CICC
中金公司

China International Capital Corporation Limited
中 國 國 際 金 融 股 份 有 限 公 司

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

(Stock Code: 03908)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors of China International Capital Corporation Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2020. This announcement, containing the main text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Company's 2020 annual report will be despatched to the shareholders of the Company and available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.cicc.com in due course.

By order of the Board
China International Capital Corporation Limited
Secretary to the Board
Sun Nan

Beijing, the PRC
March 30, 2021

As at the date of this announcement, the Executive Director of the Company is Mr. Huang Zhaohui; the Non-executive Directors are Mr. Shen Rujun, Ms. Tan Lixia and Mr. Duan Wenwu; and the Independent Non-executive Directors are Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin and Mr. Peter Hugh Nolan.

Core Values

BY THE PEOPLE AND FOR THE NATION

People are our most valuable assets. We strive to attract, cultivate and retain the best people. Since inception, CICC has positioned itself as "a China-based investment bank with international perspectives". It is our mission to serve the nation by promoting economic reform and long-term development of the capital markets.

PROFESSIONALISM AND DILIGENCE

We develop our businesses up to the highest professional standards, and nurture a high-caliber team of financial professionals, who boast international visions, diligently perform their duties and share our corporate values.

INNOVATION AND ENTREPRENEURSHIP

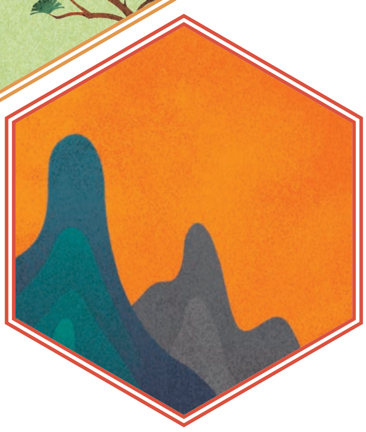
Innovation is the lasting force that drives CICC forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, CICC is always prepared to embrace change and continue to deliver innovative products and quality services to our clients.

CLIENT FIRST

We always put our clients first.
We develop and maintain long-term relationships of trust with our clients by truly safeguarding their interests and satisfying their needs.

INTEGRITY

We build our franchise upon the utmost professional integrity and highest ethical standards. We value our franchise and never compromise on integrity.



CHINESE ROOTS AND INTERNATIONAL REACH

As a China-based global investment bank, we are proud of our Chinese roots and of our international DNA.
We bridge China and the world by providing best-in-class services to clients at home and abroad.

Content

Important Notes

The Directors, Supervisors and senior management of our Company undertake that there are no misrepresentation, misleading statement or material omission in this report and they are severally and jointly liable for the authenticity, accuracy and completeness of the information contained in this annual report.

The financial statements for 2020 were prepared by our Company according to International Financial Reporting Standards ("IFRSs"), which have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu has issued auditors' report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

The forward-looking statements such as future plans, development strategies contained in this report do not constitute substantive undertakings by our Company to investors who are advised to be cautious about investment risks.

Significant Risk Warnings

The business operations of our Group are closely related to the macro economy, monetary policy and market conditions in China and other jurisdictions where our businesses are operated. Any fluctuation in domestic and international capital markets will affect the Group's business operations.

The risks faced by our Group mainly include: strategic risk arising from the adjustment of the strategic plan of our Group under the changes in domestic and overseas capital markets; business management risk arising from changes of business models, development of innovative businesses and application of new technologies; market risk caused by changes in the fair value of the financial assets held by the Group resulting from fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc; credit risk arising from defaults or deterioration in creditworthiness of counterparties, financing parties and issuers of securities; liquidity risk arising from our Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting normal business operations; operational risk arising from losses resulting from failed or defective internal procedures or IT systems, human factors and external events; the operational, legal and reputational risks arising from natural factors, human factors, technology vulnerabilities and management deficiencies in the course of the Group's use of information technology; compliance risk arising from legal sanctions, regulatory actions, loss of property or damage to our reputation, which our Group is to be subject to, imposed on or suffered from as a result of violation of laws, regulations, self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior; legal risk for which our Group may suffer from economic loss or loss of reputation arising from breach of contracts, disputes in respect of infringement, litigations or other legal disputes; money laundering risks such as money laundering, terrorist financing and the financing of proliferation in the course of carrying out business activities by the Group; and reputational risk caused by negative comments on our Group due to operational activities, business management and other actions as well as external events.

Our Group will work on its organizational structure, management mechanism, IT system, risk indicator framework, talents cultivation and risks response mechanism to prevent and manage the above mentioned risks. For detailed analysis and measures taken by our Group in respect of the risks, please refer to the content in "Management Discussion and Analysis – VI. Risk Management".

Message from Our Chairman

DEAR SHAREHOLDERS,

2020 is an unprecedented year. In the face of severe challenges resulting from the COVID-19 pandemic, China's economy has restored stably and shown high counter-risk capability and enormous strength under the strong leadership of the CPC Central Committee and the State Council. The capital market in China maintained a steady development momentum, while the reform continued to deepen. A series of reform measures, such as the launch of the new Securities Law, the reform and pilot registration regime of GEM, the pilot of the fund investment advisory business, and the pilot of consolidated regulatory capital framework applied to the first batch of securities firms have opened up a broader development space for securities firms.

2020 marks the 25th anniversary of the establishment of CICC. Over the past 25 years, the Company has always been committed to serving national strategies and promoting reform and innovation. We've therefore created a market-oriented, professional and international brand, and achieved sustainable development in terms of the overall scale, business coverage and service capability. In 2020, confronted with the complex and rapidly changing market environment, we united together and made joint efforts to overcome difficulties, and we focused our attention on both the pandemic control and business operations, continuously improved corporate governance, and constantly strengthened risk prevention and control, contributing to substantial year-on-year growth in our annual revenue and net profit. Such excellent achievements have left an indelible mark in the development history of our Company.

