                                           | 19   | 5,734,911                                   | 5,711,457                                     |
| Interest in associates                                            | 20   | 15,961,360                                  | 14,974,547                                    |
| Interest in joint ventures                                        | 21   | 659,538                                     | 664,458                                       |
| Debt investment at amortised cost                                 | 22   | 11,814,088                                  | 15,128,953                                    |
| Financial assets at fair value through other comprehensive income | 23   | 13,339,458                                  | 11,232,633                                    |
| Financial assets at fair value through profit or loss             | 24   | 7,145,237                                   | 6,966,333                                     |
| Refundable deposits                                               | 25   | 14,567,603                                  | 12,653,540                                    |
| Deferred tax assets                                               | 26   | 194,173                                     | 202,825                                       |
| Other non-current assets                                          | 27   | 242,705                                     | 260,669                                       |
| <b>Total non-current assets</b>                                   |      | <u>77,351,176</u>                           | <u>75,324,482</u>                             |
| <b>Current assets</b>                                             |      |                                             |                                               |
| Accounts receivable                                               | 28   | 7,439,551                                   | 5,511,168                                     |
| Other receivables and prepayments                                 | 29   | 928,771                                     | 880,271                                       |
| Margin accounts receivable                                        | 30   | 78,311,668                                  | 69,006,280                                    |
| Debt investment at amortised cost                                 | 22   | 7,917,074                                   | 4,610,805                                     |
| Financial assets held under resale agreements                     | 31   | 17,257,140                                  | 18,466,280                                    |
| Financial assets at fair value through profit or loss             | 24   | 245,437,137                                 | 245,829,339                                   |
| Financial assets at fair value through other comprehensive income | 23   | 2,641,721                                   | 1,125,342                                     |
| Derivative financial assets                                       | 32   | 2,787,677                                   | 1,858,041                                     |
| Clearing settlement funds                                         | 33   | 5,806,368                                   | 6,755,604                                     |
| Cash held on behalf of brokerage clients                          | 34   | 108,258,402                                 | 82,959,838                                    |
| Cash and bank balances                                            | 35   | 40,027,531                                  | 49,853,188                                    |
| <b>Total current assets</b>                                       |      | <u>516,813,040</u>                          | <u>486,856,156</u>                            |
| <b>Total assets</b>                                               |      | <u>594,164,216</u>                          | <u>562,180,638</u>                            |

# Unaudited condensed consolidated statement of financial position (continued)

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                            | Note | As at 30<br>June 2020<br>(Unaudited) | As at 31<br>December 2019<br>(Audited) |
|------------------------------------------------------------|------|--------------------------------------|----------------------------------------|
| <b>Current liabilities</b>                                 |      |                                      |                                        |
| Short-term bank loans                                      | 37   | 8,424,558                            | 5,724,131                              |
| Short-term debt instruments issued                         | 38   | 29,783,201                           | 46,425,196                             |
| Placements from other financial institutions               | 39   | 3,028,181                            | 11,362,598                             |
| Accounts payable to brokerage clients                      | 40   | 118,109,942                          | 89,817,920                             |
| Employee benefits payable                                  |      | 1,940,699                            | 2,573,753                              |
| Other payables and accruals                                | 41   | 106,087,811                          | 86,836,626                             |
| Contract liabilities                                       |      | 30,079                               | 19,179                                 |
| Current tax liabilities                                    |      | 1,134,178                            | 388,154                                |
| Financial assets sold under repurchase agreements          | 42   | 95,469,565                           | 109,719,045                            |
| Financial liabilities at fair value through profit or loss | 43   | 8,449,646                            | 4,689,620                              |
| Derivative financial liabilities                           | 32   | 3,500,453                            | 1,278,399                              |
| Long-term bonds due within one year                        | 44   | 8,235,753                            | 14,716,533                             |
| <b>Total current liabilities</b>                           |      | <b>384,194,066</b>                   | <b>373,551,154</b>                     |
| <b>Net current assets</b>                                  |      | <b>132,618,974</b>                   | <b>113,305,002</b>                     |
| <b>Total assets less current liabilities</b>               |      | <b>209,970,150</b>                   | <b>188,629,484</b>                     |
| <b>Non-current liabilities</b>                             |      |                                      |                                        |
| Long-term bonds                                            | 45   | 67,601,647                           | 49,899,825                             |
| Long-term bank loans                                       | 46   | 862,632                              | 850,997                                |
| Non-current employee benefits payable                      |      | 6,858,497                            | 6,360,633                              |
| Deferred tax liabilities                                   | 26   | 2,529,116                            | 2,566,800                              |
| Financial liabilities at fair value through profit or loss | 43   | 3,017,572                            | 2,690,563                              |
| Other payables and accruals                                | 41   | 807,432                              | 605,958                                |
| <b>Total non-current liabilities</b>                       |      | <b>81,676,896</b>                    | <b>62,974,776</b>                      |
| <b>Net assets</b>                                          |      | <b>128,293,254</b>                   | <b>125,654,708</b>                     |

# Unaudited condensed consolidated statement of financial position (continued)

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                          | Note | As at 30<br><u>June 2020</u><br>(Unaudited) | As at 31<br><u>December 2019</u><br>(Audited) |
|----------------------------------------------------------|------|---------------------------------------------|-----------------------------------------------|
| <b>Equity</b>                                            |      |                                             |                                               |
| Share capital                                            | 47   | 9,076,650                                   | 9,076,650                                     |
| Treasury shares                                          | 48   | (1,284,837)                                 | -                                             |
| Reserves                                                 | 49   | 90,456,152                                  | 90,282,418                                    |
| Retained profits                                         | 50   | 26,807,689                                  | 23,178,411                                    |
|                                                          |      |                                             |                                               |
| Total equity attributable to shareholders of the Company |      | 125,055,654                                 | 122,537,479                                   |
| Non-controlling interests                                |      | 3,237,600                                   | 3,117,229                                     |
|                                                          |      |                                             |                                               |
| <b>Total equity</b>                                      |      | <u>128,293,254</u>                          | <u>125,654,708</u>                            |

Approved and authorised for issue by the board of directors on 26 August 2020.

\_\_\_\_\_  
Zhang Wei  
Chairman of the Board,  
Director

\_\_\_\_\_  
Chen Chuanming  
Director

The notes on pages 13 to 77 form part of this interim financial report.

# Unaudited condensed consolidated statement of changes in equity

## For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                                                  | Attributable to shareholders of the Company |                              |                              |                              |                              |                                 |                                       |                                  |                               | Total       | Non-controlling interests | Total equity |
|----------------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------------------|---------------------------------------|----------------------------------|-------------------------------|-------------|---------------------------|--------------|
|                                                                                  | Share capital<br>(Note 47)                  | Treasury shares<br>(Note 48) | Capital reserve<br>(Note 49) | Surplus reserve<br>(Note 49) | General reserve<br>(Note 49) | Fair value reserve<br>(Note 49) | Cash flow hedges reserve<br>(Note 32) | Translation reserve<br>(Note 49) | Retained profits<br>(Note 50) |             |                           |              |
| <b>As at 1 January 2020</b>                                                      | 9,076,650                                   | -                            | 70,290,533                   | 5,118,691                    | 14,084,427                   | 393,572                         | -                                     | 395,195                          | 23,178,411                    | 122,537,479 | 3,117,229                 | 125,654,708  |
| <b>Changes in equity for the period</b>                                          |                                             |                              |                              |                              |                              |                                 |                                       |                                  |                               |             |                           |              |
| Profit for the period                                                            | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | 6,404,994                     | 6,404,994   | 38,215                    | 6,443,209    |
| Other comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | (151,541)                       | (44,394)                              | 161,335                          | -                             | (34,600)    | 25,452                    | (9,148)      |
| Total comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | (151,541)                       | (44,394)                              | 161,335                          | 6,404,994                     | 6,370,394   | 63,667                    | 6,434,061    |
| Equity-settled share-based payments                                              | -                                           | -                            | 134,011                      | -                            | -                            | -                               | -                                     | -                                | -                             | 134,011     | 56,704                    | 190,715      |
| Acquisition of treasury shares                                                   | -                                           | (1,284,837)                  | -                            | -                            | -                            | -                               | -                                     | -                                | -                             | (1,284,837) | -                         | (1,284,837)  |
| Appropriation to general reserve                                                 | -                                           | -                            | -                            | -                            | 74,321                       | -                               | -                                     | -                                | (74,321)                      | -           | -                         | -            |
| Dividends declared for the period                                                | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | (2,701,395)                   | (2,701,395) | -                         | (2,701,395)  |
| Others                                                                           | -                                           | -                            | 2                            | -                            | -                            | -                               | -                                     | -                                | -                             | 2           | -                         | 2            |
| <b>As at 30 June 2020 (Unaudited)</b>                                            | 9,076,650                                   | (1,284,837)                  | 70,424,546                   | 5,118,691                    | 14,158,748                   | 242,031                         | (44,394)                              | 556,530                          | 26,807,689                    | 125,055,654 | 3,237,600                 | 128,293,254  |
| <b>As at 1 January 2019</b>                                                      | 8,251,500                                   | -                            | 58,859,860                   | 4,489,831                    | 12,196,945                   | (78,451)                        | -                                     | 257,788                          | 19,416,104                    | 103,393,577 | 1,356,027                 | 104,749,604  |
| <b>Changes in equity for the period</b>                                          |                                             |                              |                              |                              |                              |                                 |                                       |                                  |                               |             |                           |              |
| Profit for the period                                                            | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | 4,056,932                     | 4,056,932   | 43,169                    | 4,100,101    |
| Other comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | 632,789                         | -                                     | 34,552                           | -                             | 667,341     | (19,634)                  | 647,707      |
| Total comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | 632,789                         | -                                     | 34,552                           | 4,056,932                     | 4,724,273   | 23,535                    | 4,747,808    |
| Issuance of GDRs (representing A shares)                                         | 825,150                                     | -                            | 10,603,883                   | -                            | -                            | -                               | -                                     | -                                | -                             | 11,429,033  | -                         | 11,429,033   |
| Appropriation to general reserve                                                 | -                                           | -                            | -                            | -                            | 224,545                      | -                               | -                                     | -                                | (224,545)                     | -           | -                         | -            |
| Dividends declared for the period                                                | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | (2,722,995)                   | (2,722,995) | (648)                     | (2,723,643)  |
| <b>As at 30 June 2019 (Unaudited)</b>                                            | 9,076,650                                   | -                            | 69,463,743                   | 4,489,831                    | 12,421,490                   | 554,338                         | -                                     | 292,340                          | 20,525,496                    | 116,823,888 | 1,378,914                 | 118,202,802  |
| <b>As at 1 January 2019</b>                                                      | 8,251,500                                   | -                            | 58,859,860                   | 4,489,831                    | 12,196,945                   | (78,451)                        | -                                     | 257,788                          | 19,416,104                    | 103,393,577 | 1,356,027                 | 104,749,604  |
| <b>Changes in equity for the year</b>                                            |                                             |                              |                              |                              |                              |                                 |                                       |                                  |                               |             |                           |              |
| Profit for the year                                                              | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | 9,001,644                     | 9,001,644   | 55,569                    | 9,057,213    |
| Other comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | 472,023                         | -                                     | 137,407                          | -                             | 609,430     | 24,851                    | 634,281      |
| Total comprehensive income                                                       | -                                           | -                            | -                            | -                            | -                            | 472,023                         | -                                     | 137,407                          | 9,001,644                     | 9,611,074   | 80,420                    | 9,691,494    |
| Issuance of GDRs (representing A shares)                                         | 825,150                                     | -                            | 10,614,306                   | -                            | -                            | -                               | -                                     | -                                | -                             | 11,439,456  | -                         | 11,439,456   |
| Capital injection by non-controlling shareholders                                | -                                           | -                            | (80,411)                     | -                            | -                            | -                               | -                                     | -                                | -                             | (80,411)    | 977,294                   | 896,883      |
| Recognition on decrease of interests in subsidiaries without a change in control | -                                           | -                            | 511,659                      | -                            | -                            | -                               | -                                     | -                                | -                             | 511,659     | 654,229                   | 1,165,888    |
| Equity-settled share-based payments                                              | -                                           | -                            | 300,798                      | -                            | -                            | -                               | -                                     | -                                | -                             | 300,798     | 49,907                    | 350,705      |
| Appropriation to surplus reserve                                                 | -                                           | -                            | -                            | 628,860                      | -                            | -                               | -                                     | -                                | (628,860)                     | -           | -                         | -            |
| Appropriation to general reserve                                                 | -                                           | -                            | -                            | -                            | 1,887,482                    | -                               | -                                     | -                                | (1,887,482)                   | -           | -                         | -            |
| Dividends declared for the year                                                  | -                                           | -                            | -                            | -                            | -                            | -                               | -                                     | -                                | (2,722,995)                   | (2,722,995) | (648)                     | (2,723,643)  |
| Others                                                                           | -                                           | -                            | 84,321                       | -                            | -                            | -                               | -                                     | -                                | -                             | 84,321      | -                         | 84,321       |
| <b>As at 31 December 2019</b>                                                    | 9,076,650                                   | -                            | 70,290,533                   | 5,118,691                    | 14,084,427                   | 393,572                         | -                                     | 395,195                          | 23,178,411                    | 122,537,479 | 3,117,229                 | 125,654,708  |

The notes on pages 13 to 77 form part of this interim financial report.

# Unaudited condensed consolidated statement of cash flows

## For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

| Note                                                                                                      | Six months ended 30 June |                     |
|-----------------------------------------------------------------------------------------------------------|--------------------------|---------------------|
|                                                                                                           | 2020<br>(Unaudited)      | 2019<br>(Unaudited) |
| <b>Cash flow from operating activities:</b>                                                               |                          |                     |
| Profit before income tax                                                                                  | 8,306,061                | 5,418,042           |
| Adjustments for:                                                                                          |                          |                     |
| Interest expenses                                                                                         | 3,684,398                | 2,948,673           |
| Share of profit of associates and joint ventures                                                          | (2,448,182)              | (1,280,144)         |
| Depreciation and amortisation expenses                                                                    | 680,558                  | 546,224             |
| Net provision for impairment loss                                                                         | 213,363                  | 144,654             |
| Expenses recognised from equity-settled share-based payment                                               | 190,715                  | -                   |
| Losses on disposal of property and equipment                                                              | 6                        | 132                 |
| Foreign exchange gains                                                                                    | (320,192)                | (55,071)            |
| Dividend income and interest income                                                                       | (481,313)                | (360,607)           |
| Net gains arising from derecognition of financial assets at fair value through other comprehensive income | (35,612)                 | -                   |
| Net losses/(gains) arising from derecognition of debt investment at amortised cost                        | 222                      | (980)               |
| Unrealised fair value changes in financial instruments at fair value through profit or loss               | (1,795,374)              | (2,638,071)         |
| Unrealised fair value changes in derivatives                                                              | 1,000,743                | 926,734             |
| Operating cash flow before movements in working capital                                                   | 8,995,393                | 5,649,586           |
| Increase in refundable deposits                                                                           | (1,914,063)              | (1,231,717)         |
| Increase in margin accounts receivable                                                                    | (9,305,769)              | (10,726,033)        |
| Increase in accounts receivable, other receivables and prepayments                                        | (2,077,737)              | (2,887,353)         |
| Decrease in financial assets held under resale agreements                                                 | 607,170                  | 12,090,783          |
| Increase in financial instruments at fair value through profit or loss                                    | (1,414,170)              | (76,996,267)        |

# Unaudited condensed consolidated statement of cash flows (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

| Note                                                                     | <i>Six months ended 30 June</i>   |                                   |
|--------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                                          | <i>2020</i><br><i>(Unaudited)</i> | <i>2019</i><br><i>(Unaudited)</i> |
| <b>Cash flow from operating activities</b>                               |                                   |                                   |
| <b>(continued):</b>                                                      |                                   |                                   |
| Decrease/(increase) in restricted bank deposits                          | 8,148,752                         | (619,236)                         |
| Increase in cash held on behalf of brokerage clients                     | (25,293,278)                      | (18,654,998)                      |
| Increase in accounts payable to brokerage clients                        | 28,292,022                        | 23,716,926                        |
| Increase in other payables and accruals                                  | 16,655,027                        | 15,721,270                        |
| Decrease in employee benefits payable and other non-current liabilities  | (135,190)                         | (278,767)                         |
| (Decrease)/increase in financial assets sold under repurchase agreements | (14,249,480)                      | 56,965,798                        |
| (Decrease)/increase in placements from other financial institutions      | <u>(8,324,178)</u>                | <u>1,623,839</u>                  |
| Cash (used in) / generated from operations                               | (15,501)                          | 4,373,831                         |
| Income taxes paid                                                        | (1,069,138)                       | (1,196,888)                       |
| Interest paid                                                            | <u>(1,318,371)</u>                | <u>(1,019,173)</u>                |
| Net cash (used in) / generated from operating activities                 | <u>(2,403,010)</u>                | <u>2,157,770</u>                  |

# Unaudited condensed consolidated statement of cash flows (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

| Note                                                                                                            | <i>Six months ended 30 June</i>   |                                   |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                                                                                 | <i>2020</i><br><i>(Unaudited)</i> | <i>2019</i><br><i>(Unaudited)</i> |
| <b>Cash flow from investing activities:</b>                                                                     |                                   |                                   |
| Proceeds on disposal of property and equipment                                                                  | 2,078                             | 2,220                             |
| Dividends received from associates                                                                              | 332,604                           | 195,456                           |
| Dividend income and interest income                                                                             | 481,313                           | 360,607                           |
| Net gains arising from derecognition of financial assets at fair value through other comprehensive income       | 35,612                            | -                                 |
| Net (losses)/gains arising from derecognition of debt investment at amortised cost                              | (222)                             | 980                               |
| Payment of other limited partners' interest in private equity funds                                             | (397,861)                         | (64,801)                          |
| Divestments of associates and joint ventures                                                                    | 1,153,837                         | 104,131                           |
| Purchase of property and equipment, investment properties, other intangible assets and other non-current assets | (224,010)                         | (423,896)                         |
| Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired                               | (130,049)                         | -                                 |
| Acquisition of interests in a subsidiary                                                                        | -                                 | (240,918)                         |
| Acquisition of interests in associates and other investments                                                    | -                                 | (145,005)                         |
| Derecognition/(purchase) of debt investment measured at amortised cost                                          | 11,361                            | (1,723,156)                       |
| Purchase of financial assets at fair value through other comprehensive income                                   | (3,893,784)                       | (356,736)                         |
| Net cash used in investing activities                                                                           | (2,629,121)                       | (2,291,118)                       |

# Unaudited condensed consolidated statement of cash flows (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

|                                                          | <u>Six months ended 30 June</u> |                    |
|----------------------------------------------------------|---------------------------------|--------------------|
| Note                                                     | <u>2020</u>                     | <u>2019</u>        |
|                                                          | <u>(Unaudited)</u>              | <u>(Unaudited)</u> |
| <b>Cash flow from financing activities:</b>              |                                 |                    |
| Proceeds from issuance of short-term debt instruments    | 64,443,977                      | 33,751,910         |
| Proceeds from issuance of long-term bonds                | 20,548,180                      | 20,599,302         |
| Net proceeds from issuance of A shares                   | -                               | 11,586,661         |
| Proceeds from/(repayment of) bank loans                  | 2,694,201                       | (2,593,929)        |
| Repayment of debt securities issued                      | (90,120,121)                    | (44,266,514)       |
| Short-term debt instruments interest paid                | (772,949)                       | (389,137)          |
| Short-term bank loans interest paid                      | (68,187)                        | (47,553)           |
| Long-term bank loans interest paid                       | (26,234)                        | (55,306)           |
| Long-term bonds interest paid                            | (1,703,527)                     | (1,560,298)        |
| Dividends paid                                           | -                               | (648)              |
| Payment of lease liabilities                             | (172,502)                       | (138,264)          |
| Payment of acquisition of treasury shares                | (1,284,837)                     | -                  |
| Net cash (used in)/generated from financing activities   | <u>(6,461,999)</u>              | <u>16,886,224</u>  |
| Net (decrease)/increase in cash and cash equivalents     | (11,494,130)                    | 16,752,876         |
| Cash and cash equivalents at the beginning of the period | 69,198,778                      | 40,792,310         |
| Effect of foreign exchange rate changes                  | <u>447,623</u>                  | <u>26,551</u>      |
| Cash and cash equivalents at the end of the period       | <u>58,152,271</u>               | <u>57,571,737</u>  |
| 36                                                       |                                 |                    |

The notes on pages 13 to 77 form part of this interim financial report.

# Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 General information

Huatai Securities Co., Ltd. (the “Company”), formerly known as Jiangsu Securities Company, was approved by the People’s Bank of China (“PBOC”), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (the “A shares”) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,768,800 H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In July 2018, the Company issued RMB1,088,731,200 A shares through private placement.

In June 2019, the Company issued 82,515,000 Global Deposits Receipts (the “GDRs”), representing RMB 825,150,000 new A shares, and was listed on the London Stock Exchange plc (the “London Stock Exchange”).

As at 30 June 2020, the Company’s registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

The Company and its subsidiaries (the “Group”) principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission (the “CSRC”).

## 2 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standards Board. It was authorised for issue on 26 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report does not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial report as at and for the year ended 31 December 2019.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by International Auditing and Assurance Standards Board. KPMG's independent review report to the Board of Directors is issued on 26 August 2020.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2020.

### **3 Use of judgements and estimates**

#### **(a) Measurement of fair values**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level III fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 57—fair value information.

#### **4 Significant accounting policies**

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial statements prepared in accordance with IFRSs (including IASs) for the year ended 31 December 2019, except for the adoption of the following amendments to standards effective on 1 January 2020:

- Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the interim reporting period, as described below.

On 29 February 2020, the Group completed the acquisition to acquire 100% equity interest in WBI OBS Financial, LLC. The principal activity of WBI OBS Financial, LLC is to provide investment advisory service. The transaction was recognised as a business combination, given that the fair value of the gross assets acquired is not concentrated in a group of similar identifiable assets.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. This amendment had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

**5 Fee and commission income**

|                                                        | <i>Six months ended 30 June</i> |                  |
|--------------------------------------------------------|---------------------------------|------------------|
|                                                        | <i>2020</i>                     | <i>2019</i>      |
| Income from securities brokerage and advisory business | 3,919,016                       | 3,304,033        |
| Income from asset management business                  | 2,167,631                       | 1,922,302        |
| Income from underwriting and sponsorship business      | 1,038,117                       | 402,529          |
| Income from futures brokerage business                 | 569,245                         | 518,305          |
| Income from financial advisory business                | 235,651                         | 220,560          |
| Other commission income                                | 51,742                          | 34,989           |
| Total                                                  | <u>7,981,402</u>                | <u>6,402,718</u> |

**6 Interest income**

|                                                                                                                              | <i>Six months ended 30 June</i> |                  |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                                                              | <i>2020</i>                     | <i>2019</i>      |
| Interest income from margin financing and securities lending                                                                 | 2,458,695                       | 1,864,813        |
| Interest income from financial institutions                                                                                  | 1,586,347                       | 1,203,865        |
| Interest income from debt investment at amortised cost and debt instruments at fair value through other comprehensive income | 479,993                         | 360,607          |
| Interest income from securities-backed lendings                                                                              | 103,629                         | 576,940          |
| Interest income from other financial assets held under resale agreements                                                     | 69,422                          | 122,215          |
| Others                                                                                                                       | 8,445                           | 88,169           |
| Total                                                                                                                        | <u>4,706,531</u>                | <u>4,216,609</u> |

## 7 Net investment gains

|                                                                                                                 | <u>Six months ended 30 June</u> |                  |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                                                 | 2020                            | 2019             |
| Dividend income and interest income from financial instruments at fair value through profit or loss             | 3,661,892                       | 557,198          |
| Net realised gains from disposal of financial instruments at fair value through profit or loss                  | 6,683,310                       | 1,553,672        |
| Net realised gains from disposal of debt financial instruments at fair value through other comprehensive income | 35,612                          | -                |
| Net realised (losses)/gains arising from derecognition of debt investment at amortised cost <sup>(i)</sup>      | (222)                           | 980              |
| Net realised losses from disposal of derivative financial instruments                                           | (4,224,149)                     | (221,000)        |
| Unrealised fair value changes of derivative financial instruments                                               | (2,558,329)                     | (1,098,841)      |
| Unrealised fair value changes of financial instruments at fair value through profit or loss                     | 1,795,374                       | 2,638,071        |
| Others                                                                                                          | 1,320                           | 1,320            |
| Total                                                                                                           | <u>5,394,808</u>                | <u>3,431,400</u> |

- (i) During the period ended 30 June 2020, the Group sold certain investment securities measured at amortised cost. These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

## 8 Other income and gains

|                                  | <u>Six months ended 30 June</u> |                |
|----------------------------------|---------------------------------|----------------|
|                                  | 2020                            | 2019           |
| Income from commodity sales      | 406,670                         | 504,403        |
| Foreign exchange gains           | 320,192                         | 55,071         |
| Government grants <sup>(1)</sup> | 52,269                          | 17,778         |
| Rental income                    | 49,271                          | 30,416         |
| Others                           | 61,023                          | 69,407         |
| Total                            | <u>889,425</u>                  | <u>677,075</u> |

- (1) The government grants were received unconditionally by the Group from the local government where they reside.

## 9 Fee and commission expenses

|                                                         | <i>Six months ended 30 June</i> |                  |
|---------------------------------------------------------|---------------------------------|------------------|
|                                                         | 2020                            | 2019             |
| Expenses for securities brokerage and advisory business | 1,261,113                       | 1,048,820        |
| Expenses for asset management business                  | 470,635                         | 441,292          |
| Expenses for futures brokerage business                 | 415,170                         | 425,334          |
| Expenses for underwriting and sponsorship business      | 11,573                          | 18,159           |
| Expenses for financial advisory business                | 707                             | 999              |
| Other commission expenses                               | 22,391                          | 5,363            |
| Total                                                   | <u>2,181,589</u>                | <u>1,939,967</u> |

## 10 Interest expenses

|                                                                        | <i>Six months ended 30 June</i> |                  |
|------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                        | 2020                            | 2019             |
| Interest expenses on financial assets sold under repurchase agreements | 1,211,084                       | 814,122          |
| Interest expenses on long-term bonds                                   | 1,164,232                       | 1,436,507        |
| Interest expenses on short-term debt instruments issued                | 630,045                         | 217,493          |
| Interest expenses on placements                                        | 297,026                         | 154,990          |
| Interest expenses of accounts payable to brokerage clients             | 211,524                         | 163,843          |
| Interest expenses on short-term bank loans                             | 90,333                          | 34,609           |
| Interest expenses on lease liabilities                                 | 18,115                          | 10,579           |
| Interest expenses on long-term bank loans                              | 21,948                          | 55,306           |
| Others                                                                 | 40,091                          | 61,224           |
| Total                                                                  | <u>3,684,398</u>                | <u>2,948,673</u> |

## 11 Staff costs

|                                            | <i>Six months ended 30 June</i> |                  |
|--------------------------------------------|---------------------------------|------------------|
|                                            | 2020                            | 2019             |
| Salaries, bonuses and allowances           | 3,918,883                       | 2,683,146        |
| Equity-settled share-based payment expense | 190,715                         | -                |
| Contribution to pension schemes            | 85,949                          | 211,272          |
| Cash-settled share-based payment expenses  | -                               | 171,813          |
| Other social welfare                       | 310,890                         | 262,287          |
| Total                                      | <u>4,506,437</u>                | <u>3,328,518</u> |

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. The contributions to the social security plans are expensed as incurred.

## 12 Depreciation and amortisation expenses

|                                                                        | <i>Six months ended 30 June</i> |             |
|------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                        | <i>2020</i>                     | <i>2019</i> |
| Amortisation of other intangible assets                                | 262,881                         | 199,849     |
| Depreciation of property and equipment                                 |                                 |             |
| - Right-of-use assets                                                  | 199,215                         | 125,599     |
| - Other property and equipment                                         | 166,588                         | 171,881     |
| Amortisation of leasehold improvements and long-term deferred expenses | 41,260                          | 32,955      |
| Depreciation of investment properties                                  | 10,614                          | 15,940      |
| Total                                                                  | 680,558                         | 546,224     |

## 13 Other operating expenses

|                                               | <i>Six months ended 30 June</i> |             |
|-----------------------------------------------|---------------------------------|-------------|
|                                               | <i>2020</i>                     | <i>2019</i> |
| Cost of commodity sales                       | 408,661                         | 501,698     |
| IT expenses                                   | 284,755                         | 54,901      |
| Marketing, advertising and promotion expenses | 114,380                         | 94,968      |
| Consulting fees                               | 94,574                          | 93,665      |
| Stock exchange fee                            | 90,998                          | 83,905      |
| Products distribution expenses                | 79,811                          | 48,206      |
| Postal and communication expenses             | 66,509                          | 47,536      |
| Business travel expenses                      | 51,906                          | 83,954      |
| Securities investor protection funds          | 50,041                          | 57,289      |
| Business entertainment expenses               | 43,960                          | 66,335      |
| Rental expenses                               | 37,043                          | 34,127      |
| Utilities                                     | 20,411                          | 20,626      |
| Auditors' remuneration                        | 6,666                           | 12,122      |
| Others                                        | 396,573                         | 405,485     |
| Total                                         | 1,746,288                       | 1,604,817   |

## 14 Net provision for impairment loss on financial assets

|                                                                                                           | <u>Six months ended 30 June</u> |                |
|-----------------------------------------------------------------------------------------------------------|---------------------------------|----------------|
|                                                                                                           | 2020                            | 2019           |
| Provision for impairment losses against financial assets held under resale agreements                     | 102,373                         | 117,029        |
| Provision for impairment losses against other receivables and prepayments                                 | 77,666                          | 26,286         |
| Provision for impairment losses against financial assets at fair value through other comprehensive income | 21,971                          | 744            |
| Provision for impairment losses against accounts receivable                                               | 18,319                          | 14,529         |
| Provision for/(reversal of) impairment losses against margin accounts receivable                          | 381                             | (16,318)       |
| (Reversal of)/provision for impairment losses against cash and bank balances                              | (10,962)                        | 4,543          |
| Reversal of impairment losses against debt investment at amortised cost                                   | (2,766)                         | (92)           |
| Total                                                                                                     | <u>206,982</u>                  | <u>146,721</u> |

## 15 Income tax expense

### (a) Taxation in the consolidated income statements represents:

|                                                   | <u>Six months ended 30 June</u> |                  |
|---------------------------------------------------|---------------------------------|------------------|
|                                                   | 2020                            | 2019             |
| Current income tax                                |                                 |                  |
| – Mainland China                                  | 1,774,264                       | 1,289,932        |
| – Hong Kong                                       | -                               | -                |
| – Overseas                                        | 41,719                          | 147,353          |
|                                                   | <u>1,815,983</u>                | <u>1,437,285</u> |
| Adjustment in respect of prior years              |                                 |                  |
| – Mainland China                                  | (819)                           | 8,505            |
| – Hong Kong                                       | -                               | -                |
| – Overseas                                        | -                               | -                |
|                                                   | <u>(819)</u>                    | <u>8,505</u>     |
| Deferred tax                                      |                                 |                  |
| Origination and reversal of temporary differences | <u>47,688</u>                   | <u>(127,849)</u> |
| Total                                             | <u>1,862,852</u>                | <u>1,317,941</u> |

- (1) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Group’s subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.
- (2) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits. The federal income tax of subsidiaries in the United States were provided at the rate of 21%, whereas the states’ income tax are charged at the applicable local tax rates.
- (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:**

|                                                                                                             | <u>Six months ended 30 June</u> |                  |
|-------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                                             | <u>2020</u>                     | <u>2019</u>      |
| Profit before income tax                                                                                    | 8,306,061                       | 5,418,042        |
| Notional tax calculated using the PRC statutory tax rate                                                    | 2,076,516                       | 1,354,510        |
| Effect of different tax rates of the subsidiaries                                                           | 23,681                          | 23,844           |
| Tax effect of non-deductible expenses                                                                       | 51,883                          | 55,927           |
| Tax effect of unused tax losses not recognised                                                              | 19,443                          | 3,362            |
| Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period | (99,042)                        | (16,598)         |
| Tax effect of non-taxable income                                                                            | (211,444)                       | (111,557)        |
| Adjustment for prior years                                                                                  | (819)                           | 8,505            |
| Others                                                                                                      | 2,634                           | (52)             |
| Actual income tax expense                                                                                   | <u>1,862,852</u>                | <u>1,317,941</u> |

## 16 Basic and diluted earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

|                                                                                  |             | <u>Six months ended 30 June</u> |                  |
|----------------------------------------------------------------------------------|-------------|---------------------------------|------------------|
|                                                                                  | <i>Note</i> | <u>2020</u>                     | <u>2019</u>      |
| Net profit attributable to equity shareholders of the Company (in RMB thousands) |             | <u>6,404,994</u>                | <u>4,056,932</u> |
| Weighted average number of ordinary shares (in thousands)                        | 16(1)(a)    | <u>9,063,475</u>                | <u>8,289,628</u> |
| Basic earnings per share attributable to equity shareholders (in RMB per share)  |             | <u>0.71</u>                     | <u>0.49</u>      |

**(a) Weighted average number of ordinary shares (in thousands)**

|                                                                           | <u>Six months ended 30 June</u> |                  |
|---------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                           | 2020                            | 2019             |
| Number of ordinary shares as at 1 January                                 | 9,076,650                       | 8,251,500        |
| Increase in weighted average number of ordinary shares                    | -                               | 38,128           |
| Decrease in weighted average number of shares held by the treasury shares | (13,175)                        | -                |
| Weighted average number of ordinary shares                                | <u>9,063,475</u>                | <u>8,289,628</u> |

**(2) Diluted earnings per share**

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted):

|                                                                                        |          | <u>Six months ended 30 June</u> |                  |
|----------------------------------------------------------------------------------------|----------|---------------------------------|------------------|
|                                                                                        | Note     | 2020                            | 2019             |
| Consolidated net profit attributable to ordinary shareholders of the Company (diluted) | 16(2)(a) | <u>6,347,623</u>                | <u>4,056,932</u> |
| Weighted average number of ordinary shares outstanding (in thousands)                  | 16(1)(a) | <u>9,063,475</u>                | <u>8,289,628</u> |
| Diluted earnings per share attributable to equity shareholders (in Renminbi per share) |          | <u>0.70</u>                     | <u>0.49</u>      |

**(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:**

|                                                                                        | <u>Six months ended 30 June</u> |                  |
|----------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                        | 2020                            | 2019             |
| Consolidated net profit attributable to ordinary shareholders of the Company           | 6,404,994                       | 4,056,932        |
| Diluted adjustments:                                                                   |                                 |                  |
| Effect of conversion of convertible bonds from the associate of the Company (i)        | (57,371)                        | -                |
| Assumed vesting of shares granted to employees of a subsidiary (ii)                    | -                               | -                |
| Consolidated net profit attributable to ordinary shareholders of the Company (diluted) | <u>6,347,623</u>                | <u>4,056,932</u> |

- (i) Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu"), the associate of the Company issued convertible bonds in 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.
- (ii) In 2019, AssetMark Financial Holdings, Inc., the subsidiary of the Company granted stock options and restricted stock units to its certain employees. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary when additional shares have to be issued to relevant employees. Since AssetMark Financial Holdings, Inc. was in a loss position for the six-month period ended 30 June 2020, the inclusion of all potential ordinary shares outstanding would have been anti-dilutive and excluded from the calculation of diluted earnings per share for the six-month period ended 30 June 2020.

The Company has no potentially dilutive shares outstanding for the six months ended 30 June 2020. There was no difference between basic and diluted earnings per share for the six months ended 30 June 2019 as there were no potentially dilutive shares outstanding and diluted adjustments to the consolidated net profit for the six months ended 30 June 2019.

## 17 Property and equipment

|                                        | <u>Buildings</u> | <u>Motor vehicles</u> | <u>Electric equipment</u> | <u>Furniture and fixtures</u> | <u>Construction in progress</u> | <u>Right-of-use assets</u> | <u>Total</u>       |
|----------------------------------------|------------------|-----------------------|---------------------------|-------------------------------|---------------------------------|----------------------------|--------------------|
| <b>Cost</b>                            |                  |                       |                           |                               |                                 |                            |                    |
| As at 1 January 2020                   | 3,655,708        | 155,821               | 1,148,900                 | 271,929                       | 29,969                          | 1,252,706                  | 6,515,033          |
| Additions                              | -                | 4,244                 | 65,251                    | 8,563                         | 21,641                          | 347,939                    | 447,638            |
| Transfer during the period             | -                | -                     | 1,814                     | 1,798                         | (17,292)                        | -                          | (13,680)           |
| Transfer in from investment properties | 4,627            | -                     | -                         | -                             | -                               | -                          | 4,627              |
| Disposals                              | -                | (5,128)               | (9,770)                   | (3,495)                       | -                               | (20,150)                   | (38,543)           |
| As at 30 June 2020                     | <u>3,660,335</u> | <u>154,937</u>        | <u>1,206,195</u>          | <u>278,795</u>                | <u>34,318</u>                   | <u>1,580,495</u>           | <u>6,915,075</u>   |
| <b>Accumulated depreciation</b>        |                  |                       |                           |                               |                                 |                            |                    |
| As at 1 January 2020                   | (742,695)        | (106,512)             | (541,368)                 | (172,641)                     | -                               | (283,701)                  | (1,846,917)        |
| Charge for the period                  | (51,155)         | (3,971)               | (94,680)                  | (16,782)                      | -                               | (199,215)                  | (365,803)          |
| Transfer in from investment properties | (312)            | -                     | -                         | -                             | -                               | -                          | (312)              |
| Disposals                              | -                | 4,925                 | 8,364                     | 1,210                         | -                               | 13,209                     | 27,708             |
| As at 30 June 2020                     | <u>(794,162)</u> | <u>(105,558)</u>      | <u>(627,684)</u>          | <u>(188,213)</u>              | <u>-</u>                        | <u>(469,707)</u>           | <u>(2,185,324)</u> |
| <b>Carrying amount</b>                 |                  |                       |                           |                               |                                 |                            |                    |
| As at 30 June 2020                     | <u>2,866,173</u> | <u>49,379</u>         | <u>578,511</u>            | <u>90,582</u>                 | <u>34,318</u>                   | <u>1,110,788</u>           | <u>4,729,751</u>   |

|                                          | <u>Buildings</u> | <u>Motor vehicles</u> | <u>Electric equipment</u> | <u>Furniture and fixtures</u> | <u>Construction in progress</u> | <u>Right-of-use assets</u> | <u>Total</u> |
|------------------------------------------|------------------|-----------------------|---------------------------|-------------------------------|---------------------------------|----------------------------|--------------|
| <b>Cost</b>                              |                  |                       |                           |                               |                                 |                            |              |
| As at 31 December 2018                   | 3,574,577        | 147,871               | 791,119                   | 221,437                       | 49,026                          | -                          | 4,784,030    |
| Impact on initial application of IFRS 16 | -                | -                     | -                         | -                             | -                               | 725,265                    | 725,265      |
| As at 1 January 2019                     | 3,574,577        | 147,871               | 791,119                   | 221,437                       | 49,026                          | 725,265                    | 5,509,295    |
| Additions                                | -                | 34,567                | 412,178                   | 49,469                        | 60,600                          | 531,197                    | 1,088,011    |
| Transfer during the year                 | -                | -                     | 15,852                    | 12,159                        | (79,657)                        | -                          | (51,646)     |
| Transfer in from investment properties   | 81,131           | -                     | -                         | -                             | -                               | -                          | 81,131       |
| Disposals                                | -                | (26,617)              | (70,249)                  | (11,136)                      | -                               | (3,756)                    | (111,758)    |
| As at 31 December 2019                   | 3,655,708        | 155,821               | 1,148,900                 | 271,929                       | 29,969                          | 1,252,706                  | 6,515,033    |
| <b>Accumulated depreciation</b>          |                  |                       |                           |                               |                                 |                            |              |
| As at 1 January 2019                     | (598,166)        | (125,141)             | (433,285)                 | (79,285)                      | -                               | -                          | (1,235,877)  |
| Charge for the year                      | (97,617)         | (6,447)               | (173,752)                 | (98,598)                      | -                               | (285,175)                  | (661,589)    |
| Transfer in from investment properties   | (46,912)         | -                     | -                         | -                             | -                               | -                          | (46,912)     |
| Disposals                                | -                | 25,076                | 65,669                    | 5,242                         | -                               | 1,474                      | 97,461       |
| As at 31 December 2019                   | (742,695)        | (106,512)             | (541,368)                 | (172,641)                     | -                               | (283,701)                  | (1,846,917)  |
| <b>Carrying amount</b>                   |                  |                       |                           |                               |                                 |                            |              |
| As at 31 December 2019                   | 2,913,013        | 49,309                | 607,532                   | 99,288                        | 29,969                          | 969,005                    | 4,668,116    |

As at 30 June 2020 and 31 December 2019, the Group is still in the process of applying for the title certificates for its land and buildings with a carrying value of RMB32.19 million and RMB34.68 million, respectively.