Our market position and influence have continuously improved over the past year. Our Company ranked top on league tables in terms of global equity financing by Chinese issuers, global IPO by Chinese issuers, Hong Kong IPO, and financial advisory in China's M&A market, etc. The comprehensive service capability of our institutional businesses such as equities business and FICC business has been further enhanced; the AUM of our asset management business has increased significantly to more than RMB560 billion; the AUM and revenue of CICC Capital have increased steadily; our wealth management business has been further integrated, with remarkable progress in business transitioning; and the market influence of our research business has been constantly enhanced.

Over the past year, we have vigorously fulfilled our corporate responsibility as a state-owned enterprise. We made active response to the call of the government to serve the national strategy, and played our role as the leading force and main channel of the financial sector. We took multiple measures to support the major national strategic plans such as "ensuring six priorities" and "safeguarding the stability in six areas" for steady economic momentum, eliminating financial risks, deepening financial reform, making our contributions to economic stability; we carefully fulfilled our corporate responsibility and actively participated in poverty alleviation and charity activities to help the poverty-stricken counties eradicate poverty.

Over the past year, the Company has made great progress in strategic planning and implementation. We succeeded in completing the IPO of A Shares and realizing capital replenishment; our business models of "Two Bases and Six Pillars" and "One CICC" have achieved success gradually; the significant strategic initiatives for regionalization, digitization and internationalization were steadily implemented; our workforce continued to grow, which laid a solid foundation for the Company to enter a new stage of development; we attached great importance to improving the Party building mechanism, and continuously strengthened our corporate culture.

Time never stays stagnant despite constant changes. Many challenges exist in the post-pandemic era, but China's economy is still full of resilience and potential. The capital market is playing a more and more important role in economic transformation and upgrading, which provides a historical opportunity for the first-class investment banks to achieve leapfrog development. We will continue giving full play to our leading advantages in institutional, cross-border and research areas, strive to improve our innovation capability, technological capability and comprehensive service capability, further stimulate the vitality of the system and mechanism, and continuously strengthen our core competitiveness. In line with the original aspiration of "For the Nation", we'll focus on serving the national reform and development strategy to promote high-quality development, and we'll forge ahead bravely to accelerate our pace of becoming a first-class international investment bank, and make our franchise more influential on the new journey!

Shen Rujun
Chairman
March 25, 2021

Message from Our CEO

VIEWS ON THE ECONOMY AND THE MARKET

In 2020, in the face of the severe COVID-19 pandemic and accelerated evolution of major changes rarely seen in a century, China has maintained its strategic strength, taking multiple measures simultaneously to overcome difficulties, and strive to "foster new opportunities and open new chapters". Drawing an end to the "13th Five-Year Plan", China has embarked on the new journey of the "14th Five-Year Plan".

The global economy reeled from COVID-19 pandemic in 2020. However, worldwide expansionary monetary policies and fiscal policies helped the economy to recover gradually. The global economy fell into recession last year, with the US and European economies hit hard by the pandemic, while Asia fared relatively better as a whole. Major developed economies began to recover in 3Q20 thanks to massive monetary and fiscal expansion by main central banks and governments. Nevertheless, main economies around the world (except China) still suffered steep downturns on a full-year basis in 2020. Under such background, prices of most major asset classes rose on a full-year basis, and main equity markets have rallied following dramatic fluctuations in 1Q20, with major U.S. stock indexes hit record high, and China's A-share market presented decent performance. Bond markets also performed well with prices of gold and main agricultural products registered decent gains. Digital economy achieved rapid development against market downturn, and has become a driving force for economic recovery. With continued expansionary policies and accelerated vaccination, we expect economies around the world to recover concurrently in 2021. However, the global economic recovery still faces uncertainties.

China leads the world in pandemic containment and economic recovery in 2020, and is the only major economy to achieve positive economic growth. China's GDP has exceeded the RMB100 trillion milestone, with growth rate reaching 2.3% over the full year. Investment rapidly recovered in 2Q20 and served as a vital stabilizer for the economy, while consumption and export was gaining momentum and started to boost economic growth in 2H20. The total foreign trade value of imports and exports and the total amount of foreign investment absorbed both reached record highs. Faced with complex and severe market situation, Chinese government has intensified "counter-cyclical" policies, making every effort to stabilize the economic fundamentals and maintain a stable financial environment. On the fiscal side, China's fiscal deficits increased, and the central government issued RMB1 trillion worth of special bonds to finance the fight against COVID-19, and has cut more taxes and fees. Local governments also issued additional special-purpose bonds. China's monetary authority has taken steps to expand lending and develop new monetary policy instruments that can directly stimulate the real economy. In addition, financial institutions have been urged to forego part of their profits. Confronted with the impact and challenges of the pandemic, China's economy has demonstrated strong capabilities of self-recovery and resilience.

Year 2021 marks the beginning of the "14th Five-Year Plan" period with steady economic recovery. We believe the main policy direction in the "14th Five-Year Plan" period will focus on a new development pattern that features domestic circulation as the mainstay and the mutual reinforcement between domestic circulation and international circulation. Under the current background, China will further deepen structural reforms on the supply side for high-quality development, and adopt proactive fiscal policies and prudent monetary policies to keep the economy operating within a reasonable range. We expect that China will strengthen investment growth especially in New Infrastructure; optimize the structure of income distribution, and insist on expanding domestic demand; expedite technological innovation, and improve the independence and controllability of the industrial chains and supply chains; improve policies on taxes and fees reduction, strengthen inclusive financial service; and further advance reform and opening-up, improve the international business environment. Meanwhile, China will attach importance to medium and long-term policy measures such as improving people's livelihood, promoting rural revitalization, and accelerating green and low-carbon development.