## 18 Goodwill

### Cost

|                                          |           |
|------------------------------------------|-----------|
| As at 1 January 2020                     | 2,333,862 |
| Acquisition through business combination | 79,266    |
| Effect of movements in exchange rates    | 37,064    |

|                    |           |
|--------------------|-----------|
| As at 30 June 2020 | 2,450,192 |
|--------------------|-----------|

### Impairment losses

|                      |   |
|----------------------|---|
| As at 1 January 2020 | - |
| Impairment losses    | - |

|                    |   |
|--------------------|---|
| As at 30 June 2020 | - |
|--------------------|---|

### Carrying amounts

|                      |           |
|----------------------|-----------|
| As at 1 January 2020 | 2,333,862 |
| As at 30 June 2020   | 2,450,192 |

## 19 Other intangible assets

|                                 | <i>Land<br/>use rights</i> | <i>Existing<br/>relationships<br/>with broker-<br/>dealers</i> | <i>Trade<br/>names</i> | <i>Software<br/>and others</i> | <i>Total</i>       |
|---------------------------------|----------------------------|----------------------------------------------------------------|------------------------|--------------------------------|--------------------|
| <b>Cost</b>                     |                            |                                                                |                        |                                |                    |
| As at 1 January 2020            | 362,281                    | 3,979,783                                                      | 319,719                | 2,530,698                      | 7,192,481          |
| Acquisition of subsidiaries     | -                          | -                                                              | -                      | 66,563                         | 66,563             |
| Additions                       | -                          | -                                                              | -                      | 118,424                        | 118,424            |
| Disposals                       | -                          | -                                                              | -                      | -                              | -                  |
| Exchange differences            | -                          | 78,564                                                         | 6,311                  | 25,016                         | 109,891            |
| As at 30 June 2020              | <u>362,281</u>             | <u>4,058,347</u>                                               | <u>326,030</u>         | <u>2,740,701</u>               | <u>7,487,359</u>   |
| <b>Accumulated amortisation</b> |                            |                                                                |                        |                                |                    |
| As at 1 January 2020            | (85,362)                   | -                                                              | (53,653)               | (1,342,009)                    | (1,481,024)        |
| Charge for the period           | (3,630)                    | -                                                              | (19,197)               | (240,054)                      | (262,881)          |
| Disposals                       | -                          | -                                                              | -                      | -                              | -                  |
| Exchange differences            | -                          | -                                                              | (1,072)                | (7,471)                        | (8,543)            |
| As at 30 June 2020              | <u>(88,992)</u>            | <u>-</u>                                                       | <u>(73,922)</u>        | <u>(1,589,534)</u>             | <u>(1,752,448)</u> |
| <b>Carrying amount</b>          |                            |                                                                |                        |                                |                    |
| As at 30 June 2020              | <u>273,289</u>             | <u>4,058,347</u>                                               | <u>252,108</u>         | <u>1,151,167</u>               | <u>5,734,911</u>   |
| <b>Cost</b>                     |                            |                                                                |                        |                                |                    |
| As at 1 January 2019            | 359,161                    | 3,917,479                                                      | 314,714                | 1,912,694                      | 6,504,048          |
| Acquisition of subsidiaries     | -                          | -                                                              | -                      | 95,632                         | 95,632             |
| Additions                       | 3,120                      | -                                                              | -                      | 503,711                        | 506,831            |
| Disposals                       | -                          | -                                                              | -                      | (3,514)                        | (3,514)            |
| Exchange differences            | -                          | 62,304                                                         | 5,005                  | 22,175                         | 89,484             |
| As at 31 December 2019          | <u>362,281</u>             | <u>3,979,783</u>                                               | <u>319,719</u>         | <u>2,530,698</u>               | <u>7,192,481</u>   |
| <b>Accumulated amortisation</b> |                            |                                                                |                        |                                |                    |
| As at 1 January 2019            | (78,123)                   | -                                                              | (37,323)               | (926,590)                      | (1,042,036)        |
| Charge for the year             | (7,239)                    | -                                                              | (15,736)               | (414,038)                      | (437,013)          |
| Disposals                       | -                          | -                                                              | -                      | 3,514                          | 3,514              |
| Exchange differences            | -                          | -                                                              | (594)                  | (4,895)                        | (5,489)            |
| As at 31 December 2019          | <u>(85,362)</u>            | <u>-</u>                                                       | <u>(53,653)</u>        | <u>(1,342,009)</u>             | <u>(1,481,024)</u> |
| <b>Carrying amount</b>          |                            |                                                                |                        |                                |                    |
| As at 31 December 2019          | <u>276,919</u>             | <u>3,979,783</u>                                               | <u>266,066</u>         | <u>1,188,689</u>               | <u>5,711,457</u>   |

Existing relationships with broker-dealers are regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

## 20 Interest in associates

|                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|---------------------|-------------------------------|-----------------------------------|
| Share of net assets | <u>15,961,360</u>             | <u>14,974,547</u>                 |

The following list contains only the particulars of material associates, all of which (except for Bank of Jiangsu which has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

| <u>Name of associates</u>                                       | <u>Registered place</u> | <u>Registered capital</u> | <u>Proportion of ownership interest</u> |                            |                             | <u>Principal activity</u> |
|-----------------------------------------------------------------|-------------------------|---------------------------|-----------------------------------------|----------------------------|-----------------------------|---------------------------|
|                                                                 |                         |                           | <u>Group's effective interest</u>       | <u>Held by the Company</u> | <u>Held by a subsidiary</u> |                           |
| Bank of Jiangsu <sup>(i)</sup>                                  | Nanjing                 | 11,544,509                | 5.54%                                   | 5.54%                      | -                           | Commercial banking        |
| China Southern Asset Management Co., Ltd.                       | Shenzhen                | 361,720                   | 41.16%                                  | 41.16%                     | -                           | Fund management           |
| Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership) | Nanjing                 | 5,442,000                 | 48.27%                                  | -                          | 48.27%                      | Equity investment         |

All of the above associates are accounted for using the equity method in the consolidated financial statements.

- (i) During the six months ended 30 June 2020, Bank of Jiangsu converted 8,986 shares convertible bonds, accounting for 0.0001% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion, and the share of Bank of Jiangsu held by the Company was changed from 5.54377% to 5.54376%. The Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it, and recognised interest in associates using the equity method.

## 21 Interest in joint ventures

|                     | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|---------------------|-------------------------------|-----------------------------------|
| Share of net assets | 659,538                       | 664,458                           |

The following list contains only the particular joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follow:

| <u>Name of joint venture</u>                                                            | <u>Registered place</u> | <u>Registered capital</u> | <u>Proportion of ownership interest</u> |                            |                             | <u>Principal activity</u> |
|-----------------------------------------------------------------------------------------|-------------------------|---------------------------|-----------------------------------------|----------------------------|-----------------------------|---------------------------|
|                                                                                         |                         |                           | <u>Group's effective interest</u>       | <u>Held by the Company</u> | <u>Held by a subsidiary</u> |                           |
| Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) | Nanjing                 | 10,001,000                | 10.00%                                  | -                          | 10.00%                      | Equity investment         |

As at 30 June 2020, the Group holds 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

## 22 Debt investment at amortised cost

### (a) Analysed by nature:

#### Non-current

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Debt securities         | 11,032,926                    | 14,434,594                        |
| Loan and advances       | 784,202                       | 699,570                           |
| Less: impairment losses | (3,040)                       | (5,211)                           |
| Total                   | <u>11,814,088</u>             | <u>15,128,953</u>                 |

#### Analysed as:

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Listed outside Hong Kong | 4,512,197         | 6,743,982         |
| Listed inside Hong Kong  | 195,804           | 554,254           |
| Unlisted                 | <u>7,106,087</u>  | <u>7,830,717</u>  |
| Total                    | <u>11,814,088</u> | <u>15,128,953</u> |

#### Current

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Debt securities         | 7,428,842                     | 4,322,908                         |
| Loan and advances       | 489,639                       | 289,899                           |
| Less: impairment losses | (1,407)                       | (2,002)                           |
| Total                   | <u>7,917,074</u>              | <u>4,610,805</u>                  |

#### Analysed as:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Listed outside Hong Kong | 3,923,608        | 2,538,970        |
| Listed inside Hong Kong  | -                | 42,470           |
| Unlisted                 | <u>3,993,466</u> | <u>2,029,365</u> |
| Total                    | <u>7,917,074</u> | <u>4,610,805</u> |

As at 30 June 2020, the Group has pledged debt investment at amortised cost with a total fair value of RMB14,225 million and carrying amount of RMB14,041 million for the purpose of repurchase agreement business. The fair value of these securities have taken into account the relevant features including the restrictions.

**(b) Analysis of the movement of provision for impairment losses:**

|                                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 7,213                         | 6,066                             |
| Charge for the period/year          | 708                           | 3,736                             |
| Reversal of impairment              | (3,474)                       | (2,589)                           |
|                                     | <hr/>                         | <hr/>                             |
| At the end of the period/year       | 4,447                         | 7,213                             |
|                                     | <hr/>                         | <hr/>                             |

**23 Financial assets at fair value through other comprehensive income**

**(a) Analysed by nature:**

Non-current

|                                                                                                   | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|---------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| <b>Equity investment</b>                                                                          |                               |                                   |
| Equity securities designated at financial assets at fair value through other comprehensive income |                               |                                   |
| – Unlisted equity securities                                                                      | 176,504                       | 90,069                            |
| – Other unlisted equity investment <sup>(1)</sup>                                                 | 9,951,576                     | 10,254,673                        |
|                                                                                                   | <hr/>                         | <hr/>                             |
|                                                                                                   | 10,128,080                    | 10,344,742                        |
|                                                                                                   | <hr/>                         | <hr/>                             |
| <b>Debt investment</b>                                                                            |                               |                                   |
| Debt securities                                                                                   | 2,554,858                     | 731,785                           |
| Loan and advances                                                                                 | 656,520                       | 156,106                           |
|                                                                                                   | <hr/>                         | <hr/>                             |
| Total                                                                                             | 13,339,458                    | 11,232,633                        |
|                                                                                                   | <hr/>                         | <hr/>                             |
| Analysed as:                                                                                      |                               |                                   |
| Unlisted                                                                                          | 10,784,600                    | 10,500,848                        |
| Listed inside Hong Kong                                                                           | 1,609,366                     | 696,635                           |
| Listed outside Hong Kong                                                                          | 945,492                       | 35,150                            |
|                                                                                                   | <hr/>                         | <hr/>                             |
| Total                                                                                             | 13,339,458                    | 11,232,633                        |
|                                                                                                   | <hr/>                         | <hr/>                             |

- (1) As at 30 June 2020, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The Group designated the special amount investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

Current

|                          | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------|-------------------------------|-----------------------------------|
| <b>Debt investment</b>   |                               |                                   |
| Debt securities          | 1,488,009                     | 283,456                           |
| Loan and advances        | 1,153,712                     | 841,886                           |
| Total                    | <u>2,641,721</u>              | <u>1,125,342</u>                  |
| Analysed as:             |                               |                                   |
| Unlisted                 | 1,175,153                     | 841,886                           |
| Listed inside Hong Kong  | 851,882                       | 196,178                           |
| Listed outside Hong Kong | 614,686                       | 87,278                            |
| Total                    | <u>2,641,721</u>              | <u>1,125,342</u>                  |

**24 Financial assets at fair value through profit or loss**

Non-current

**(a) Analysed by type:**

|                            | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|----------------------------|-------------------------------|-----------------------------------|
| Equity securities          | 4,997,387                     | 4,219,220                         |
| Wealth management products | 1,701,139                     | 1,712,701                         |
| Debt securities            | 385,017                       | 554,937                           |
| Funds                      | 61,694                        | 185,288                           |
| Loan and advances          | -                             | 294,187                           |
| Total                      | <u>7,145,237</u>              | <u>6,966,333</u>                  |

**(b) Analysed as:**

|                          | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------|-------------------------------|-----------------------------------|
| Listed outside Hong Kong | 738,658                       | 356,529                           |
| Unlisted                 | 6,406,579                     | 6,609,804                         |
| Total                    | <u>7,145,237</u>              | <u>6,966,333</u>                  |

Current

**(a) Analysed by type:**

|                            | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|----------------------------|-------------------------------|-----------------------------------|
| Debt securities            | 167,310,033                   | 180,958,126                       |
| Funds                      | 28,392,459                    | 28,855,524                        |
| Equity securities          | 38,171,338                    | 29,781,301                        |
| Wealth management products | 10,903,724                    | 5,905,224                         |
| Loan and advances          | 659,583                       | 329,164                           |
| Total                      | <u>245,437,137</u>            | <u>245,829,339</u>                |

**(b) Analysed as:**

|                          | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------|-------------------------------|-----------------------------------|
| Listed inside Hong Kong  | 10,679,917                    | 7,901,751                         |
| Listed outside Hong Kong | 113,082,122                   | 114,257,958                       |
| Unlisted                 | 121,675,098                   | 123,669,630                       |
| Total                    | <u>245,437,137</u>            | <u>245,829,339</u>                |

As at 30 June 2020 and 31 December 2019, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB83 million and RMB62 million, respectively. The fair value of these funds have taken into account the relevant features including the restrictions.

As at 30 June 2020 and 31 December 2019, the listed equity securities held by the Group included approximately RMB1,929 million and RMB790 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

Non-current financial assets at fair value through profit or loss investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 30 June 2020 and 31 December 2019, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB2,308 million and RMB1,476 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 30(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2020 and 31 December 2019, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB2,016 million and RMB1,329 million to CSF for the purpose of replacement, respectively. The fair value of these securities have taken into account the relevant features including the restrictions.

As at 30 June 2020 and 31 December 2019, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB74,451 million and RMB91,387 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

## 25 Refundable deposits

|                                                                | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|----------------------------------------------------------------|-------------------------------|-----------------------------------|
| Deposits with stock exchanges                                  |                               |                                   |
| – China Securities Depository and Clearing Corporation Limited | 1,030,126                     | 774,158                           |
| – Hong Kong Securities Clearing Company Limited                | 17,248                        | 7,668                             |
| – Hong Kong Stock Exchange                                     | 776                           | 45                                |
|                                                                | <u>1,048,150</u>              | <u>781,871</u>                    |
| Deposits with futures and commodity exchanges                  |                               |                                   |
| – China Financial Futures Exchange                             | 5,517,308                     | 5,057,555                         |
| – Shanghai Futures Exchange                                    | 2,389,845                     | 2,023,044                         |
| – Dalian Commodity Exchange                                    | 1,792,997                     | 1,429,232                         |
| – Zhengzhou Commodity Exchange                                 | 1,195,259                     | 894,701                           |
| – Shanghai International Energy Exchange                       | 712,346                       | 316,689                           |
| – Overseas Commodity Exchange                                  | 207,213                       | 208,865                           |
|                                                                | <u>11,814,968</u>             | <u>9,930,086</u>                  |
| Deposits with other institutions                               |                               |                                   |
| – Shanghai Clearing House                                      | 933,654                       | 848,118                           |
| – China Securities Finance Corporation Limited                 | 424,167                       | 775,493                           |
| – Shanghai Gold Exchange                                       | 400                           | 400                               |
| – Other financial institutions                                 | 346,264                       | 317,572                           |
|                                                                | <u>1,704,485</u>              | <u>1,941,583</u>                  |
| Total                                                          | <u>14,567,603</u>             | <u>12,653,540</u>                 |

## 26 Deferred taxation

### (a) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements are as follows:

|                                   | Provision for<br>impairment<br>losses | Employee<br>benefits<br>payable | Changes in<br>fair value of<br>financial<br>instruments at<br>fair value<br>through<br>profit or loss | Changes in<br>fair value of<br>derivative<br>financial<br>instruments | Changes in<br>fair value of<br>financial<br>assets at<br>fair value<br>through other<br>comprehensive<br>income | Intangible<br>assets<br>recognised in<br>the acquisition | Others      | Total       |
|-----------------------------------|---------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------|-------------|
| <b>Deferred tax arising from:</b> |                                       |                                 |                                                                                                       |                                                                       |                                                                                                                 |                                                          |             |             |
| As at 1 January 2020              | 548,666                               | 1,648,863                       | (1,232,786)                                                                                           | (78,052)                                                              | (94,541)                                                                                                        | (1,250,141)                                              | (1,905,984) | (2,363,975) |
| Recognised in profit or loss      | 51,423                                | 22,042                          | (162,144)                                                                                             | 380,415                                                               | -                                                                                                               | (40,613)                                                 | (298,811)   | (47,688)    |
| Acquisition of subsidiaries       | -                                     | -                               | -                                                                                                     | -                                                                     | -                                                                                                               | -                                                        | 1,317       | 1,317       |
| Recognised in reserves            | -                                     | -                               | -                                                                                                     | -                                                                     | 75,403                                                                                                          | -                                                        | -           | 75,403      |
| As at 30 June 2020                | 600,089                               | 1,670,905                       | (1,394,930)                                                                                           | 302,363                                                               | (19,138)                                                                                                        | (1,290,754)                                              | (2,203,478) | (2,334,943) |
| As at 1 January 2019              | 370,853                               | 1,386,041                       | (284,721)                                                                                             | (313,601)                                                             | 29,136                                                                                                          | (1,224,780)                                              | (1,547,969) | (1,585,041) |
| Recognised in profit or loss      | 177,813                               | 262,822                         | (948,065)                                                                                             | 235,549                                                               | -                                                                                                               | (25,361)                                                 | (387,162)   | (684,404)   |
| Acquisition of subsidiaries       | -                                     | -                               | -                                                                                                     | -                                                                     | -                                                                                                               | -                                                        | 29,147      | 29,147      |
| Recognised in reserves            | -                                     | -                               | -                                                                                                     | -                                                                     | (123,677)                                                                                                       | -                                                        | -           | (123,677)   |
| As at 31 December 2019            | 548,666                               | 1,648,863                       | (1,232,786)                                                                                           | (78,052)                                                              | (94,541)                                                                                                        | (1,250,141)                                              | (1,905,984) | (2,363,975) |