INDUSTRY OUTLOOK

Chinese economy is now striding towards a new stage of high-quality development. In the course of structural optimization & upgrading and innovation-driven development, capital market plays a more prominent and pivotal role in financial operation, and its function of serving the real economy is constantly enhanced. In 2020, the reform and development of the capital market further deepened, during which the basic systems such as issuance registration system, refinancing and delisting have been constantly optimized, and the multi-layered market system such as STAR Market, NEEQ Select, etc. have been continuously improved. During the "14th Five-Year Plan" period, the core of China's financial system will evolve rapidly from indirect financing to direct financing, the capital market will be further expanded both in depth and breadth, the two-way opening of the market will be enhanced to a higher level, and the securities industry is undergoing a historical period of strategic development opportunities.

In our opinion, the significant development opportunities of the securities industry during the "14th Five-Year Plan" period include:

- **The capital market realizes rapid development of "dual-cycle".** To build a new "dual-cycle" development pattern, we need to speed up the two-way investment and financing in the capital market, make full use of the domestic and international markets and resources, and allocate resources worldwide. Considering that China is taking the lead in economic recovery, it is expected that the strong trend of foreign investment to increase the distribution of RMB assets will continue as before, and the favorable policies of cross-border investment and financing will be soon implemented.

- **Listed companies continue to expand rapidly.** To fully implement the stock issuance registration system and to increase the proportion of direct financing have been put on the agenda of the "14th Five-Year Plan", so it will be a general trend for the number of listed companies to maintain rapid growth. As driven by the economic transformation and development, enterprises in the fields of high-tech industry, strategic emerging industry, modern service industry, new infrastructure, digital economy, etc. will constitute the main force of listed financing, where industry-leading enterprises will benefit first.

- **Residents have strong demand for wealth management.** At present, asset allocation of residents is turning from physical assets to financial assets, which brings the source of "living water" for the asset management and wealth management industry. Based on the capital market, promoting the diversification of asset allocation for residents, especially increasing the proportion of equity asset allocation, will be conducive to increasing the residents' property income and stimulating their consumption vitality, thereby helping expand domestic demand.

Message from Our CEO

- **Green finance ushers in faster development.** As driven by the medium and long-term goals of "peak CO_2 emissions" and "carbon neutrality", green finance is expected to become an important new growth point in the financial sector. The securities industry can use the multi-layered capital market to increase the layout of green enterprise listing, green bonds issuance, green strategic investment, green equity trading (e.g., CO_2 emissions trading) and other businesses, thereby guiding the capital elements to support the development of green economy.

- **Digitalization facilitates transformation and upgrading.** As finance and technology are increasingly integrated, digital transformation has become an important approach for securities firms to create their competitive edges. The focus of transformation and development is gradually expanding from brokerage business to the entire business link and mid-end service capability. The best practice of the industry is being generated and popularized very quickly. Technology will help accelerate the presence of new business forms, new models and new ecosystems, and inject vitality into the development of the securities industry.

The development trend and market pattern of the securities industry are undergoing profound evolution: On the one hand, the switch-over of new and old development momentums and the rapid development of asset management, wealth management and capital-intensive business impose higher requirements on innovation capability, comprehensive service capability, business collaboration and capital strength of securities firms while expanding their business space. On the other hand, the industry structure hasn't stabilized due to the increasing competition pressure, the improving concentration of domestic securities firms, and the fierce competition from foreign financial institutions and cross-sector institutions. In addition, the increasingly complex and changeable market environment at home and abroad has also brought challenges to the sustainable and sound development of securities firms.

REVIEW OF OUR PERFORMANCE

In 2020, confronted with the impact of COVID-19 pandemic as well as the complex and harsh market environment, CICC has actively coped with the challenges and done well in pandemic control and business operations. By focusing on serving the overall situation of "ensuring six priorities" and "safeguarding the stability in six areas" for steady economic momentum, and implementing the strategic development initiatives, our businesses maintained rapid development, with operating continuously improving efficiency, and we delivered sound returns for our shareholders.

Financial Performance

As at the end of 2020, the total assets of the Group amounted to RMB521,620.5 million, representing an increase of 51.2% compared with that at the end of 2019; net assets[note] amounted to RMB71,634.9 million, representing an increase of 48.3% compared with that at the end of 2019. Our Group recorded total revenue and other income of RMB32,401.8 million, increasing by 42.2% year on year; and net profit[note] of RMB7,207.5 million, increasing by 70.0% year on year, with a weighted average return on net assets of 13.5%.

Note: Net assets refer to total equity attributable to shareholders of the Company. Net profit refers to net profit attributable to shareholders of the Company.

Business Achievements

The Company has always been coordinating the development of various businesses based on the overall situation of national development. In recent years, the Company has scaled-up business layout around the services of new economy financing, cross-border investment and financing, and residents' wealth management, achieving remarkable results. In 2020, with the support of national policies and the guidance of medium and long-term development goals, all of our business segments achieved rapid growth. Our network and customer coverage was further strengthened, our product and customer service capabilities continuously improved, our business collaboration and digital transformation achieved positive results, and our research and information technology foundation was further strengthened. We continued to explore into domestic market and develop strong cross-border advantages, and strive to enhance our franchise and market influence, so as to significantly accelerate our growth in both scale and strength.