**(b) Reconciliation to the consolidated statements of financial position**

|                                                                                             | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|---------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| Net deferred tax assets recognised in the consolidated statement of financial position      | 194,173                       | 202,825                           |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | <u>(2,529,116)</u>            | <u>(2,566,800)</u>                |
| Total                                                                                       | <u>(2,334,943)</u>            | <u>(2,363,975)</u>                |

**(c) Deferred tax assets not recognised**

As at 30 June 2020 and 31 December 2019, the Group has not recognised unused tax losses of RMB819 million and RMB1,138 million, respectively, as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

**27 Other non-current assets**

**(a) Analysed by nature:**

|                                                        | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------------------------------------|-------------------------------|-----------------------------------|
| Leasehold improvements and long-term deferred expenses | <u>242,705</u>                | <u>260,669</u>                    |

**(b) The movements of leasehold improvements and long-term deferred expenses are as below:**

|                                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-----------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year     | 260,669                       | 259,751                           |
| Additions                               | 9,616                         | 22,712                            |
| Transfer in from property and equipment | 13,680                        | 51,646                            |
| Amortisation                            | <u>(41,260)</u>               | <u>(73,440)</u>                   |
| At the end of the period/year           | <u>242,705</u>                | <u>260,669</u>                    |

## 28 Accounts receivable

### (a) Analysed by nature:

|                                       | <i>As at 30</i><br><u>June 2020</u> | <i>As at 31</i><br><u>December 2019</u> |
|---------------------------------------|-------------------------------------|-----------------------------------------|
| Accounts receivable of:               |                                     |                                         |
| – Return swap and OTC options         | 2,443,788                           | 2,328,096                               |
| – Redemption of open-ended fund       | 1,921,099                           | 775,274                                 |
| – Settlement                          | 1,294,698                           | 798,260                                 |
| – Fee and commission                  | 991,034                             | 864,235                                 |
| – Brokers, dealers and clearing house | 555,334                             | 550,212                                 |
| – Subscription receivable             | 188,753                             | 107,628                                 |
| – Others                              | 83,019                              | 107,318                                 |
| Less: impairment losses               | <u>(38,174)</u>                     | <u>(19,855)</u>                         |
| Total                                 | <u><u>7,439,551</u></u>             | <u><u>5,511,168</u></u>                 |

### (b) Analysed by ageing:

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the trade date, is as follows:

|                | <i>As at 30</i><br><u>June 2020</u> | <i>As at 31</i><br><u>December 2019</u> |
|----------------|-------------------------------------|-----------------------------------------|
| Within 1 month | 5,990,800                           | 5,264,183                               |
| 1 to 3 months  | 464,546                             | 57,958                                  |
| Over 3 months  | <u>984,205</u>                      | <u>189,027</u>                          |
| Total          | <u><u>7,439,551</u></u>             | <u><u>5,511,168</u></u>                 |

### (c) Analysis of the movement of provision for impairment losses:

|                                     | <i>As at 30</i><br><u>June 2020</u> | <i>As at 31</i><br><u>December 2019</u> |
|-------------------------------------|-------------------------------------|-----------------------------------------|
| At the beginning of the period/year | 19,855                              | 17,890                                  |
| Charge for the period/year          | 19,846                              | 14,559                                  |
| Reversal                            | (1,527)                             | -                                       |
| Written-off                         | <u>-</u>                            | <u>(12,594)</u>                         |
| At the end of the period/year       | <u><u>38,174</u></u>                | <u><u>19,855</u></u>                    |

### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The receivables from securities-backed lendings business are not included in accounts receivable.

## 29 Other receivables and prepayments

### (a) Analysed by nature:

|                                    | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|------------------------------------|-------------------------------|-----------------------------------|
| Other receivables <sup>(1)</sup>   | 376,048                       | 468,259                           |
| Interest receivable <sup>(2)</sup> | 143,260                       | 131,942                           |
| Deductible VAT                     | 58,581                        | 36,874                            |
| Tax refund                         | 38,468                        | 29,834                            |
| Dividend receivable                | 16,703                        | 4,564                             |
| Deferred expenses                  | 16,667                        | 14,576                            |
| Others                             | 279,044                       | 194,222                           |
| Total                              | <u>928,771</u>                | <u>880,271</u>                    |

The balance of others mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

### (1) Other receivables:

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Other receivables       | 1,396,138                     | 1,374,639                         |
| Less: impairment losses | <u>(1,020,090)</u>            | <u>(906,380)</u>                  |
| Total                   | <u>376,048</u>                | <u>468,259</u>                    |

Analysis of the movement of provision for other receivables impairment losses:

|                                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 906,380                       | 714,315                           |
| Charge for the period/year          | 217,342                       | 210,758                           |
| Reversal of impairment              | <u>(103,632)</u>              | <u>(18,693)</u>                   |
| At the end of the period/year       | <u>1,020,090</u>              | <u>906,380</u>                    |

**(2) Interest receivable:**

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Interest receivable     | 182,677                       | 207,403                           |
| Less: impairment losses | (39,417)                      | (75,461)                          |
| Total                   | <u>143,260</u>                | <u>131,942</u>                    |

**Analysis of the movement of provision for impairment losses of interest receivable:**

|                                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 75,461                        | 70,146                            |
| Charge for the period/year          | 792                           | 43,511                            |
| Reversal of impairment              | (36,836)                      | (38,196)                          |
| At the end of the period/year       | <u>39,417</u>                 | <u>75,461</u>                     |

**30 Margin accounts receivable**

**(a) Analysed by nature:**

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Individuals             | 71,050,465                    | 63,208,640                        |
| Institutions            | 7,374,255                     | 5,910,311                         |
| Less: impairment losses | (113,052)                     | (112,671)                         |
| Total                   | <u>78,311,668</u>             | <u>69,006,280</u>                 |

**(b) Analysis of the movement of provision for impairment losses:**

|                                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 112,671                       | 118,353                           |
| Charge for the period/year          | 22,531                        | 33,329                            |
| Reversal of impairment              | (22,150)                      | (39,011)                          |
| At the end of the period/year       | <u>113,052</u>                | <u>112,671</u>                    |

**(c) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:**

|                            | <i>As at 30<br/><u>June 2020</u></i> | <i>As at 31<br/><u>December 2019</u></i> |
|----------------------------|--------------------------------------|------------------------------------------|
| Fair value of collaterals: |                                      |                                          |
| – Equity securities        | 243,500,256                          | 208,232,831                              |
| – Cash                     | 14,687,531                           | 10,757,058                               |
| – Funds                    | 6,617,597                            | 4,364,467                                |
| – Debt securities          | 855,347                              | 433,164                                  |
| Total                      | <u>265,660,731</u>                   | <u>223,787,520</u>                       |

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

**31 Financial assets held under resale agreements**

**(a) Analysed by collateral type:**

Current

|                         | <i>As at 30<br/><u>June 2020</u></i> | <i>As at 31<br/><u>December 2019</u></i> |
|-------------------------|--------------------------------------|------------------------------------------|
| Debt securities         | 12,645,594                           | 13,787,673                               |
| Equity securities       | 5,771,469                            | 5,736,157                                |
| Less: impairment losses | (1,159,923)                          | (1,057,550)                              |
| Total                   | <u>17,257,140</u>                    | <u>18,466,280</u>                        |

**(b) Analysed by market:**

Current

|                         | <i>As at 30<br/><u>June 2020</u></i> | <i>As at 31<br/><u>December 2019</u></i> |
|-------------------------|--------------------------------------|------------------------------------------|
| Shanghai stock exchange | 12,914,245                           | 3,947,540                                |
| Shenzhen stock exchange | 4,475,737                            | 4,734,581                                |
| Inter-bank market       | 754,959                              | 10,117,307                               |
| Others                  | 272,122                              | 724,402                                  |
| Less: impairment losses | (1,159,923)                          | (1,057,550)                              |
| Total                   | <u>17,257,140</u>                    | <u>18,466,280</u>                        |

**(c) Analysis of the movement of provision for impairment losses:**

|                                     | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 1,057,550                     | 546,993                           |
| Charge for the period/year          | 214,355                       | 660,363                           |
| Reversal of impairment              | (111,982)                     | (149,806)                         |
| At the end of the period/year       | <u>1,159,923</u>              | <u>1,057,550</u>                  |

**(d) Analysed by remaining contractual maturities of securities-backed lendings:**

|                         | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|-------------------------|-------------------------------|-----------------------------------|
| Within 1 month          | 2,964,171                     | 3,203,587                         |
| 1 to 3 months           | 500,667                       | 1,410,422                         |
| 3 months to 1 year      | 2,293,375                     | 1,122,148                         |
| Less: impairment losses | (1,159,890)                   | (1,057,550)                       |
| Total                   | <u>4,598,323</u>              | <u>4,678,607</u>                  |

**(e) Analysed by the stage of ECL of securities-backed lendings:**

|                   | <u>As at 30 June 2020</u> |                                             |                                          |                   |
|-------------------|---------------------------|---------------------------------------------|------------------------------------------|-------------------|
|                   | <u>12-month ECL</u>       | <u>Lifetime ECL-not<br/>credit impaired</u> | <u>Lifetime ECL-<br/>credit impaired</u> | <u>Total</u>      |
| Amortised cost    | 2,874,292                 | 260,916                                     | 2,623,005                                | 5,758,213         |
| Impairment losses | (7,138)                   | (2,609)                                     | (1,150,143)                              | (1,159,890)       |
| Carrying amount   | <u>2,867,154</u>          | <u>258,307</u>                              | <u>1,472,862</u>                         | <u>4,598,323</u>  |
| Collateral        | <u>11,019,012</u>         | <u>703,267</u>                              | <u>3,969,419</u>                         | <u>15,691,698</u> |

|                   | <u>As at 31 December 2019</u> |                                             |                                          |                   |
|-------------------|-------------------------------|---------------------------------------------|------------------------------------------|-------------------|
|                   | <u>12-month ECL</u>           | <u>Lifetime ECL-not<br/>credit impaired</u> | <u>Lifetime ECL-<br/>credit impaired</u> | <u>Total</u>      |
| Amortised cost    | 3,201,553                     | 400                                         | 2,534,204                                | 5,736,157         |
| Impairment losses | (8,002)                       | (4)                                         | (1,049,544)                              | (1,057,550)       |
| Carrying amount   | <u>3,193,551</u>              | <u>396</u>                                  | <u>1,484,660</u>                         | <u>4,678,607</u>  |
| Collateral        | <u>8,595,770</u>              | <u>4,969</u>                                | <u>4,337,698</u>                         | <u>12,938,437</u> |

## 32 Derivative financial instruments

| <i>As at 30 June 2020</i> |                            |                   |                    |
|---------------------------|----------------------------|-------------------|--------------------|
|                           | <i>Notional<br/>amount</i> | <i>Fair value</i> |                    |
|                           |                            | <i>Assets</i>     | <i>Liabilities</i> |
| Interest rate derivatives | 354,816,260                | 123,733           | (1,604,350)        |
| Currency derivatives      | 25,706,938                 | 68,305            | (38,246)           |
| Equity derivatives        | 164,716,879                | 2,376,563         | (3,984,861)        |
| Credit derivatives        | 2,660,016                  | 1,793             | (3,688)            |
| Others                    | 53,789,977                 | 250,602           | (190,914)          |
| Total                     | 601,690,070                | 2,820,996         | (5,822,059)        |
| Less: settlement          |                            | (33,319)          | 2,321,606          |
| Net position              |                            | 2,787,677         | (3,500,453)        |

| <i>As at 31 December 2019</i> |                            |                   |                    |
|-------------------------------|----------------------------|-------------------|--------------------|
|                               | <i>Notional<br/>amount</i> | <i>Fair value</i> |                    |
|                               |                            | <i>Assets</i>     | <i>Liabilities</i> |
| Interest rate derivatives     | 187,871,177                | 93,489            | (8,447)            |
| Currency derivatives          | 3,685,733                  | 65,447            | (47,146)           |
| Equity derivatives            | 98,238,017                 | 1,657,753         | (1,906,397)        |
| Credit derivatives            | 2,558,479                  | 2,385             | (23,297)           |
| Others                        | 64,841,228                 | 136,794           | (121,641)          |
| Total                         | 357,194,634                | 1,955,868         | (2,106,928)        |
| Less: settlement              |                            | (97,827)          | 828,529            |
| Net position                  |                            | 1,858,041         | (1,278,399)        |

Under the daily market-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 and treasury futures settled in China Financial Futures Exchange and certain commodity futures traded through Huatai Futures Co., Ltd. ("Huatai Futures"), were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 30 June 2020 and 31 December 2019.

### Cash flow hedges

The Group's cash flow hedges consist of interest swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated hedging instruments in cash flow hedges are set out below:

|                           | As at 30 June 2020 |                                 |                                |              |           | Fair value |             |
|---------------------------|--------------------|---------------------------------|--------------------------------|--------------|-----------|------------|-------------|
|                           | Notional amount    |                                 |                                |              |           | Assets     | Liabilities |
|                           | Within 3 months    | Over 3 months but within 1 year | Over 1 year but within 5 years | Over 5 years | Total     |            |             |
| Interest rate derivatives | -                  | -                               | 1,415,900                      | -            | 1,415,900 | -          | (44,394)    |

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

| As at 30 June 2020              |             |           |                                                                               |                                                                         |                                                   |
|---------------------------------|-------------|-----------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------|
| Carrying amount of hedged items |             |           | Effect of hedging instruments on other comprehensive income during the period | Accumulated effect of hedging instruments on other comprehensive income | Line items in the statement of financial position |
| Assets                          | Liabilities |           |                                                                               |                                                                         |                                                   |
| Bonds                           | -           | 2,837,505 | (44,394)                                                                      | (44,394)                                                                | Long-term bonds                                   |

### 33 Clearing settlement funds

|                                                                | As at 30<br>June 2020 | As at 31<br>December 2019 |
|----------------------------------------------------------------|-----------------------|---------------------------|
| Deposits with stock exchanges                                  |                       |                           |
| – China Securities Depository and Clearing Corporation Limited | 5,701,588             | 6,716,642                 |
| – Hong Kong Securities Clearing Company Limited                | 48,355                | 11,431                    |
| Deposits with other institutions                               | 56,425                | 27,531                    |
| Total                                                          | 5,806,368             | 6,755,604                 |

### 34 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the Mainland China, the use of cash held on behalf of brokerage clients is restricted and governed by the relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of 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.

### 35 Cash and bank balances

#### (a) Analysed by nature:

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Cash on hand            | 413                           | 190                               |
| Bank balances           | 40,027,335                    | 49,864,177                        |
| Less: impairment losses | (217)                         | (11,179)                          |
| Total                   | <u>40,027,531</u>             | <u>49,853,188</u>                 |

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

#### (b) Analysis of the movement of provision for impairment losses:

|                                     | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------|-------------------------------|-----------------------------------|
| At the beginning of the period/year | 11,179                        | 1,347                             |
| Charge for the period/year          | 1,268                         | 11,168                            |
| Reversal of impairment              | (12,230)                      | (1,336)                           |
| At the end of the period/year       | <u>217</u>                    | <u>11,179</u>                     |

### 36 Cash and cash equivalents

|                                                                                    | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| Cash on hand                                                                       | 413                           | 190                               |
| Bank balances                                                                      | 39,920,022                    | 49,720,685                        |
| Clearing settlement funds                                                          | 5,806,235                     | 6,755,433                         |
| Financial assets held under resale agreements within<br>3 months original maturity | 12,367,773                    | 12,867,370                        |
| Bond investment within 3 months original maturity                                  | 3,176,249                     | 11,122,273                        |
| Less: restricted bank deposits                                                     | (3,118,421)                   | (11,267,173)                      |
| Total                                                                              | <u>58,152,271</u>             | <u>69,198,778</u>                 |

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits, risk reserve deposits, securities underwriting brokerage deposits and subscription payment in transit.

### 37 Short-term bank loans

|              | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|--------------|-------------------------------|-----------------------------------|
| Credit loans | 8,314,941                     | 5,455,353                         |
| Pledged loan | 109,617                       | 268,778                           |
| Total        | <u>8,424,558</u>              | <u>5,724,131</u>                  |

As at 30 June 2020 and 31 December 2019, the interest rates for short-term loans were in the range of 1.19%-3.10% and 2.74%-6.15% per annum, respectively.