Realizing comprehensive and high-quality development in six major businesses

Our investment banking business continued to fully serve the real economy financing. In 2020, our Company ranked first in terms of global IPO underwriting amount by PRC-based issuers, No. 2 in terms of A-share IPO underwriting amount, first acting as JGC in terms of Hong Kong IPO underwriting amount, which further consolidated our first-mover advantages in the new economy industry. Our Company ranked fourth among securities firms in terms of onshore bond offerings, and first among Chinese securities firms in terms of the underwriting amount of investment-grade USD bond offerings by PRC-based issuers, making our innovative structured business remain ahead. As for the M&A business, our Company has remained No. 1 on the league table in China, and played a leading role in a number of large-scale industrial restructuring projects for state-owned and private enterprises. Our Company actively grasped the opportunities in the primary market, consolidated our advantages in benchmark projects, and explored innovative financing instruments, so as to provide all-round financing services for deepening the supply-side structural reforms and accelerating the development of the new economy.

Our equities business further consolidated its leading position in the market. In 2020, our equities business maintained development momentum by focusing on the "dual-cycle and dual-capital" platform. We actively expanded institutional coverage, improved our product innovation capabilities, strengthened cross-border business presence, promoted systems development and digitalization, and endeavored to provide the one-stop comprehensive financial services covering "sales, trading, investment and research, products and cross-border business" for domestic and foreign professional investors. In 2020, the prime brokerage business platform in Mainland China improved continuously; the derivative products business achieved rapid customized and standardized development; the stock connect business ranked top and grew steadily in terms of turnover and market share; and the capital introduction business developed steadily and helped expand the ecosystem of institutional customers.

Our FICC business structure and foundation continued to improve. In 2020, our FICC foreign exchange business made breakthroughs and the commodities business grew significantly, which further improved the business structure, forming into the domestic and foreign business system covering interest rate, credit, structuring, commodities and foreign exchange, and contributing to the improvement of our comprehensive service capabilities. In spite of the volatile market environment, our trading business achieved steady investment income by virtue of strong trading and risk control capabilities. In the meantime, the business foundation was further strengthened, as the three platforms of capital, operation and system offered strong support for business development.

Message from Our CEO

The comprehensive service capabilities of our asset management business improved comprehensively. As at the end of 2020, the AUM of the asset management segment exceeded RMB560 billion, representing a significant year-on-year increase of 75%, which further demonstrated our advantages as a comprehensive platform. On the basis of continuously improving the product layout and enhancing the research capability, we made efforts to strengthen the coverage of domestic and foreign institutional customers, and vigorously expand the retail channels and overseas channels, thereby steadily improving the sustainable development capability of our asset management business. The active management capability of CICC Fund Management has been further intensified, and our mutual fund products performed better than those on the market. In the meantime, CICC has made great efforts to seize new business opportunities such as the public offering of REITs proactively, in an attempt to develop a complete product line with CICC features.

We maintained industry-leading position in terms of the total assets under management of private equity investment. As at the end of 2020, the AUM of CICC Capital amounted to over RMB300 billion. We maintained industry-leading position even under the harsh market environment of great fundraising pressure. On the basis of sound business foundation, we positively strengthened cooperation with multinational corporations and large-sized industrial groups, and continued to deepen business presence in key regions. Therefore, our products such as industrial funds, green funds and new special account management funds developed well and our product lines were further enriched. CICC capital will accelerate the construction of a unified and open management platform to realize resource concentration and management collaboration internally and to form an open platform ecosystem externally.

We achieved remarkable results in transformation and development of our wealth management business. In 2020, our wealth management business grew significantly in terms of product assets, trading market share and total assets in customers' accounts, with steady improvement of our market competitiveness. The buy-side investment advisory business led the development of the industry, so we tried to improve the assets holding experience of customers through multiple asset allocation approaches; as the hierarchical service system for customers was further improved, the scale of our private wealth management business expanded rapidly; as the digital transformation continued to advance, we made great breakthroughs in the technology-driven customer service systems. The continual improvement of our professional products and service systems has laid a solid foundation for the all-round transformation and development of our wealth management business.

Continuing to realize solid progress in research and information technology

Our research work helped enhance the market influence at home and abroad. Our research business focused on the global market, and provided comprehensive research services and investment analysis covering macro-economy, market strategy, fixed income, asset allocation, stocks, commodities and derivative products for domestic and foreign customers. These research products were widely recognized by the investors at home and abroad for their independence, objectivity and thoroughness, and won many authoritative awards issued by the Institutional Investor and the Asiamoney Brokers Poll for consecutive years. In 2020, a number of in-depth research reports aroused strong response from the market, and remarkable business development results were achieved driven by research. CICC Global Institute was established as a new think tank to contribute more CICC research wisdom to public policy-making and financial market development.

Information technology continued to strengthen our business support capabilities. In 2020, our IT organizational structure was further improved. We established dedicated teams to support main business lines to strengthen business interaction and integration, and to enhance the response capability and efficiency IT personnel. The front, middle and back office information systems were further enhanced to fully improve our online and digital operation and management level, and to support the plan for remote and shared office. We seized the opportunities arising from digital transformation to accelerate the optimization of IT governance system, the construction of integrated management platform and the integration of system and data. Therefore, the supporting capability and driving effect of science and technology for business development were continuously enhanced.

Corporate Culture and Social Responsibility

We continuously promoted the organization and construction of corporate culture. Since establishment twenty-five years ago, we've always attached great importance to the construction of corporate culture and continuously enabled our corporate culture to play its positive role in boosting business development. In 2020, the Company organized a series of seminars and interviews related to corporate culture, so as to learn from the practices of other leading industry players, further sort out and enrich the connotation of our corporate culture, and strive to refine its representation. In the meantime, by combining online and offline activities, and by carrying out diversified forms of activities such as series lectures on "Culture · Knowledge and Practice" and "CICC Reading Club", we've constantly enriched the cultural development and exchange activities, and strengthened the cognition of our corporate culture.

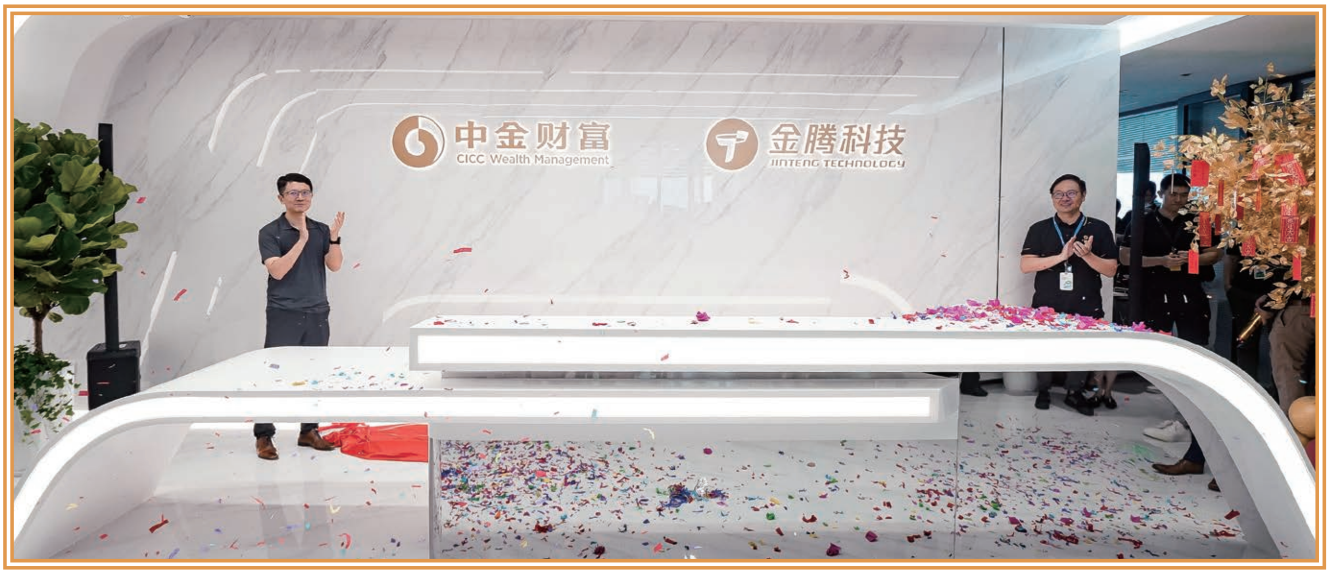
We actively participated in poverty alleviation and charity activities to fulfill our social responsibility. In line with the mission of "For the Nation", we continued to fulfill our social responsibility and contribute to public welfare and poverty alleviation. The public welfare and charity programs we participated have covered multiple fields including children's development, education, improvement of medical and health conditions, environmental protection in poverty-stricken areas. Poverty alleviation have been achieved in Huining County in Gansu , Guzhang in Hunan, Yuexi in Anhui, Kaizhou in Chongqing, and Fengjie in Chongqing which we've paired up with. In 2020, the Group donated over RMB54 million to support public welfare and poverty alleviation programs through CICC and CICC Charity Foundation, including more than RMB18 million of funds and medical supplies to prevent and fight against COVID-19 pandemic in response to the call of the government to support anti-pandemic activities.

Capital Operation and Integration

The Company attaches great importance to capital operation and regards it as an important approach for realizing rapid development. In 2020, we actively grasped the market opportunity, to take several capital market initiatives in an integrated manner, and achieved good results in terms of making up for the weakness and promoting transformation and development. Our measures mainly included:

We successfully completed IPO of A Shares and further expanded our capital strength. In November 2020, the Company accurately grasped the market window to complete the listing of A Shares, and raised total proceeds of RMB13 billion, which was well-received by investors. In the future, the Company will make overall use of the "A+H" dual financing platform to fund the sound and rapid development of our businesses.

Message from Our CEO



We established Jinteng Technology, a joint venture technology company, as an important vehicle to invest in financial technology. In June 2020, CICC and Tencent set up a joint venture financial technology company named Jinteng Technology, which set a precedent in the domestic securities industry. Jinteng Technology and CICC Wealth Management jointly carried out targeted marketing to affluent customers through data-based operations, in an attempt to explore a new operational model combining both online and offline activities.

We further promoted the integration of wealth management business to materialize potential synergy. In 2020, the wealth management segment was well integrated, as the integration of OTC trading system was implemented, and the integration of personnel management was accelerated. The Company will steadily promote the "1+1>2" integration effect by continuously focusing on systems integration and management mechanism innovation.

FORWARD STRATEGIES AND INITIATIVES

The accelerated economic transformation and development, the continual implementation of the opening-up policy, and the reform and innovation of the capital market have laid a solid ground for further development of the securities industry, and have provided fertile soil for the rise of CICC as a first-class international investment bank. As the most influential Chinese investment bank in the international capital market, CICC has acted in response to the trend and clearly put forward the medium and long-term strategic goal of "building a world-class investment bank". In the past year, the Company steadily forged ahead with the execution of various strategic measures, with priority given to medium and long-term development, market share and revenue growth.