### 38 Short-term debt instruments issued

As at 30 June 2020

| <u>Name</u>                     | <u>Par value</u><br>Original<br>currency | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br>Original<br>currency | <u>Nominal<br/>interest rate</u> |
|---------------------------------|------------------------------------------|----------------------|-----------------|---------------------------------------------|----------------------------------|
| 19 HUATAI CP005                 | RMB5,000,000                             | 11/10/2019           | 09/01/2020      | RMB5,000,000                                | 2.83%                            |
| 19 HUATAI CP006                 | RMB5,000,000                             | 14/11/2019           | 12/02/2020      | RMB5,000,000                                | 3.05%                            |
| 19 HUATAI CP007                 | RMB5,000,000                             | 06/12/2019           | 05/03/2020      | RMB5,000,000                                | 3.02%                            |
| 20 HUATAI CP001                 | RMB6,000,000                             | 06/01/2020           | 05/04/2020      | RMB6,000,000                                | 2.80%                            |
| 20 HUATAI CP002                 | RMB5,000,000                             | 10/02/2020           | 10/05/2020      | RMB5,000,000                                | 2.65%                            |
| 20 HUATAI CP003                 | RMB3,000,000                             | 27/02/2020           | 27/05/2020      | RMB3,000,000                                | 2.39%                            |
| 20 HUATAI CP004                 | RMB4,000,000                             | 06/03/2020           | 04/06/2020      | RMB4,000,000                                | 2.31%                            |
| 20 HUATAI CP005                 | RMB4,000,000                             | 09/06/2020           | 28/08/2020      | RMB4,000,000                                | 1.90%                            |
| 20 HUATAI CP006                 | RMB4,000,000                             | 16/06/2020           | 14/09/2020      | RMB4,000,000                                | 2.20%                            |
| 20 HUATAI G5                    | RMB2,300,000                             | 18/06/2020           | 18/06/2021      | RMB2,300,000                                | 2.58%                            |
| Structured notes <sup>(1)</sup> | RMB19,427,207                            | Note(1)              | Note(1)         | RMB19,427,207                               | Note(1)                          |

| <u>Name</u>                     | <u>Book value as at<br/>1 January 2020</u><br>RMB<br>equivalent | <u>Increase</u><br>RMB<br>equivalent | <u>Decrease</u><br>RMB<br>equivalent | <u>Book value as at<br/>30 June 2020</u><br>RMB<br>equivalent |
|---------------------------------|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------|
| 19 HUATAI CP005                 | 5,031,401                                                       | 3,394                                | (5,034,795)                          | -                                                             |
| 19 HUATAI CP006                 | 5,019,637                                                       | 17,863                               | (5,037,500)                          | -                                                             |
| 19 HUATAI CP007                 | 5,011,043                                                       | 26,088                               | (5,037,131)                          | -                                                             |
| 20 HUATAI CP001                 | -                                                               | 6,039,475                            | (6,039,475)                          | -                                                             |
| 20 HUATAI CP002                 | -                                                               | 5,032,582                            | (5,032,582)                          | -                                                             |
| 20 HUATAI CP003                 | -                                                               | 3,017,631                            | (3,017,631)                          | -                                                             |
| 20 HUATAI CP004                 | -                                                               | 4,021,964                            | (4,021,964)                          | -                                                             |
| 20 HUATAI CP005                 | -                                                               | 4,004,581                            | -                                    | 4,004,581                                                     |
| 20 HUATAI CP006                 | -                                                               | 4,003,616                            | -                                    | 4,003,616                                                     |
| 20 HUATAI G5                    | -                                                               | 2,302,143                            | -                                    | 2,302,143                                                     |
| Structured notes <sup>(1)</sup> | 31,363,115                                                      | 36,677,266                           | (48,567,520)                         | 19,472,861                                                    |
| Total                           | <u>46,425,196</u>                                               | <u>65,146,603</u>                    | <u>(81,788,598)</u>                  | <u>29,783,201</u>                                             |

As at 31 December 2019

| <u>Name</u>      | <u>Par value</u><br>Original currency | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br>Original currency | <u>Nominal interest rate</u> |
|------------------|---------------------------------------|----------------------|-----------------|------------------------------------------|------------------------------|
| 18 HUATAI D1     | RMB4,600,000                          | 11/06/2018           | 11/06/2019      | RMB4,600,000                             | 5.00%                        |
| FRGN             | USD50,000                             | 28/11/2018           | 28/11/2019      | USD50,000                                | 4.61%                        |
| 19 HUATAI CP001  | RMB3,000,000                          | 29/04/2019           | 29/07/2019      | RMB3,000,000                             | 3.00%                        |
| 19 HUATAI CP002  | RMB3,000,000                          | 10/07/2019           | 09/10/2019      | RMB3,000,000                             | 2.60%                        |
| 19 HUATAI CP003  | RMB4,000,000                          | 08/08/2019           | 06/11/2019      | RMB4,000,000                             | 2.70%                        |
| 19 HUATAI CP004  | RMB2,000,000                          | 12/09/2019           | 11/12/2019      | RMB2,000,000                             | 2.78%                        |
| 19 HUATAI CP005  | RMB5,000,000                          | 11/10/2019           | 09/01/2020      | RMB5,000,000                             | 2.83%                        |
| 19 HUATAI CP006  | RMB5,000,000                          | 14/11/2019           | 12/02/2020      | RMB5,000,000                             | 3.05%                        |
| 19 HUATAI CP007  | RMB5,000,000                          | 06/12/2019           | 05/03/2020      | RMB5,000,000                             | 3.02%                        |
| Structured notes | RMB31,298,880                         | N/A                  | N/A             | RMB31,298,880                            | N/A                          |

| <u>Name</u>      | <u>Book value as at 1 January 2019</u><br>RMB equivalent | <u>Increase</u><br>RMB equivalent | <u>Decrease</u><br>RMB equivalent | <u>Book value as at 31 December 2019</u><br>RMB equivalent |
|------------------|----------------------------------------------------------|-----------------------------------|-----------------------------------|------------------------------------------------------------|
| 18 HUATAI D1     | 4,727,918                                                | 95,693                            | (4,823,611)                       | -                                                          |
| FRGN             | 344,636                                                  | 22,883                            | (367,519)                         | -                                                          |
| 19 HUATAI CP001  | -                                                        | 3,022,438                         | (3,022,438)                       | -                                                          |
| 19 HUATAI CP002  | -                                                        | 3,019,447                         | (3,019,447)                       | -                                                          |
| 19 HUATAI CP003  | -                                                        | 4,026,630                         | (4,026,630)                       | -                                                          |
| 19 HUATAI CP004  | -                                                        | 2,013,710                         | (2,013,710)                       | -                                                          |
| 19 HUATAI CP005  | -                                                        | 5,031,401                         | -                                 | 5,031,401                                                  |
| 19 HUATAI CP006  | -                                                        | 5,019,637                         | -                                 | 5,019,637                                                  |
| 19 HUATAI CP007  | -                                                        | 5,011,043                         | -                                 | 5,011,043                                                  |
| Structured notes | 16,051,446                                               | 76,498,220                        | (61,186,551)                      | 31,363,115                                                 |
| Total            | 21,124,000                                               | 103,761,102                       | (78,459,906)                      | 46,425,196                                                 |

- (1) During the six months ended 30 June 2020, the Company has issued 1,874 tranches of structured notes, bearing interest ranging from 1.60% to 6.58% per annum, repayable within 1 year. Structured notes repayable more than 1 year are classified as “Long-term bonds” (Note 45).

### 39 Placements from other financial institutions

|                                                    | <u>As at 30 June 2020</u> | <u>As at 31 December 2019</u> |
|----------------------------------------------------|---------------------------|-------------------------------|
| Placements from banks                              | 3,028,181                 | 5,352,126                     |
| Placements from China Securities Finance Co., Ltd. | -                         | 6,010,472                     |
| Total                                              | 3,028,181                 | 11,362,598                    |

As at 30 June 2020, the placements from banks are unsecured, bearing interest of 0.65%-3.50% per annum, with maturities within 164 days.

#### 40 Accounts payable to brokerage clients

|                                                               | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|---------------------------------------------------------------|-------------------------------|-----------------------------------|
| Clients' deposits for brokerage trading                       | 102,270,118                   | 78,876,364                        |
| Clients' deposits for margin financing and securities lending | <u>15,839,824</u>             | <u>10,941,556</u>                 |
| Total                                                         | <u><u>118,109,942</u></u>     | <u><u>89,817,920</u></u>          |

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No 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.

#### 41 Other payables and accruals

Non-current

|                   | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------|-------------------------------|-----------------------------------|
| Lease liabilities | <u><u>807,432</u></u>         | <u><u>605,958</u></u>             |

- (1) During the six months ended 30 June 2020, the expenses related to short-term leases and low-value leases of RMB37 million (six months ended 30 June 2019: RMB34 million) were recognised in profit or loss.
- (2) As at 30 June 2020, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

## Current

|                                                                                | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| Payable to interest holders of consolidated structured entities <sup>(1)</sup> | 72,423,012                    | 72,790,316                        |
| Trade payable                                                                  | 20,591,110                    | 8,734,439                         |
| Payable to brokers, dealers and clearing house                                 | 5,702,239                     | 1,350,093                         |
| Dividend payable                                                               | 2,725,587                     | 24,192                            |
| Payable to open-ended funds                                                    | 1,007,497                     | 869,580                           |
| Dividend payable of pledged exchangeable bond                                  | 927,045                       | 757,334                           |
| Securities underwriting brokerage deposits                                     | 694,886                       | 4,032                             |
| Other tax payable                                                              | 425,236                       | 740,239                           |
| Lease liabilities                                                              | 326,912                       | 356,483                           |
| Futures risk reserve                                                           | 131,651                       | 123,904                           |
| Payable for office building construction                                       | 58,384                        | 58,404                            |
| Payable to the securities investor protection fund                             | 51,909                        | 43,482                            |
| Fee and commission payable                                                     | 50,093                        | 129,722                           |
| Interest payable                                                               | 22,589                        | 52,183                            |
| Redemption payables                                                            | -                             | 66,548                            |
| Others <sup>(2)</sup>                                                          | 949,661                       | 735,675                           |
| <b>Total</b>                                                                   | <b>106,087,811</b>            | <b>86,836,626</b>                 |

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because, the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.

## 42 Financial assets sold under repurchase agreements

### (1) Analysed by collateral type:

|                                           | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------------------------|-------------------------------|-----------------------------------|
| Debt securities                           | 75,608,344                    | 93,280,267                        |
| Precious metal                            | 15,511,004                    | 14,231,197                        |
| Equity securities                         | 4,350,217                     | 1,206,743                         |
| Margin loans receivable backed repurchase | -                             | 1,000,838                         |
| <b>Total</b>                              | <b>95,469,565</b>             | <b>109,719,045</b>                |

As at 30 June 2020, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB104,784 million (as at 31 December 2019: RMB120,334 million).

**(2) Analysed by market:**

|                         | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-------------------------|-------------------------------|-----------------------------------|
| Shanghai stock exchange | 30,110,224                    | 41,007,228                        |
| Inter-bank market       | 28,658,161                    | 46,157,634                        |
| Over-the-counter        | 28,396,684                    | 16,438,778                        |
| Shenzhen stock exchange | 8,304,496                     | 6,115,405                         |
| Total                   | <u>95,469,565</u>             | <u>109,719,045</u>                |

**43 Financial liabilities at fair value through profit or loss**

Non-current

|                                                                       | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-----------------------------------------------------------------------|-------------------------------|-----------------------------------|
| Financial liabilities designated at fair value through profit or loss | <u>3,017,572</u>              | <u>2,690,563</u>                  |

Current

|                                                                       | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|-----------------------------------------------------------------------|-------------------------------|-----------------------------------|
| Financial liabilities held for trading                                | 8,327,727                     | 4,586,478                         |
| Financial liabilities designated at fair value through profit or loss | <u>121,919</u>                | <u>103,142</u>                    |
| Total                                                                 | <u>8,449,646</u>              | <u>4,689,620</u>                  |

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equity investments are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 30 June 2020, there were no significant fair value changes related to the changes in the credit risk of the Group.

#### 44 Long-term bonds due within one year

As at 30 June 2020

| <u>Name</u>                     | <u>Par value</u><br>Original currency | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br>Original currency | <u>Nominal interest rate</u> |
|---------------------------------|---------------------------------------|----------------------|-----------------|------------------------------------------|------------------------------|
| 17 HUATAI 02                    | RMB2,000,000                          | 24/02/2017           | 24/02/2020      | RMB2,000,000                             | 4.65%                        |
| 17 HUATAI 04                    | RMB6,000,000                          | 15/05/2017           | 15/05/2020      | RMB6,000,000                             | 5.25%                        |
| 17 HUATAI C2                    | RMB5,000,000                          | 27/07/2017           | 27/07/2020      | RMB5,000,000                             | 4.95%                        |
| 18 HUATAI C1                    | RMB1,000,000                          | 15/03/2018           | 15/03/2020      | RMB1,000,000                             | 5.65%                        |
| 18 HUATAI C2                    | RMB2,800,000                          | 10/05/2018           | 10/05/2021      | RMB2,800,000                             | 5.20%                        |
| HUATAI B2006                    | USD14,757                             | 30/05/2019           | 02/06/2020      | USD14,757                                | 4.00%                        |
| Structured notes <sup>(1)</sup> | RMB180,360                            | Note (1)             | Note (1)        | RMB180,360                               | Note (1)                     |

| <u>Name</u>                     | <u>Book value as at</u><br><u>1 January 2020</u><br>RMB<br>equivalent | <u>Increase</u><br>RMB<br>equivalent | <u>Decrease</u><br>RMB<br>equivalent | <u>Book value as at</u><br><u>30 June 2020</u><br>RMB<br>equivalent |
|---------------------------------|-----------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------------|
| 17 HUATAI 02                    | 2,078,732                                                             | 7,750                                | (2,086,482)                          | -                                                                   |
| 17 HUATAI 04                    | 6,198,493                                                             | 105,000                              | (6,303,493)                          | -                                                                   |
| 17 HUATAI C2                    | 5,107,815                                                             | 123,875                              | -                                    | 5,231,690                                                           |
| 18 HUATAI C1                    | 1,044,090                                                             | 9,497                                | (1,053,587)                          | -                                                                   |
| 18 HUATAI C2                    | -                                                                     | 2,966,174                            | (145,600)                            | 2,820,574                                                           |
| HUATAI B2006                    | 105,345                                                               | 3,305                                | (108,650)                            | -                                                                   |
| Structured notes <sup>(1)</sup> | 182,058                                                               | 1,431                                | -                                    | 183,489                                                             |
| Total                           | 14,716,533                                                            | 3,217,032                            | (9,697,812)                          | 8,235,753                                                           |

As at 31 December 2019

| <u>Name</u>      | <u>Par value</u><br>Original currency | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br>Original currency | <u>Nominal interest rate</u> |
|------------------|---------------------------------------|----------------------|-----------------|------------------------------------------|------------------------------|
| HUATAI B1910     | USD400,000                            | 08/10/2014           | 08/10/2019      | USD399,665                               | 3.625%                       |
| 16 HUATAI C1     | RMB5,000,000                          | 14/10/2016           | 14/10/2021      | RMB5,000,000                             | 3.30%                        |
| 16 HUATAI G1     | RMB3,500,000                          | 06/12/2016           | 06/12/2019      | RMB3,500,000                             | 3.57%                        |
| 16 HUATAI G3     | RMB5,000,000                          | 14/12/2016           | 14/12/2019      | RMB5,000,000                             | 3.79%                        |
| 17 HUATAI 02     | RMB2,000,000                          | 24/02/2017           | 24/02/2020      | RMB2,000,000                             | 4.65%                        |
| 17 HUATAI 03     | RMB4,000,000                          | 15/05/2017           | 15/05/2019      | RMB4,000,000                             | 5.00%                        |
| 17 HUATAI 04     | RMB6,000,000                          | 15/05/2017           | 15/05/2020      | RMB6,000,000                             | 5.25%                        |
| 17 HUATAI C2     | RMB5,000,000                          | 27/07/2017           | 27/07/2020      | RMB5,000,000                             | 4.95%                        |
| 17 HUATAI 06     | RMB5,000,000                          | 19/10/2017           | 19/04/2019      | RMB5,000,000                             | 4.98%                        |
| 18 HUATAI C1     | RMB1,000,000                          | 15/03/2018           | 15/03/2020      | RMB1,000,000                             | 5.65%                        |
| HUATAI B2006     | USD14,757                             | 30/05/2019           | 02/06/2020      | USD14,757                                | 4.00%                        |
| Structured notes | RMB180,360                            | N/A                  | N/A             | RMB180,360                               | N/A                          |

| <u>Name</u>      | <u>Book value as at<br/>1 January 2019</u><br>RMB<br>equivalent | <u>Increase</u><br>RMB<br>equivalent | <u>Decrease</u><br>RMB<br>equivalent | <u>Book value as at<br/>31 December<br/>2019</u><br>RMB<br>equivalent |
|------------------|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------------------------------------------|
| HUATAI B1910     | 2,767,406                                                       | 184,300                              | (2,951,706)                          | -                                                                     |
| 16 HUATAI C1     | -                                                               | 5,159,462                            | (5,159,462)                          | -                                                                     |
| 16 HUATAI G1     | 3,508,901                                                       | 116,620                              | (3,625,521)                          | -                                                                     |
| 16 HUATAI G3     | 5,009,345                                                       | 181,078                              | (5,190,423)                          | -                                                                     |
| 17 HUATAI 02     | -                                                               | 2,171,732                            | (93,000)                             | 2,078,732                                                             |
| 17 HUATAI 03     | 4,126,575                                                       | 66,667                               | (4,193,242)                          | -                                                                     |
| 17 HUATAI 04     | -                                                               | 6,513,493                            | (315,000)                            | 6,198,493                                                             |
| 17 HUATAI C2     | -                                                               | 5,355,315                            | (247,500)                            | 5,107,815                                                             |
| 17 HUATAI 06     | 5,049,800                                                       | 62,250                               | (5,112,050)                          | -                                                                     |
| 18 HUATAI C1     | -                                                               | 1,100,590                            | (56,500)                             | 1,044,090                                                             |
| HUATAI B2006     | -                                                               | 105,345                              | -                                    | 105,345                                                               |
| Structured notes | 4,382,589                                                       | 228,301                              | (4,428,832)                          | 182,058                                                               |
| Total            | 24,844,616                                                      | 21,245,153                           | (31,373,236)                         | 14,716,533                                                            |

(1) As at 30 June 2020, RMB183.49 million of structured notes would mature within one year.

## 45 Long-term bonds

As at 30 June 2020

| <u>Name</u>                     | <u>Par value</u><br>Original currency | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br>Original currency | <u>Nominal<br/>interest rate</u> |
|---------------------------------|---------------------------------------|----------------------|-----------------|------------------------------------------|----------------------------------|
| 13 HUATAI 02                    | RMB6,000,000                          | 05/06/2013           | 05/06/2023      | RMB6,000,000                             | 5.10%                            |
| 16 HUATAI G2                    | RMB2,500,000                          | 06/12/2016           | 06/12/2021      | RMB2,500,000                             | 3.78%                            |
| 16 HUATAI G4                    | RMB3,000,000                          | 14/12/2016           | 14/12/2021      | RMB3,000,000                             | 3.97%                            |
| 18 HUATAI C2                    | RMB2,800,000                          | 10/05/2018           | 10/05/2021      | RMB2,800,000                             | 5.20%                            |
| 18 HUATAI G1                    | RMB3,000,000                          | 26/11/2018           | 26/11/2021      | RMB3,000,000                             | 3.88%                            |
| 18 HUATAI G2                    | RMB1,000,000                          | 26/11/2018           | 26/11/2023      | RMB1,000,000                             | 4.17%                            |
| 19 HUATAI G1                    | RMB7,000,000                          | 19/03/2019           | 19/03/2022      | RMB7,000,000                             | 3.68%                            |
| 19 HUATAI G3                    | RMB5,000,000                          | 22/04/2019           | 22/04/2022      | RMB5,000,000                             | 3.80%                            |
| 19 HUATAI 02                    | RMB5,000,000                          | 27/05/2019           | 27/05/2022      | RMB5,000,000                             | 3.94%                            |
| 19 HUATAI 03                    | RMB4,000,000                          | 24/10/2019           | 24/10/2022      | RMB4,000,000                             | 3.68%                            |
| 19 FINANCE 01                   | RMB6,000,000                          | 21/08/2019           | 21/08/2022      | RMB6,000,000                             | 3.40%                            |
| 20 HUATAI G1                    | RMB8,000,000                          | 26/03/2020           | 26/03/2023      | RMB8,000,000                             | 2.99%                            |
| 20 HUATAI G3                    | RMB3,500,000                          | 29/04/2020           | 29/04/2025      | RMB3,500,000                             | 2.90%                            |
| 20 HUATAI G4                    | RMB3,000,000                          | 21/05/2020           | 21/05/2025      | RMB3,000,000                             | 3.20%                            |
| 20 HUATAI G6                    | RMB3,200,000                          | 18/06/2020           | 18/06/2023      | RMB3,200,000                             | 3.10%                            |
| HUATAI B2205                    | USD500,000                            | 16/05/2019           | 16/05/2022      | USD500,000                               | 3.38%                            |
| HUATAI B2302                    | USD400,000                            | 12/02/2020           | 12/02/2023      | USD400,000                               | 3 Month LIBOR<br>+ 0.95%         |
| Structured notes <sup>(1)</sup> | RMB312,000                            | Note(1)              | Note(1)         | RMB312,000                               | Note(1)                          |

| <u>Name</u>                     | <u>Book value as at</u><br><u>1 January 2020</u><br>RMB<br>equivalent | <u>Increase</u><br>RMB<br>equivalent | <u>Decrease</u><br>RMB<br>equivalent | <u>Book value as at</u><br><u>30 June 2020</u><br>RMB<br>equivalent |
|---------------------------------|-----------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------------|
| 13 HUATAI 02                    | 6,170,097                                                             | 153,697                              | (306,000)                            | 6,017,794                                                           |
| 16 HUATAI G2                    | 2,507,113                                                             | 47,250                               | -                                    | 2,554,363                                                           |
| 16 HUATAI G4                    | 3,006,353                                                             | 59,550                               | -                                    | 3,065,903                                                           |
| 18 HUATAI C2                    | 2,892,934                                                             | -                                    | (2,892,934)                          | -                                                                   |
| 18 HUATAI G1                    | 3,009,336                                                             | 58,620                               | -                                    | 3,067,956                                                           |
| 18 HUATAI G2                    | 1,003,252                                                             | 20,930                               | -                                    | 1,024,182                                                           |
| 19 HUATAI G1                    | 7,196,883                                                             | 129,876                              | (257,600)                            | 7,069,159                                                           |
| 19 HUATAI G3                    | 5,128,000                                                             | 95,759                               | (190,000)                            | 5,033,759                                                           |
| 19 HUATAI 02                    | 5,114,007                                                             | 99,254                               | (197,000)                            | 5,016,261                                                           |
| 19 HUATAI 03                    | 4,023,800                                                             | 74,199                               | -                                    | 4,097,999                                                           |
| 19 FINANCE 01                   | 6,071,533                                                             | 102,456                              | -                                    | 6,173,989                                                           |
| 20 HUATAI G1                    | -                                                                     | 8,064,302                            | (7,472)                              | 8,056,830                                                           |
| 20 HUATAI G3                    | -                                                                     | 3,517,587                            | (3,269)                              | 3,514,318                                                           |
| 20 HUATAI G4                    | -                                                                     | 3,010,898                            | (2,802)                              | 3,008,096                                                           |
| 20 HUATAI G6                    | -                                                                     | 3,203,550                            | (2,750)                              | 3,200,800                                                           |
| HUATAI B2205                    | 3,497,217                                                             | 113,266                              | (59,750)                             | 3,550,733                                                           |
| HUATAI B2302                    | -                                                                     | 2,856,365                            | (18,860)                             | 2,837,505                                                           |
| Structured notes <sup>(1)</sup> | 279,300                                                               | 32,700                               | -                                    | 312,000                                                             |
| Total                           | 49,899,825                                                            | 21,640,259                           | (3,938,437)                          | 67,601,647                                                          |

As at 31 December 2019

| <u>Name</u>      | <u>Par value</u><br><u>Original currency</u> | <u>Issuance date</u> | <u>Due date</u> | <u>Issue amount</u><br><u>Original currency</u> | <u>Nominal</u><br><u>interest rate</u> |
|------------------|----------------------------------------------|----------------------|-----------------|-------------------------------------------------|----------------------------------------|
| 13 HUATAI 02     | RMB6,000,000                                 | 05/06/2013           | 05/06/2023      | RMB6,000,000                                    | 5.10%                                  |
| 16 HUATAI C1     | RMB5,000,000                                 | 14/10/2016           | 14/10/2021      | RMB5,000,000                                    | 3.30%                                  |
| 16 HUATAI G2     | RMB2,500,000                                 | 06/12/2016           | 06/12/2021      | RMB2,500,000                                    | 3.78%                                  |
| 16 HUATAI G4     | RMB3,000,000                                 | 14/12/2016           | 14/12/2021      | RMB3,000,000                                    | 3.97%                                  |
| 17 HUATAI 02     | RMB2,000,000                                 | 24/02/2017           | 24/02/2020      | RMB2,000,000                                    | 4.65%                                  |
| 17 HUATAI 04     | RMB6,000,000                                 | 15/05/2017           | 15/05/2020      | RMB6,000,000                                    | 5.25%                                  |
| 17 HUATAI C2     | RMB5,000,000                                 | 27/07/2017           | 27/07/2020      | RMB5,000,000                                    | 4.95%                                  |
| 18 HUATAI C1     | RMB1,000,000                                 | 15/03/2018           | 15/03/2020      | RMB1,000,000                                    | 5.65%                                  |
| 18 HUATAI C2     | RMB2,800,000                                 | 10/05/2018           | 10/05/2021      | RMB2,800,000                                    | 5.20%                                  |
| 18 HUATAI G1     | RMB3,000,000                                 | 26/11/2018           | 26/11/2021      | RMB3,000,000                                    | 3.88%                                  |
| 18 HUATAI G2     | RMB1,000,000                                 | 26/11/2018           | 26/11/2023      | RMB1,000,000                                    | 4.17%                                  |
| 19 HUATAI G1     | RMB7,000,000                                 | 19/03/2019           | 19/03/2022      | RMB7,000,000                                    | 3.68%                                  |
| 19 HUATAI G3     | RMB5,000,000                                 | 22/04/2019           | 22/04/2022      | RMB5,000,000                                    | 3.80%                                  |
| 19 HUATAI 02     | RMB5,000,000                                 | 27/05/2019           | 27/05/2022      | RMB5,000,000                                    | 3.94%                                  |
| 19 HUATAI 03     | RMB4,000,000                                 | 24/10/2019           | 24/10/2022      | RMB4,000,000                                    | 3.68%                                  |
| 19 FINANCE 01    | RMB6,000,000                                 | 21/08/2019           | 21/08/2022      | RMB6,000,000                                    | 3.40%                                  |
| HUATAI B2006     | USD14,757                                    | 30/05/2019           | 02/06/2020      | USD14,757                                       | 4.00%                                  |
| HUATAI B2205     | USD500,000                                   | 16/05/2019           | 16/05/2022      | USD500,000                                      | 3.38%                                  |
| Structured notes | RMB279,300                                   | N/A                  | N/A             | RMB279,300                                      | N/A                                    |

| <u>Name</u>      | <u>Book value as at</u><br><u>1 January 2019</u><br>RMB<br>equivalent | <u>Increase</u><br>RMB<br>equivalent | <u>Decrease</u><br>RMB<br>equivalent | <u>Book value as at</u><br><u>31 December</u><br><u>2019</u><br>RMB<br>equivalent |
|------------------|-----------------------------------------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|
| 13 HUATAI 02     | 6,168,633                                                             | 307,464                              | (306,000)                            | 6,170,097                                                                         |
| 16 HUATAI C1     | 5,035,712                                                             | 82,500                               | (5,118,212)                          | -                                                                                 |
| 16 HUATAI G2     | 2,506,732                                                             | 94,881                               | (94,500)                             | 2,507,113                                                                         |
| 16 HUATAI G4     | 3,005,873                                                             | 119,580                              | (119,100)                            | 3,006,353                                                                         |
| 17 HUATAI 02     | 2,078,732                                                             | -                                    | (2,078,732)                          | -                                                                                 |
| 17 HUATAI 04     | 6,198,493                                                             | -                                    | (6,198,493)                          | -                                                                                 |
| 17 HUATAI C2     | 5,107,815                                                             | -                                    | (5,107,815)                          | -                                                                                 |
| 18 HUATAI C1     | 1,041,554                                                             | -                                    | (1,041,554)                          | -                                                                                 |
| 18 HUATAI C2     | 2,891,369                                                             | 147,165                              | (145,600)                            | 2,892,934                                                                         |
| 18 HUATAI G1     | 3,008,192                                                             | 117,544                              | (116,400)                            | 3,009,336                                                                         |
| 18 HUATAI G2     | 1,003,009                                                             | 41,943                               | (41,700)                             | 1,003,252                                                                         |
| 19 HUATAI G1     | -                                                                     | 7,204,147                            | (7,264)                              | 7,196,883                                                                         |
| 19 HUATAI G3     | -                                                                     | 5,132,527                            | (4,527)                              | 5,128,000                                                                         |
| 19 HUATAI 02     | -                                                                     | 5,118,534                            | (4,527)                              | 5,114,007                                                                         |
| 19 HUATAI 03     | -                                                                     | 4,027,951                            | (4,151)                              | 4,023,800                                                                         |
| 19 FINANCE 01    | -                                                                     | 6,074,363                            | (2,830)                              | 6,071,533                                                                         |
| HUATAI B2006     | -                                                                     | 105,345                              | (105,345)                            | -                                                                                 |
| HUATAI B2205     | -                                                                     | 3,497,217                            | -                                    | 3,497,217                                                                         |
| Structured notes | -                                                                     | 461,075                              | (181,775)                            | 279,300                                                                           |
| Total            | <u>38,046,114</u>                                                     | <u>32,532,236</u>                    | <u>(20,678,525)</u>                  | <u>49,899,825</u>                                                                 |

- (1) The Company has issued 2 tranches of long-term structured notes for the period ended 30 June 2020. As at 30 June 2020, 12 tranches of long-term structured notes due within one year is classified as “Long-term bonds due within one year” (Note 44).

## 46 Long-term bank loans

|                                             | <u>As at 30</u><br><u>June 2020</u> | <u>As at 31</u><br><u>December 2019</u> |
|---------------------------------------------|-------------------------------------|-----------------------------------------|
| Credit bank loans                           | 862,632                             | 850,997                                 |
| Less: credit bank loans due within one year | <u>-</u>                            | <u>-</u>                                |
| Total                                       | <u>862,632</u>                      | <u>850,997</u>                          |

On 14 November 2018, the Group executed a Loan and Security Agreement with Credit Suisse for USD250 million term loan and secured a revolving line of credit that permit the Group to borrow up to USD20 million, interest on amounts borrowed under the term loan and line of credit equal to LIBOR plus 3.00%.

On 26 July 2019, the Group made USD125 million repayment of the aforementioned loan in advance.

## 47 Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

|                                    | <i>As at 30 June 2020</i>                   |                          | <i>As at 31 December 2019</i>               |                          |
|------------------------------------|---------------------------------------------|--------------------------|---------------------------------------------|--------------------------|
|                                    | <i>Number<br/>of shares<br/>(Thousands)</i> | <i>Nominal<br/>value</i> | <i>Number<br/>of shares<br/>(Thousands)</i> | <i>Nominal<br/>value</i> |
| Registered, issued and fully paid: |                                             |                          |                                             |                          |
| A shares of RMB1 each              | 7,357,604                                   | 7,357,604                | 7,357,604                                   | 7,357,604                |
| H shares of RMB1 each              | 1,719,046                                   | 1,719,046                | 1,719,046                                   | 1,719,046                |
| Total                              | 9,076,650                                   | 9,076,650                | 9,076,650                                   | 9,076,650                |

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued additional 162,768,800 H shares.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed non-publicly issue 1,088,731,200 new A shares. The total paid-up share capital of the Company after the change is RMB8,252 million.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 750,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change is RMB9,076,650,000.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

## 48 Treasury shares

In March 2020, the Company planned to repurchase no less than 45,383,250 A shares and no more than 90,766,500 A shares in the next 12 months, which will be used for restricted share incentive scheme of A shares. The scheme has not yet fulfilled the decision-making procedures of the Company's board of directors, the general meeting of shareholders and related regulatory approval.

As of 30 June 2020, 72,000,034 A shares had been purchased by the Company from the Shanghai Stock Exchange by centralised bidding.

## **49 Reserves**

### **(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 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of 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.

### **(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 Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

### **(d) Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at financial assets at fair value through other comprehensive income.

### **(e) Translation reserve**

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

## **50 Retained profits**

Pursuant to the resolution of the general meeting of the shareholders dated 19 June 2020, the Company was approved to distribute cash dividends of RMB3.00 (tax inclusive) per 10 shares to all the shareholders, with total cash dividends amounting to RMB2,701 million.

## 51 Commitments

### (a) Capital commitments

Capital commitments outstanding as at 30 June 2020 and 31 December 2019 not provided for in the consolidated financial statements were as follows:

|                                  | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|----------------------------------|-------------------------------|-----------------------------------|
| Contracted, but not provided for | 3,789,112                     | 3,700,000                         |

The above-mentioned capital commitments mainly represent securities underwriting commitments of the Group.

## 52 Interests in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager and also as investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 30 June 2020 and 31 December 2019, the Group consolidates 41 and 42 structured entities, respectively, which are mainly asset management schemes. As at 30 June 2020 and 31 December 2019, the total assets of the consolidated structured entities are RMB99,596 million and RMB93,747 million, respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB23,778 million and RMB18,208 million, respectively.

### (b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 52(a), the Group's exposure to the variable returns in the remaining structured entities in which the Group has interest is not significant. The Group therefore did not consolidate these structured entities.

As at 30 June 2020 and 31 December 2019, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB657,628 million and RMB663,098 million, respectively. As at 30 June 2020 and 31 December 2019, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB4,498 million and RMB2,070 million, respectively.

During the six months ended 30 June 2020 and 30 June 2019, income derived from these unconsolidated structured entities held by the Group amounted to RMB545 million and RMB512 million, respectively.

**(c) Interests in structured entities sponsored by third party institutions**

The types of structured entities sponsored by third party institutions that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated 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 30 June 2020 and 31 December 2019, which are listed as below:

| <i>As at 30 June 2020</i>  |                                                                          |                                                                                          |              |
|----------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------|
|                            | <i>Financial assets<br/>at fair value<br/>through<br/>profit or loss</i> | <i>Financial assets<br/>at fair value<br/>through other<br/>comprehensive<br/>income</i> | <i>Total</i> |
| Funds                      | 25,435,048                                                               | -                                                                                        | 25,435,048   |
| Wealth management products | 11,126,212                                                               | 9,951,576                                                                                | 21,077,788   |
| Total                      | 36,561,260                                                               | 9,951,576                                                                                | 46,512,836   |

| <i>As at 31 December 2019</i> |                                                                          |                                                                                              |              |
|-------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------|
|                               | <i>Financial<br/>assets at fair<br/>value through<br/>profit or loss</i> | <i>Financial<br/>assets at fair<br/>value through<br/>other<br/>comprehensive<br/>income</i> | <i>Total</i> |
| Funds                         | 28,119,817                                                               | -                                                                                            | 28,119,817   |
| Wealth management products    | 6,406,221                                                                | 10,254,673                                                                                   | 16,660,894   |
| Total                         | 34,526,038                                                               | 10,254,673                                                                                   | 44,780,711   |

**53 Contingencies**

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 30 June 2020 and 31 December 2019, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

## 54 Related party relationships and transactions

### (a) Relationship of related parties

#### (i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 54(b)(i).

#### (ii) Associates of the Group

The detailed information of the Group's associates is set out in Note 20.

#### (iii) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 21.

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

### (b) Related parties transactions and balances

#### (i) Transactions between the Group and major shareholders and their subsidiaries:

|                                                       | <i>As at 30<br/>June 2020</i>   | <i>As at 31<br/>December 2019</i> |
|-------------------------------------------------------|---------------------------------|-----------------------------------|
| Balances at the end of the period/year:               |                                 |                                   |
| Financial assets at fair value through profit or loss | 241,862                         | 244,897                           |
| Debt investment at amortised cost                     | 60,590                          | 301,725                           |
| Accounts payable to brokerage clients                 | 74,138                          | 18,708                            |
| Other payables and accruals                           | 3,211                           | 3,211                             |
| Long-term bonds                                       | 20,073                          | -                                 |
|                                                       | <u>Six months ended 30 June</u> |                                   |
|                                                       | 2020                            | 2019                              |

#### Transactions during the period:

|                           |       |        |
|---------------------------|-------|--------|
| Fee and commission income | 1,185 | 15,973 |
| Net investment gains      | 9,058 | 6,563  |
| Interest income           | 3,644 | -      |
| Interest expenses         | 1,181 | 2,885  |

For the six months ended 30 June 2020 and 30 June 2019, the Group has redeemed the bonds issued by major shareholders amounting to RMB231 million and nil, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the major shareholders' subsidiaries subscribed the corporate bonds issued by the Group amounting to RMB20 million and nil, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the Group has made repurchase agreements with major shareholders and their subsidiaries for the total amount of nil and RMB5,389 million, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the Group has taken placements from other financial institutions with major shareholders and their subsidiaries for the total amounts of RMB2,500 million and nil, respectively.

(ii) Transactions between the Group and associates:

|                                                       | <i>As at 30<br/>June 2020</i>          | <i>As at 31<br/>December 2019</i>      |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|
| Balances at the end of the period/year:               |                                        |                                        |
| Cash and bank balances                                | 381,654                                | 208,253                                |
| Right-of-use assets                                   | 89,094                                 | 98,835                                 |
| Accounts receivable                                   | 166,221                                | 127,819                                |
| Other receivables and prepayments                     | 353                                    | 353                                    |
| Financial assets at fair value through profit or loss | 8,469                                  | 61,186                                 |
| Accounts payable to brokerage clients                 | 206,150                                | 7,390                                  |
| Placements from other financial institutions          | -                                      | 1,000,000                              |
| Short-term debt instruments issued                    | 1,254,537                              | 872,450                                |
| Lease liabilities                                     | 88,739                                 | 98,767                                 |
|                                                       | <u><i>Six months ended 30 June</i></u> | <u><i>Six months ended 30 June</i></u> |
|                                                       | <i>2020</i>                            | <i>2019</i>                            |

Transactions during the period:

|                               |          |         |
|-------------------------------|----------|---------|
| Fee and commission income     | 95,958   | 118,402 |
| Interest income               | 2,775    | 2,695   |
| Net investment (losses)/gains | (16,132) | 66,925  |
| Other income and gains        | 5,458    | 3,557   |
| Interest expenses             | 9,027    | 10,986  |

For the six months ended 30 June 2020 and 30 June 2019, the Group has redeemed the corporate bond issued by associates for RMB53 million and RMB389 million, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the associates have subscribed the short-term debt instruments issued by the Group for RMB378 million and nil, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the capital injection made by the Group into the associates are nil and RMB145 million, respectively. For the six months ended 30 June 2020 and 30 June 2019, the divestment made by the Group from the associates are RMB1,148 million and RMB80 million, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the Group has made repurchase agreements with associates for the total amount of RMB74,325 million and RMB54,815 million, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the Group has taken placements from other financial institutions with associates for the total amount of RMB77,800 million and nil, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the dividend received from associates are RMB333 million and RMB195 million, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the Group has paid rental fee to associates for the total amounts of RMB19 million and nil, respectively.

(iii) Transactions between the Group and joint ventures:

|                                         | <i>As at 30<br/>June 2020</i>   | <i>As at 31<br/>December 2019</i> |
|-----------------------------------------|---------------------------------|-----------------------------------|
| Balances at the end of the period/year: |                                 |                                   |
| Accounts receivable                     | 10,443                          | -                                 |
| Other receivables and prepayments       | 1,514                           | -                                 |
|                                         | <u>Six months ended 30 June</u> | <u>2020</u>                       |
|                                         | 2020                            | 2019                              |

Transactions during the period:

|                           |       |       |
|---------------------------|-------|-------|
| Fee and commission income | 9,852 | 9,824 |
|---------------------------|-------|-------|

For the six months ended 30 June 2020 and 30 June 2019, the disinvestment made by the Group from the joint venture is RMB7 million and RMB24 million, respectively.