2021 will be a critical year for CICC to deepen strategy implementation and digital transformation. The Company will focus on the "Three + One" strategies, i.e. "digitization, regionalization and internationalization" and "One CICC", and strive to enter a higher stage of development in terms of both scale and quality by increasing resource investment, improving network layout, accelerating transformation and development, and consolidating the middle and back-office capabilities.

Our concrete strategic initiatives include:

- **Increasing investment in resources to accelerate growth in scale and strength.** Based on the strategy of serving the real economy, we will further increase the capital base, optimize the allocation of financial resources, and improve our balance sheet utilization capability and efficiency; we will also adhere to our human capital strategy, continue to invest in human capital to bring in the best people and expand the talent pool to meet the needs of business development. In the meantime, we will try to promote extensional development, actively seek domestic and foreign cooperation opportunities inside and outside the industry, speed up our actions in making up for the weakness, expand the scale and increase the market share, and improve our market position and influence.

- **Promoting digital transformation to drive growth.** We have developed the road-map for digitalization and set up agile teams to digital transformation of our Company steadily. By focusing on the initiatives of accelerating the application of financial technology, improving the IT governance system, promoting the middle and back-office digitization and creating the CICC ecosystem, we will increase investment in resources to ensure the smooth implementation of various initiatives. The Company is committed to establishing a customer-centric, data-driven and AI-based business model, to speed up business development through big data, cloud computing, AI and other technologies.

- **Improving network layout and expanding customer coverage.** We'll further promote regional penetration, accelerate the construction of localized teams, comprehensively expand customer and business coverage, strengthen business collaboration and intensify the function of the headquarters, so as to create an agile and efficient service model. In line with national strategies, we'll endeavor to increase investment in international resources, strengthen our presence in international financial centers, diversify our business operations and expand our business scale. In the meantime, we'll expand our footprints along the "Belt and Road" with the focus on the Southeast Asia regions, and promote synergies between research, investment banking and investment businesses.

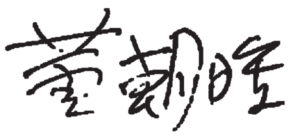
- **Accelerating business development and deepening "One CICC".** We'll continue to consolidate the leading advantages of our institutional, high-end and cross-border businesses, accelerate the expansion of retail, asset management and other emerging businesses, and continuously expand the coverage and influence of CICC Research at home and abroad. In the meantime, we'll take the opportunity of digital transformation to promote the centralization of customer data and information sharing, strengthen the interaction between various business segments, provide comprehensive solutions based on customer demands, create an upgraded version of "One CICC", and realize the normalization of cross-departmental cooperation.

- **Promoting organizational and institutional innovation and laying a solid foundation for development.** We will further improve corporate governance, improve the internal management system, and enhance the effectiveness and efficiency of our management. In the face of the complex and changing market environment, we'll comprehensively strengthen the risk control and compliance management, intensify the risk control awareness of all staff, and stick to prudent and steady business operations. We will continue to improve the organizational assessment and incentive mechanism, further strengthen corporate culture, and enhance the work efficiency and cohesion of our teams. More efforts will be made to develop new work modes and to improve the online organization management capability.

Born in the tide of China's reform and opening up, CICC is a participant, facilitator and beneficiary of national development and progress. Over the past 25 years, generations of "CICCers" have worked diligently and devoted themselves to national reform and opening up, promoted the continuous development and growth of the Company, cultivated and consolidated competitive edges, and laid a solid foundation for the Company's sustained high-quality development.

Message from Our CEO

The task is arduous and the way is long, but we are confident to accomplish it. The "14th Five-Year Plan" is the first five-year period of building a modern socialist country in an all-round way and marching towards the second centenary goal. The responsibilities fell on CICC's shoulder is glorious and important. Standing at the new starting point, we will firmly grasp strategic development opportunities, unify the CICC dream and the Chinese dream with the dream of building a community with shared future for mankind, and continue to uphold the original aspiration of "Chinese roots, international reach". Positioned to serve the national strategy, real economy, and welfare of the people, we will further improve the domestic and foreign network, expand the multi-layered customer base, enhance the momentum of digital development, strengthen the comprehensive customer service capabilities, and forge ahead towards the goal of becoming a world first-class investment bank. Looking ahead, the Company will strive to make more contributions to building a new dual-cycle development pattern and promoting high-quality economic and social development.



Huang Zhaohui
Chief Executive Officer
March 25, 2021

Definitions

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

"A Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
"A Share Offering and Listing"	the initial public offering of RMB ordinary shares (A shares) and listing on the Shanghai Stock Exchange of the Company
"Acquisition"	the acquisition by our Company of 100% of the equity interest of Former CISC (now renamed as CICC Wealth Management) from Huijin pursuant to the Equity Transfer Agreement
"Articles of Association"	the articles of association of our Company (as amended)
"AUM"	the amount of assets under management
"Basic earnings per share"	(net profit attributable to shareholders of the Company – interest for holders of perpetual subordinated bonds for the year)/weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of our Company
"CASs"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and other relevant requirements
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Central Bank" or "PBOC"	the People's Bank of China* (中國人民銀行), the central bank of the PRC
"CG Code" or "Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China-invs Changchun"	China-invs Changchun Investment Fund Management Co., Ltd.* (中投長春創業投資基金管理有限公司), a company incorporated in the PRC in December 2012 and a subsidiary of CISC Luckystone
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"China Securities Finance"	China Securities Finance Co., Ltd.* (中國證券金融股份有限公司), a company incorporated in the PRC in October 2011

Definitions

"CICC Capital"	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly-owned subsidiary of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd.* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly-owned subsidiary of our Company
"CICC Private Equity"	CICC Private Equity Management Co., Ltd.* (中金私募股權投資管理有限公司), a company incorporated in the PRC in October 2020 and a wholly-owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd.* (中金期貨有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of our Company
"CICC Jiacheng"	CICC Jiacheng Investment Management Co., Ltd.* (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly-owned subsidiary of our Company
"CICC HK AM"	China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly-owned subsidiary of CICC Hong Kong
"CICC HK Futures"	China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly-owned subsidiary of CICC Hong Kong
"CICC HK Securities"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly-owned subsidiary of CICC Hong Kong
"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong in April 1997 and a wholly-owned subsidiary of our Company
"CICC Pucheng"	CICC Pucheng Investment Co., Ltd.* (中金浦成投資有限公司), a company incorporated in the PRC in April 2012 and a wholly-owned subsidiary of our Company
"CICC Singapore"	China International Capital Corporation (Singapore) Pte. Limited, a company incorporated in Singapore in July 2008 and a wholly-owned subsidiary of our Company
"CICC UK"	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly-owned subsidiary of our Company
"CICC US Securities"	CICC US Securities, Inc., a company incorporated in the United States in August 2005 and a wholly-owned subsidiary of our Company

"CICC Wealth Management" or "CICC Wealth Management Securities"	China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司), formerly known as China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company
"CISC" or "Former CISC"	China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company, whose name was changed to China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司) in August 2019
"CISC Luckystone"	CISC Luckystone Investment Management Co., Ltd.* (中投瑞石投資管理有限責任公司), a company incorporated in the PRC in September 2009 and a wholly-owned subsidiary of CICC Wealth Management
"CMBS"	commercial mortgage-backed securities
"RMBS"	residential mortgage backed securities (個人住房按揭貸款資產證券化)
"Company", "our Company", or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock company incorporated in the PRC with limited liability converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015, whose H Shares are listed on Hong Kong Stock Exchange (stock code: 03908) and A Shares are listed on the Shanghai Stock Exchange (stock code: 601995)
"Company Law" or "PRC Company Law"	the Company Law of the PRC* (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)
"Directors"	directors of our Company
"Equity Transfer Agreement"	the equity transfer agreement entered into between our Company and Huijin dated November 4, 2016, pursuant to which our Company has agreed to purchase and Huijin has agreed to sell 100% of the equity interest of Former CISC (now renamed as CICC Wealth Management)
"ETF(s)"	exchange-traded fund(s)
"FoF"	Fund of Fund
"FICC"	fixed income, commodities and currencies
"GDR(s)"	global depositary receipt(s)

Definitions

"Gearing ratio"	(total liabilities – accounts payable to brokerage clients and to underwriting clients)/(total assets – accounts payable to brokerage clients and to underwriting clients)
"Group", "our Group" or "we"	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
"Growth Enterprise Market" or "ChiNext board"	the ChiNext board of the Shenzhen Stock Exchange
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Huijin" or "Huijin Company"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"ICAEW"	The Institute of Chartered Accountants in England and Wales
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly-owned subsidiary of Huijin and a Shareholder of our Company
"JIC Investment"	JIC Investment Co., Ltd.* (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"Jinteng Technology"	Jinteng Technology Information (Shenzhen) Co., Ltd. (金騰科技信息(深圳)有限公司), a company incorporated in the PRC in June 2020 and a joint venture of the Company and Tencent Technology (Shenzhen) Co., Ltd. * (騰訊數碼(深圳)有限公司)

"Latest Practicable Date"	March 25, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC* (中華人民共和國財政部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
"MTN(s)"	medium-term notes
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Net capital"	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"NSSF"	the National Council for Social Security Fund of the PRC* (全國社會保障基金理事會)
"Operating leverage ratio"	(total assets – account payable to brokerage clients and to underwriting clients)/equity attributable to shareholders of the Company
"PPP"	public-private partnership
"PRC" or "China"	the People's Republic of China
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"QDII(s)"	Qualified Domestic Institutional Investor* (合格境內機構投資者)
"QFII(s)"	Qualified Foreign Institutional Investor* (合格境外機構投資者)
"REITs"	real estate investment trusts
"Reporting Period"	the period from January 1, 2020 to December 31, 2020
"REPOs"	financial assets sold under repurchase agreements
"Reverse REPOs	financial assets held under resale agreements
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

Definitions

"RQFII(s)"	Renminbi Qualified Foreign Institutional Investor* (人民幣合格境外機構投資者)
"SAC"	the Securities Association of China* (中國證券業協會)
"Science and technology innovation board" or "STAR Market"	Sci-Tech innovation board of Shanghai Stock Exchange
"Securities Law"	the Securities Law of the PRC* (中華人民共和國證券法) as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange* (上海證券交易所)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
"Shenzhen Stock Exchange" or "SZSE"	the Shenzhen Stock Exchange* (深圳證券交易所)
"SOE(s)"	state-owned enterprise(s)
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Tencent"	Tencent Holdings and its subsidiaries
"Tencent Holdings"	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 700)
"Tencent Mobility Limited"	Tencent Mobility Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Tencent Holdings and a Shareholder of our Company