(iv) Transactions between the Group and other related parties:

|                                         | <i>As at 30<br/>June 2020</i>   | <i>As at 31<br/>December 2019</i> |
|-----------------------------------------|---------------------------------|-----------------------------------|
| Balances at the end of the period/year: |                                 |                                   |
| Accounts payable to brokerage clients   | 7,260                           | 4,636                             |
|                                         | <u>Six months ended 30 June</u> | <u>2020</u>                       |
|                                         | 2020                            | 2019                              |

Transactions during the period:

|                           |    |    |
|---------------------------|----|----|
| Fee and commission income | 30 | 85 |
|---------------------------|----|----|

(c) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, is as follows:

|                                          | <u>Six months ended 30 June</u> | <u>2020</u>   | <u>2019</u> |
|------------------------------------------|---------------------------------|---------------|-------------|
| Employee benefits                        |                                 |               |             |
| – Fees, salaries, allowances and bonuses | 26,743                          | 18,862        |             |
| Post-employment benefits                 |                                 |               |             |
| – Contribution to pension scheme         | 117                             | 266           |             |
| Total                                    | <u>26,860</u>                   | <u>19,128</u> |             |

Total remuneration is included in “staff costs” (Note 11).

## 55 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lendings and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.
- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.
- Other segments include other operations of head office, mainly including interest income, share of profit of associates and joint ventures, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

### (a) Business segments

For the six months ended 30 June 2020

|                                                                     | <i>Wealth<br/>management</i> | <i>Institutional<br/>services</i> | <i>Investment<br/>management</i> | <i>International<br/>business</i> | <i>Others</i> | <i>Total</i>  |
|---------------------------------------------------------------------|------------------------------|-----------------------------------|----------------------------------|-----------------------------------|---------------|---------------|
| Revenue                                                             |                              |                                   |                                  |                                   |               |               |
| – External                                                          | 7,692,547                    | 4,466,712                         | 2,673,467                        | 2,461,938                         | 788,077       | 18,082,741    |
| – Inter-segment                                                     | 122,369                      | 9,287                             | -                                | -                                 | 24,454        | 156,110       |
| Other income and gains                                              | 450,384                      | 43,533                            | 43,382                           | 203,937                           | 163,488       | 904,724       |
| Segment revenue and other income                                    | 8,265,300                    | 4,519,532                         | 2,716,849                        | 2,665,875                         | 976,019       | 19,143,575    |
| Segment expenses                                                    | (5,169,770)                  | (2,410,686)                       | (894,281)                        | (2,336,172)                       | (2,490,070)   | (13,300,979)  |
| Segment operating profit/(loss)                                     | 3,095,530                    | 2,108,846                         | 1,822,568                        | 329,703                           | (1,514,051)   | 5,842,596     |
| Share of profit of associates and joint ventures                    | -                            | -                                 | 1,679,189                        | -                                 | 768,993       | 2,448,182     |
| Profit/(loss) before income tax                                     | 3,095,530                    | 2,108,846                         | 3,501,757                        | 329,703                           | (745,058)     | 8,290,778     |
| Interest income                                                     | 3,512,954                    | 210,068                           | 180,185                          | 252,293                           | 575,485       | 4,730,985     |
| Interest expenses                                                   | (1,227,435)                  | (1,271,725)                       | (194,716)                        | (305,757)                         | (717,358)     | (3,716,991)   |
| Depreciation and amortisation expenses                              | (84,075)                     | (53,721)                          | (31,472)                         | (180,375)                         | (330,915)     | (680,558)     |
| Net provision for impairment loss on other assets                   | (6,381)                      | -                                 | -                                | -                                 | -             | (6,381)       |
| Net (provision for)/reversal of impairment loss on financial assets | (165,245)                    | 3,431                             | 18,012                           | (20,348)                          | (42,832)      | (206,982)     |
| Additions to non-current segment assets during the period           | 98,491                       | 21,298                            | 7,649                            | 135,561                           | 29,935        | 292,934       |
| As at 30 June 2020                                                  |                              |                                   |                                  |                                   |               |               |
| <b>Segment assets</b>                                               | 209,228,579                  | 163,659,899                       | 122,850,327                      | 66,979,348                        | 89,073,768    | 651,791,921   |
| <b>Segment liabilities</b>                                          | (202,442,311)                | (159,172,777)                     | (81,264,991)                     | (55,514,999)                      | (25,103,589)  | (523,498,667) |

For the six months ended 30 June 2019

|                                                                     | <i>Wealth<br/>management</i> | <i>Institutional<br/>services</i> | <i>Investment<br/>management</i> | <i>International<br/>business</i> | <i>Others</i> | <i>Total</i>  |
|---------------------------------------------------------------------|------------------------------|-----------------------------------|----------------------------------|-----------------------------------|---------------|---------------|
| Revenue                                                             |                              |                                   |                                  |                                   |               |               |
| – External                                                          | 6,787,038                    | 3,090,357                         | 1,871,567                        | 1,731,885                         | 569,880       | 14,050,727    |
| – Inter-segment                                                     | -                            | 12,066                            | -                                | 91,212                            | 797,336       | 900,614       |
| Other income and gains                                              | 528,430                      | 10,317                            | 53,970                           | 11,587                            | 82,884        | 687,188       |
| Segment revenue and other income                                    | 7,315,468                    | 3,112,740                         | 1,925,537                        | 1,834,684                         | 1,450,100     | 15,638,529    |
| Segment expenses                                                    | (4,690,436)                  | (1,474,759)                       | (634,347)                        | (1,789,936)                       | (2,036,963)   | (10,626,441)  |
| Segment operating profit/(loss)                                     | 2,625,032                    | 1,637,981                         | 1,291,190                        | 44,748                            | (586,863)     | 5,012,088     |
| Share of profit of associates and joint ventures                    | -                            | -                                 | 804,884                          | -                                 | 475,260       | 1,280,144     |
| Profit/(loss) before income tax                                     | 2,625,032                    | 1,637,981                         | 2,096,074                        | 44,748                            | (111,603)     | 6,292,232     |
| Interest income                                                     | 3,205,576                    | 179,103                           | 198,552                          | 231,862                           | 401,516       | 4,216,609     |
| Interest expenses                                                   | (1,184,886)                  | (885,102)                         | (72,984)                         | (218,903)                         | (593,962)     | (2,955,837)   |
| Depreciation and amortisation expenses                              | (71,536)                     | (23,248)                          | (24,190)                         | (131,298)                         | (295,952)     | (546,224)     |
| Net reversal of impairment loss on other assets                     | 2,067                        | -                                 | -                                | -                                 | -             | 2,067         |
| Net (provision for)/reversal of impairment loss on financial assets | (142,244)                    | (10,695)                          | 1,009                            | (1,700)                           | 6,909         | (146,721)     |
| Additions to non-current segment assets during the period           | 92,193                       | 17,809                            | 1,836                            | 168,614                           | 212,991       | 493,443       |
| As at 31 December 2019                                              |                              |                                   |                                  |                                   |               |               |
| <b>Segment assets</b>                                               | 169,792,956                  | 180,665,359                       | 113,510,026                      | 36,435,362                        | 99,691,815    | 600,095,518   |
| <b>Segment liabilities</b>                                          | (166,688,469)                | (178,697,367)                     | (80,861,035)                     | (25,614,722)                      | (22,579,217)  | (474,440,810) |

Reconciliations of segment revenues, profit or loss, assets and liabilities:

|                                             | <i>For the six months<br/>ended 30 June</i> |             |
|---------------------------------------------|---------------------------------------------|-------------|
|                                             | <i>2020</i>                                 | <i>2019</i> |
| <b>Revenue</b>                              |                                             |             |
| Total revenue and other income for segments | 19,143,575                                  | 15,638,529  |
| Elimination of inter-segment revenue        | (171,409)                                   | (910,727)   |
| Consolidated revenue and other income       | 18,972,166                                  | 14,727,802  |
| <b>Profit</b>                               |                                             |             |
| Total profit before income tax for segments | 8,290,778                                   | 6,292,232   |
| Elimination of inter-segment profit         | 15,283                                      | (874,190)   |
| Consolidated profit before income tax       | 8,306,061                                   | 5,418,042   |

|                                          | <u>As at 30<br/>June 2020</u> | <u>As at 31<br/>December 2019</u> |
|------------------------------------------|-------------------------------|-----------------------------------|
| <b>Assets</b>                            |                               |                                   |
| Total assets for segments                | 651,791,921                   | 600,095,518                       |
| Elimination of inter-segment assets      | <u>(57,627,705)</u>           | <u>(37,914,880)</u>               |
| Consolidated total assets                | <u>594,164,216</u>            | <u>562,180,638</u>                |
| <b>Liabilities</b>                       |                               |                                   |
| Total liabilities for segments           | (523,498,667)                 | (474,440,810)                     |
| Elimination of inter-segment liabilities | <u>57,627,705</u>             | <u>37,914,880</u>                 |
| Consolidated total liabilities           | <u>(465,870,962)</u>          | <u>(436,525,930)</u>              |

For the six months ended 30 June 2020 and 30 June 2019, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

**(b) Geographical segments**

The following table sets out information about the geographical location of: (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and joint ventures, and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets the location of the operation to which they are allocated, in the case of goodwill and other intangible assets and the location of operations, in the case of interest in associates and joint ventures.

|                                     | <u>For the six months ended 30 June 2020</u> |                  |                   | <u>For the six months ended 30 June 2019</u> |                  |                   |
|-------------------------------------|----------------------------------------------|------------------|-------------------|----------------------------------------------|------------------|-------------------|
|                                     | <u>Mainland<br/>China</u>                    | <u>Overseas</u>  | <u>Total</u>      | <u>Mainland<br/>China</u>                    | <u>Overseas</u>  | <u>Total</u>      |
| <b>Segment revenue</b>              |                                              |                  |                   |                                              |                  |                   |
| Revenue from external customers     | 15,620,803                                   | 2,461,938        | 18,082,741        | 12,318,842                                   | 1,731,885        | 14,050,727        |
| Other income and gains              | <u>685,488</u>                               | <u>203,937</u>   | <u>889,425</u>    | <u>665,488</u>                               | <u>11,587</u>    | <u>677,075</u>    |
| Total                               | <u>16,306,291</u>                            | <u>2,665,875</u> | <u>18,972,166</u> | <u>12,984,330</u>                            | <u>1,743,472</u> | <u>14,727,802</u> |
|                                     |                                              |                  |                   |                                              |                  |                   |
|                                     | <u>As at 30 June 2020</u>                    |                  |                   | <u>As at 31 December 2019</u>                |                  |                   |
|                                     | <u>Mainland<br/>China</u>                    | <u>Overseas</u>  | <u>Total</u>      | <u>Mainland<br/>China</u>                    | <u>Overseas</u>  | <u>Total</u>      |
| <b>Specified non-current assets</b> | 22,263,449                                   | 8,027,168        | 30,290,617        | 21,466,328                                   | 7,673,870        | 29,140,198        |

## 56 Financial instruments and risk management

### (a) Risk management policies and structure

#### (i) Risk management policies

In order to enhance the Group's scientific, standardised and effective management and operation, strengthen the capability of defending against risks and ensure the continuous, stable and rapid development of the Group's businesses, the Group had formulated the Basic System for Risk Management which had been deliberated and approved by the Board of Directors in accordance with the Securities Law of the People's Republic of China, the Rules on Supervision over Securities Companies, the Guidelines on the Internal Control of Securities Companies, the Regulation on Comprehensive Risk Management of Securities Companies and other relevant regulations in combination with the business operation and business management. This has clarified the risk management objectives and principles, the risk appetite and risk tolerance level of the Company as a whole and for different risk types, the risk management procedures, and the relevant resource assurance and appraisal mechanisms. In terms of operation management, the Group had formulated and issued various professional risk management guidelines to clearly establish the management processes and measures, risk indicators and limits for various types of risks; in addition, the Group had also formulated policies such as the Administration Measures for Risk Control Indicators, the Rules on the Risk Management of Subsidiaries (Trial Implementation) and the Implementation Plan and Detailed Implementation Rules for Stress Test at the operation level. In the specific business level, the Group had established business risk management system or risk management manual based on the risk points of different business areas and business management lines.

The principal types of risk faced by the Group in daily operation mainly include credit risk, liquidity risk, market risk, operational risk, reputational risk, information technology risk and compliance risk. The Group had formulated corresponding policies and procedures to identify and analyse these risks, and set up risk indicators, risk limits and internal risk control processes in combination with the actual circumstances with a view to continuously manage the above risks through the support of information systems and effective mechanisms.

Risk management is a shared responsibility of all the Group's employees. The Group continuously enhances the risk management awareness and risk sensitivity of all its employees through training and assessment to cultivate the risk management culture.

#### (ii) Risk governance structure

The risk management structure of the Company covers five major parts: The Board and its Compliance and Risk Management Committee, Board of Supervisors, Business Operation Management and Risk Control Committee, Risk Management Department and various professional risk management departments as well as other departments, branches and subsidiaries.

The board of directors is the highest decision-making body for risk management and assumes ultimate responsibility for the effectiveness of the Company's comprehensive risk management system. The Compliance and Risk Management Committee is set up by the Board to review and make recommendations on the overall risk management targets, fundamental policies and risk assessment reports; and evaluate and make recommendations on the risks of major decisions which require the Board's review as well as the solutions to these major risks. The Board of Supervisors is responsible for the supervision of overall risk management, supervising and examining the Board and the management on the performance of their risk management duties and urging them to make rectifications. Based on the authorisation and approval of the Board and in combination with the operational targets of the Company, the management is specifically responsible for the implementation of risk management activities, with the Risk Control Committee established under it. The Chief Risk Officer of the Company is responsible for leading the overall risk management initiatives. The Risk Management Department is charged with comprehensive risk management duties, it reports to the management and is responsible for managing the overall risks of the Company, taking the lead in managing market risk, credit risk and operational risk. Relevant functional departments of the Company are responsible for taking the lead in managing other types of risks according to their responsibilities and positioning; other departments, branches and subsidiaries of the Company are responsible for the management of risks in respective lines, implementing policies, procedures and measures formulated by the Company and risk management departments, accepting the guidance from risk management departments and the decomposition of risk management and implementation responsibilities by the risk management departments. The Audit Department is responsible for the review and evaluation of the effectiveness and implementation of the risk management procedures of the Company and taking the lead in evaluating the overall risk management system of the Company.

**(b) Credit risk management**

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer). The Group mainly faced four types of credit risks, namely (i) the risks of suffering from loss in respect of the financing bills and interests lent out due to customer's default in financing business; (ii) the risks caused by default of the bond issuer in bond investment business; (iii) the risk of assets suffering from loss due to the default by the counterparty; (iv) the risks of loss suffered by the Group arising from payment made on customer's behalf due to insufficient fund of the customer in guarantee settlement business.

With respect to financing business, the Group adopted full-process control measures such as stringent customer and underlying assets management, continuous dynamic monitoring and timely risk mitigation to control the credit risk in its business operation.

With respect to bond investment business, the Company established a unified management system for issuers for the aggregated monitoring of the total investment amount of the same issuer for different business units within the Group through the system and implemented bottom-line control over credit bond investment in key industries. At the same time, it also steadily promoted the construction of the credit analysis management system (CAMS system) to enhance the overall risk identification and control capabilities within the Group.

With respect to counterparty management, during the reporting period, the Group promoted the construction of the unified management system for counterparty, and further expanded the coverage of the unified management of counterparty credit limit at group level and enhanced systematic monitoring measures in order to strictly control its business risk exposures.

With respect to guarantee settlement business, the Group explored ways to enhance the management system and access threshold for customer qualifications, continued to improve the front-end control of risk indicator design and promoted the establishment of systematic measures, as well as strengthened its risk event handling and risk transmission control capabilities.

At the same time, the Company promoted the establishment of a unified customer penetration management system within the Group, implemented customer ESG risk management mechanism, comprehensively collated the bottom-line measures for strengthening the control of credit risk points, consolidated the unified management system for credit risk, improved the capability to address the complex external credit business environment, and provided robust risk management control support for the development of various credit businesses.

The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the risk factors and identified the three stages of credit loss allowances of the securities-backed lending assets. The details are as below.

| Description                                                                                                                                  | Stage of credit loss allowances  |           |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|
| Collateral to loan ratios above the force liquidation thresholds, with no past due days                                                      | 12-month ECL                     | Stage I   |
| Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments                | Lifetime ECL-not credit impaired | Stage II  |
| Collateral to loan ratios below the force liquidation thresholds, with no past due days                                                      |                                  |           |
| Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments |                                  |           |
| Collateral to loan ratios below 100%                                                                                                         | Lifetime ECL-credit impaired     | Stage III |
| Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments                                            |                                  |           |
| Borrowers in default or lawsuit                                                                                                              |                                  |           |
| Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring                              |                                  |           |

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage I and II, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. The credit loss rate is 0.25% and 1%-4% for assets classified under Stage I and II, respectively.

For credit impaired assets classified under Stage III, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

| <i>Impairment and loss allowance</i>                              | <i>As at 30 June 2020</i> |                                          |                                      | <i>Total</i>     |
|-------------------------------------------------------------------|---------------------------|------------------------------------------|--------------------------------------|------------------|
|                                                                   | <i>12-month ECL</i>       | <i>Lifetime ECL- not credit impaired</i> | <i>Lifetime ECL- credit impaired</i> |                  |
| Bank balances                                                     | 217                       | -                                        | -                                    | 217              |
| Margin accounts receivable                                        | 88,796                    | 64                                       | 24,192                               | 113,052          |
| Financial assets held under resale agreements                     | 7,171                     | 2,609                                    | 1,150,143                            | 1,159,923        |
| Accounts receivable                                               | -                         | 38,174                                   | -                                    | 38,174           |
| Debt investment measured at amortised cost                        | 4,447                     | -                                        | -                                    | 4,447            |
| Financial assets at fair value through other comprehensive income | 26,770                    | -                                        | -                                    | 26,770           |
| Other receivables and prepayments                                 | -                         | 26,109                                   | 1,033,398                            | 1,059,507        |
| <b>Total</b>                                                      | <b>127,401</b>            | <b>66,956</b>                            | <b>2,207,733</b>                     | <b>2,402,090</b> |

| <i>Impairment and loss allowance</i>                              | <i>As at 31 December 2019</i> |                                          |                                      | <i>Total</i>     |
|-------------------------------------------------------------------|-------------------------------|------------------------------------------|--------------------------------------|------------------|
|                                                                   | <i>12-month ECL</i>           | <i>Lifetime ECL- not credit impaired</i> | <i>Lifetime ECL- credit impaired</i> |                  |
| Bank balances                                                     | 11,179                        | -                                        | -                                    | 11,179           |
| Margin accounts receivable                                        | 90,206                        | -                                        | 22,465                               | 112,671          |
| Financial assets held under resale agreements                     | 8,002                         | 4                                        | 1,049,544                            | 1,057,550        |
| Accounts receivable                                               | -                             | 19,855                                   | -                                    | 19,855           |
| Debt investment measured at amortised cost                        | 7,213                         | -                                        | -                                    | 7,213            |
| Financial assets at fair value through other comprehensive income | 4,799                         | -                                        | -                                    | 4,799            |
| Other receivables and prepayments                                 | -                             | 21,551                                   | 960,290                              | 981,841          |
| <b>Total</b>                                                      | <b>121,399</b>                | <b>41,410</b>                            | <b>2,032,299</b>                     | <b>2,195,108</b> |

**(c) Liquidity risk management**

Liquidity risk refers to the risk of the Company not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform payment obligations and meet the capital requirements of normal businesses. The Company established a liquidity risk management system to identify, measure, monitor, control and report on its overall liquidity risk to improve the informatisation of liquidity risk management, enhance the capabilities in the identification, measurement and monitoring of liquidity risk, and strengthen the Company's ability in addressing liquidity risk. In addition, the Company also established a right-sized liquidity assets reserves based on the risk appetite and maintained sufficient liquidity assets with high quality to ensure the satisfaction of liquidity needs under stressful scenarios in a timely manner.

**(d) Market risk management**

Market risk refers to the risk resulting from the movements in market prices such as exchange rates, interest rates and stock prices, which could have an impact on the income of the Group or the value of financial instruments held by the Group. The objective of market risk management is to manage and control the market risk within the acceptable range and to maximise the risk adjusted return.

**(i) Currency risk**

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. Apart from the assets and liabilities held by the Group's overseas subsidiaries which use Hong Kong dollars or U.S. dollars as their functional currency, other assets and liabilities denominated in foreign currencies mainly represent foreign currency cash and bank balances held by domestic enterprises, foreign currency financial assets and liabilities arising from cross-border business, as well as foreign currency financial assets acquired by subsidiaries. In respect of assets and liabilities denominated in foreign currencies such as cash and bank balances, clearing settlement funds, refundable deposits, accounts receivable, cash held on behalf of brokerage clients, accounts payable and bonds payable that are not accounted for with their functional currency, the Group has ensured that their net risk exposure are maintained at an acceptable level by buying or selling foreign currencies at market exchange rates where necessary to address the short-term imbalances.

**(ii) Interest rate risk**

Interest rate risk refers to the risk that movements in market interest rate will cause fluctuation in the Company's financial position and cash flow. The Company's interest-bearing assets mainly include bank deposits, settlement reserves, margin accounts receivable, financial assets purchased under resale agreements, refundable deposits and bond investments; interest-bearing liabilities mainly include short-term bank loans, short-term debt instruments issued, placements from other financial institutions, financial assets sold under repurchase agreements, long-term bonds and long-term bank loans, amongst others.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group adopts sensitivity analysis as the primary instrument for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and potential changes to the interest rate on the net profits and shareholders' equity under the assumption that all the other variables remain constant.

(iii) Other price risks

Other price risks refer to the risk that the fair value or future cash flows of the financial instruments held by the Group will fluctuate due to the movement in market prices other than interest rates and foreign exchange rates. The Group mainly invests in stocks, bonds and funds listed on the stock exchanges, the maximum market price risk is determined by the fair value of the financial instruments held by the Group. For this type of risks, the Group adopts decentralised investment strategy and selects appropriate financial instruments for effective risk hedging.

(e) **Operational risk management**

Operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events. The Risk Management Department takes the lead in managing the operational risk of the Company. Each risk management departments, business departments and support departments perform operational risk management in their respective business and management areas according to their segregation of functions. The Company adopts technological measures to prevent the emergence of operational risks in different business and management procedures as well as key segments, whilst at the same time strengthens process controls, to ensure effective implementation of operational risk management policies and systems. The Company carries out self-assessment of risk and control, monitoring of key risk indicators and gathering of loss data as additional approaches to strengthen the management of operational risks.

Based on the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance, the China Securities Regulatory Commission, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission as well as its supporting guidelines and the relevant requirements of the regulatory authorities and the Company, the Company has developed the risk-based internal control standards and carried out relevant continuous improvement initiatives. It has combined the self-assessment of operational risk with the self-assessment of internal controls; comprehensively sorted out and evaluated the inherent risks and control activities in various business processes; tested the effectiveness of control design and implementation; rectified the internal control weaknesses; comprehensively sorted out and optimised various business segments, systems and processes of the Company; whilst at the same time supplemented and improved the risk control matrix and internal control manual; recorded the risk points, key control activities and major business flow charts in order to ensure that the Company's internal control measures are properly in place and the effectiveness of risk management. In addition, the Company has also integrated the management of operational risk and internal controls into daily operation; participated in the design of system, procedures and plan for new business throughout the entire process; fully identified and comprehensively evaluated the operational risks; and performed various pre-, middle- and post management measures such as setting up front-end controls, standardising business processes, creating risk-discovery indicators and conducting training and inspection in order to implement internal controls at key risk points.

**(f) Capital management**

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC, Hong Kong or overseas regulations.

As at 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");
- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

During the period, the Company monitored the above ratios closely to maintain these ratios in compliance with the relevant capital requirements.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the mainland China, Hong Kong or overseas regulatory requirements, imposed by the CSRC, the Hong Kong Securities and Futures Commission and other overseas regulators. These subsidiaries comply with the capital requirements during the six-month period ended 30 June 2020 and the year ended 31 December 2019.

**(g) Transfer of financial assets**

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lendings are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lendings.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost and margin accounts receivable. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lendings and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The following tables provide a summary of carrying amounts and fair value of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 30 June 2020

|                                           | <i>Financial assets at fair value<br/>through profit or loss</i> |                           | <i>Margin accounts<br/>receivable</i>                        | <i>Total</i> |
|-------------------------------------------|------------------------------------------------------------------|---------------------------|--------------------------------------------------------------|--------------|
|                                           | <i>Sales and<br/>repurchase<br/>agreements</i>                   | <i>Securities lending</i> | <i>Margin loans<br/>receivable<br/>backed<br/>repurchase</i> |              |
| Carrying amount of transferred assets     | 638,189                                                          | 2,307,931                 | -                                                            | 2,946,120    |
| Carrying amount of associated liabilities | (605,164)                                                        | -                         | -                                                            | (605,164)    |
| Net position                              | 33,025                                                           | 2,307,931                 | -                                                            | 2,340,956    |

As at 31 December 2019

|                                           | <i>Financial assets at fair value<br/>through profit or loss</i> |                           | <i>Margin accounts<br/>receivable</i>                        | <i>Total</i> |
|-------------------------------------------|------------------------------------------------------------------|---------------------------|--------------------------------------------------------------|--------------|
|                                           | <i>Sales and<br/>repurchase<br/>agreements</i>                   | <i>Securities lending</i> | <i>Margin loans<br/>receivable<br/>backed<br/>repurchase</i> |              |
| Carrying amount of transferred assets     | 5,577,866                                                        | 1,475,784                 | 1,033,886                                                    | 8,087,536    |
| Carrying amount of associated liabilities | (5,329,589)                                                      | -                         | (1,000,000)                                                  | (6,329,589)  |
| Net position                              | 248,277                                                          | 1,475,784                 | 33,886                                                       | 1,757,947    |

## 57 Fair value information

### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair value:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair value.
- (ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value 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 value. For the financial instruments without any market price or market rate, the Group determines the fair value of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair value of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair value using pricing models or discounted cash flow.
- (iv) Accounts receivable, margin accounts receivable and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair value.

**(b) Fair value of other financial instruments (carried at other than fair value)**

The carrying amount and fair value of debt investment at amortised cost investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

**Carrying amount**

|                                      | <i>As at 30<br/>June 2020</i> | <i>As at 31<br/>December 2019</i> |
|--------------------------------------|-------------------------------|-----------------------------------|
| <i>Financial assets</i>              |                               |                                   |
| – Debt investment at amortised cost  | 19,731,162                    | 19,739,758                        |
| <i>Financial liabilities</i>         |                               |                                   |
| – Short-term debt instruments issued | (29,783,201)                  | (46,425,196)                      |
| – Long-term bonds                    | (75,837,400)                  | (64,616,358)                      |
| Total                                | (105,620,601)                 | (111,041,554)                     |

**Fair value**

|                                      | <i>As at 30 June 2020</i> |                 |                  |               |
|--------------------------------------|---------------------------|-----------------|------------------|---------------|
|                                      | <i>Level I</i>            | <i>Level II</i> | <i>Level III</i> | <i>Total</i>  |
| <i>Financial assets</i>              |                           |                 |                  |               |
| – Debt investment at amortised cost  | 8,329,767                 | 10,310,581      | 1,273,042        | 19,913,390    |
| <i>Financial liabilities</i>         |                           |                 |                  |               |
| – Short-term debt instruments issued | (2,302,114)               | (8,003,324)     | (19,472,860)     | (29,778,298)  |
| – Long-term bonds                    | (62,963,329)              | (6,220,380)     | (6,883,728)      | (76,067,437)  |
| Total                                | (65,265,443)              | (14,223,704)    | (26,356,588)     | (105,845,735) |

|                                      | <i>As at 31 December 2019</i> |                 |                  |               |
|--------------------------------------|-------------------------------|-----------------|------------------|---------------|
|                                      | <i>Level I</i>                | <i>Level II</i> | <i>Level III</i> | <i>Total</i>  |
| <i>Financial assets</i>              |                               |                 |                  |               |
| – Debt investment at amortised cost  | 9,000,594                     | 9,927,710       | 988,708          | 19,917,012    |
| Total                                | 9,000,594                     | 9,927,710       | 988,708          | 19,917,012    |
| <i>Financial liabilities</i>         |                               |                 |                  |               |
| – Short-term debt instruments issued | -                             | (15,064,165)    | (31,363,115)     | (46,427,280)  |
| – Long-term bonds                    | (54,554,934)                  | (6,073,998)     | (4,063,920)      | (64,692,852)  |
| Total                                | (54,554,934)                  | (21,138,163)    | (35,427,035)     | (111,120,132) |

The fair value of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the Group's consolidated statements of financial position approximate their fair value.

**(c) Fair value hierarchy**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

|                                                                         | As at 30 June 2020 |              |             |              |
|-------------------------------------------------------------------------|--------------------|--------------|-------------|--------------|
|                                                                         | Level I            | Level II     | Level III   | Total        |
| <b>Assets</b>                                                           |                    |              |             |              |
| Financial assets at fair value through profit or loss                   |                    |              |             |              |
| – Debt securities                                                       | 27,548,712         | 138,752,171  | 1,394,167   | 167,695,050  |
| – Equity securities                                                     | 36,625,124         | 2,824,332    | 3,719,269   | 43,168,725   |
| – Funds                                                                 | 28,015,525         | 438,628      | -           | 28,454,153   |
| – Wealth management products                                            | -                  | 9,024,863    | 3,580,000   | 12,604,863   |
| – Loan and advances                                                     | -                  | -            | 659,583     | 659,583      |
| Financial assets at fair value through other comprehensive income       |                    |              |             |              |
| – Equity investments                                                    | -                  | 10,036,527   | 91,553      | 10,128,080   |
| – Debt securities                                                       | -                  | 4,042,867    | -           | 4,042,867    |
| – Loan and advances                                                     | -                  | -            | 1,810,232   | 1,810,232    |
| Derivative financial assets                                             | 90,154             | 2,418,268    | 279,255     | 2,787,677    |
| Total                                                                   | 92,279,515         | 167,537,656  | 11,534,059  | 271,351,230  |
| <b>Liabilities</b>                                                      |                    |              |             |              |
| Financial liabilities at fair value through profit or loss              |                    |              |             |              |
| – Financial liabilities held for trading                                | (46,670)           | (8,281,057)  | -           | (8,327,727)  |
| – Financial liabilities designated at fair value through profit or loss | -                  | (121,919)    | (3,017,572) | (3,139,491)  |
| Derivative financial liabilities                                        | (158,106)          | (2,700,204)  | (642,143)   | (3,500,453)  |
| Total                                                                   | (204,776)          | (11,103,180) | (3,659,715) | (14,967,671) |

|                                                                         | As at 31 December 2019 |                    |                    |                    |
|-------------------------------------------------------------------------|------------------------|--------------------|--------------------|--------------------|
|                                                                         | Level I                | Level II           | Level III          | Total              |
| <b>Assets</b>                                                           |                        |                    |                    |                    |
| Financial assets at fair value through profit or loss                   |                        |                    |                    |                    |
| – Debt securities                                                       | 36,690,710             | 143,218,519        | 1,603,834          | 181,513,063        |
| – Equity securities                                                     | 28,859,458             | 1,619,997          | 3,521,066          | 34,000,521         |
| – Funds                                                                 | 28,321,910             | 718,902            | -                  | 29,040,812         |
| – Wealth management products                                            | -                      | 5,566,829          | 2,051,096          | 7,617,925          |
| – Loan and advances                                                     | -                      | -                  | 623,351            | 623,351            |
| Financial assets at fair value through other comprehensive income       |                        |                    |                    |                    |
| - Debt securities                                                       | -                      | 1,015,241          | -                  | 1,015,241          |
| - Equity investments                                                    | -                      | 10,254,673         | 90,069             | 10,344,742         |
| - Loan and advances                                                     | -                      | -                  | 997,992            | 997,992            |
| Derivative financial assets                                             | 81,849                 | 1,000,750          | 775,442            | 1,858,041          |
| <b>Total</b>                                                            | <b>93,953,927</b>      | <b>163,394,911</b> | <b>9,662,850</b>   | <b>267,011,688</b> |
| <b>Liabilities</b>                                                      |                        |                    |                    |                    |
| Financial liabilities at fair value through profit or loss              |                        |                    |                    |                    |
| - Financial liabilities held for trading                                | -                      | (4,586,478)        | -                  | (4,586,478)        |
| - Financial liabilities designated at fair value through profit or loss | -                      | (103,142)          | (2,690,563)        | (2,793,705)        |
| Derivative financial liabilities                                        | (105,950)              | (629,477)          | (542,972)          | (1,278,399)        |
| <b>Total</b>                                                            | <b>(105,950)</b>       | <b>(5,319,097)</b> | <b>(3,233,535)</b> | <b>(8,658,582)</b> |

For the six months ended 30 June 2020, there was no significant transfer between Level 1 and Level 2 fair value measurements. There were RMB63 million and RMB165 million transfers into and out of level 3 result from the changes of inputs in fair value measurements respectively.

For the year ended 31 December 2019, there was a transfer of amount RMB188 million from Level II to Level I due to its lifting of restricted stocks. There were RMB93 million and RMB507 million transfers into and out of level 3 result from the changes of inputs in fair value measurements respectively.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as financial assets at fair value through profit or loss and the corresponding liabilities of the securities.

(ii) Financial instruments in Level II and Level III

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 30 June 2020 and 31 December 2019, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair value is determined using valuation techniques.
- (5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

|                                                                                                                                         | Financial assets at<br>fair value through<br>profit or loss | Financial assets at<br>fair value through<br>comprehensive<br>income | Derivative<br>financial assets | Financial liabilities<br>at fair<br>value through<br>profit or loss | Derivative<br>financial liabilities | Total     |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------|-------------------------------------|-----------|
| As at 31 December 2019                                                                                                                  | 7,799,347                                                   | 1,088,061                                                            | 775,442                        | (2,690,563)                                                         | (542,972)                           | 6,429,315 |
| Gains or losses for the period                                                                                                          | 377,457                                                     | 47,297                                                               | 160,495                        | (634,870)                                                           | (857,907)                           | (907,528) |
| Changes in fair value recognised in<br>other comprehensive income                                                                       | -                                                           | 9,904                                                                | -                              | -                                                                   | -                                   | 9,904     |
| Purchases                                                                                                                               | 2,072,172                                                   | 962,803                                                              | 97,428                         | -                                                                   | (166,190)                           | 2,966,213 |
| Sales and settlements                                                                                                                   | (895,957)                                                   | (206,280)                                                            | (754,110)                      | 307,861                                                             | 924,926                             | (623,560) |
| As at 30 June 2020                                                                                                                      | 9,353,019                                                   | 1,901,785                                                            | 279,255                        | (3,017,572)                                                         | (642,143)                           | 7,874,344 |
| Total gains or losses for the period<br>included in profit or loss for<br>assets/liabilities held at the end of the<br>reporting period | 245,049                                                     | -                                                                    | 263,568                        | (634,870)                                                           | (620,894)                           | (747,147) |

|                                                                                                                          | Financial assets at<br>fair value through<br>profit<br>or loss | Financial assets at<br>fair value through<br>comprehensive<br>income | Derivative<br>financial assets | Financial liabilities<br>at fair value<br>through<br>profit or loss | Derivative<br>financial liabilities | Total       |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------|-------------------------------------|-------------|
| As at 1 January 2019                                                                                                     | 5,033,263                                                      | 689,104                                                              | 1,578,610                      | (2,325,405)                                                         | (321,553)                           | 4,654,019   |
| Gains or losses for the year                                                                                             | 501,266                                                        | 68,261                                                               | 419,470                        | (428,902)                                                           | (543,006)                           | 17,089      |
| Changes in fair value recognised in<br>other comprehensive income                                                        | -                                                              | 12,674                                                               | -                              | -                                                                   | -                                   | 12,674      |
| Purchases                                                                                                                | 3,957,499                                                      | 386,092                                                              | 284,939                        | -                                                                   | 623,683                             | 5,252,213   |
| Sales and settlements                                                                                                    | (1,692,681)                                                    | (68,070)                                                             | (1,507,577)                    | 63,744                                                              | (302,096)                           | (3,506,680) |
| As at 31 December 2019                                                                                                   | 7,799,347                                                      | 1,088,061                                                            | 775,442                        | (2,690,563)                                                         | (542,972)                           | 6,429,315   |
| Total gains or losses for the period<br>included in profit or loss for assets<br>held at the end of the reporting period | 405,998                                                        | -                                                                    | 477,462                        | (428,902)                                                           | (502,400)                           | (47,842)    |

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

| <u>Financial assets and liabilities</u>                                  | <u>Fair value hierarchy</u> | <u>Valuation technique(s) and key input(s)</u>                         | <u>Significant unobservable input(s)</u>                                       | <u>Relationship of unobservable input(s) to fair value</u>                                                                                             |
|--------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wealth management products and private placement bonds                   | Level III                   | Discounted cash flow model                                             | Risk adjusted discount rate                                                    | The higher the risk adjusted discount rate, the lower the fair value                                                                                   |
| Unlisted equity investment                                               | Level III                   | Market comparable companies                                            | Discount for lack of marketability                                             | The higher the discount, the lower the fair value                                                                                                      |
| Financial liabilities arising from consolidation of private equity funds | Level III                   | Market comparable companies of the underlying portfolios               | Discount for lack of marketability                                             | The higher the discount, the lower the fair value                                                                                                      |
| Over-the-counter options                                                 | Level III                   | Black-Scholes option pricing model<br>Monte-Carlo option pricing model | Price volatility of underlying assets<br>Price volatility of underlying assets | The higher the price volatility, the greater the impact on the fair value<br>The higher the price volatility, the greater the impact on the fair value |

The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

#### 58 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2020

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated interim financial statements. These include the following which may be relevant to the Group.

|                                                                                                                           | <i>Effective for accounting periods beginning on or after</i> |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| IFRS 17 Insurance Contracts                                                                                               | 1 January 2023                                                |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1)                                             | 1 January 2022                                                |
| Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Available for optional adoption                               |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## **59 Impacts of COVID-19 pandemic**

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. As far as the Group's businesses are concerned, the overall impact of the COVID-19 pandemic on the entity's financial position and financial performance is limited.

## **60 Events after the reporting date**

On 13 July 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB4 billion, bearing interest at 2.55% per annum to qualified investors.

On 24 July 2020, the Company has non-publicly issued 2 years corporate bond with a nominal amount of RMB10 billion, bearing current interest at 3.20% per annum to qualified investors.

On 12 August 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.62% per annum to qualified investors.