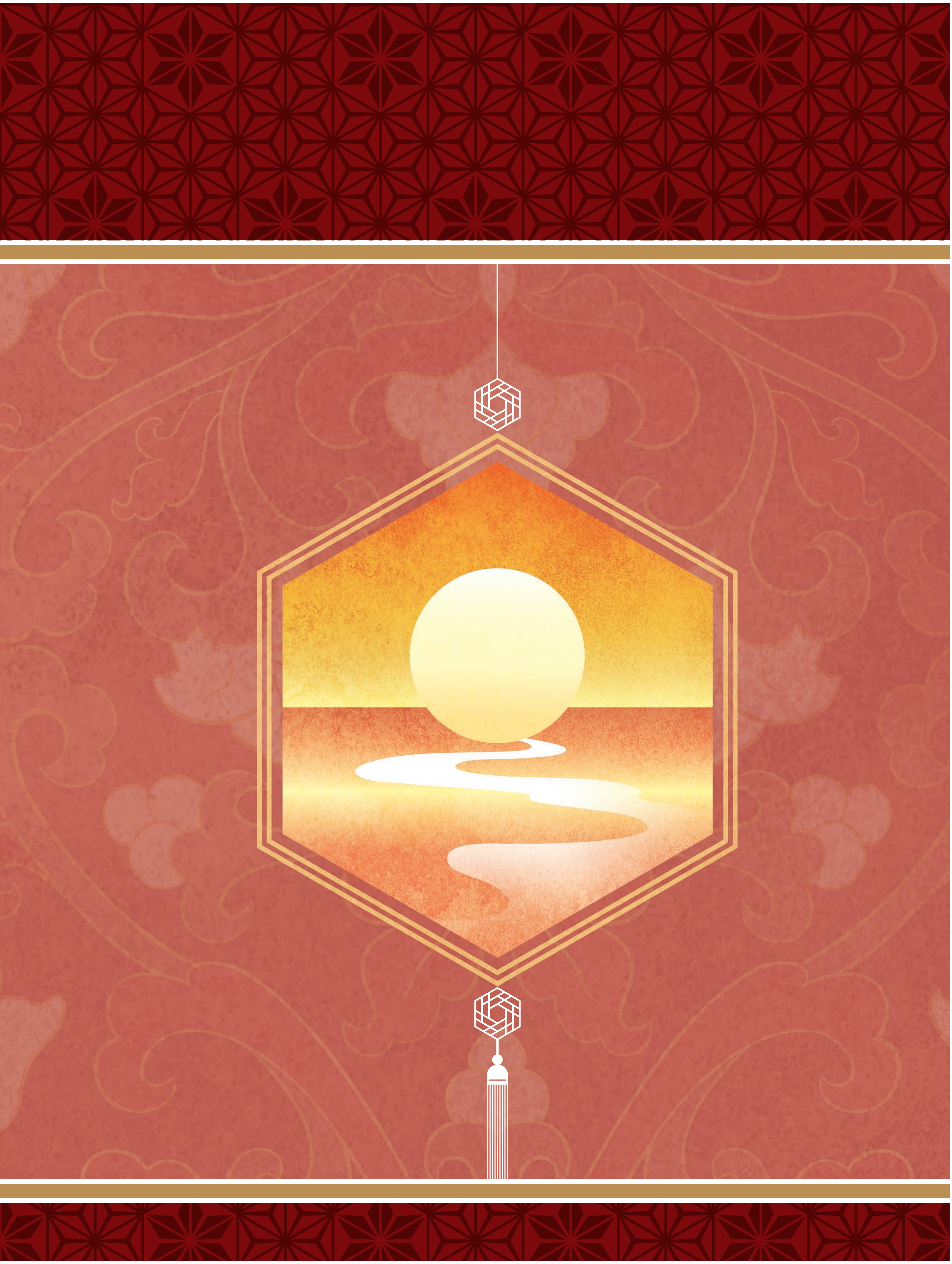
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "USA" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	(net profit attributable to shareholders of the Company – interest for holders of perpetual subordinated bonds for the year)/weighted average of equity attributable to shareholders of the Company
"Wind"	Wind Information Co., Ltd,
"%"	per cent

Notes:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown in certain tables may not be the total of the figures preceding them. Any discrepancies in any table or chart between the arithmetic sum shown and the total of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "*" and are provided for identification purposes only.

Company Profile



Company Profile

(As of December 31, 2020)

I. COMPANY OVERVIEW

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Shen Rujun
Chairman:	Shen Rujun
Chief Executive Officer:	Huang Zhaohui
Registered capital:	RMB4,827,256,868 (Note 1)
Headquarters in the PRC:	
Registered and office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong, China:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, China
Secretary to the Board:	Sun Nan (Note 2)
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Sun Nan, Zhou Jiaxing
Authorized Representatives:	Huang Zhaohui (Note 3), Zhou Jiaxing
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Overseas accounting firm:	Deloitte Touche Tohmatsu Registered Public Interest Entity Auditor

Notes:

(1) On November 2, 2020, our Company was listed on the Main Board of the Shanghai Stock Exchange and issued 458,589,000 A Shares in the initial public offering and a total of 2,464,953,440 domestic shares held by the original domestic shareholders of the Company were converted into 2,464,953,440 A Shares. Accordingly, the total number of issued Shares of our Company increased to 4,827,256,868 Shares (including 1,903,714,428 H Shares and 2,923,542,440 A Shares), and the registered capital of our Company increased to RMB4,827,256,868. Please refer to the section "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" for details.

(2) As approved by the Board of Directors, Mr. Sun Nan has started to serve as the Secretary to the Board of Directors and a Joint Company Secretary of the Company with effect from May 8, 2020, and Mr. Xu Yicheng has ceased to hold these positions since then.

(3) As approved by the Board of Directors and the shareholders' general meeting, Mr. Huang Zhaohui has started to serve as the Executive Director and Authorized Representative of the Company since February 28, 2020, and Mr. Bi Mingjian has ceased to hold these positions since then.

II. INTRODUCTION TO OUR COMPANY

History

Our Company, China's first joint venture investment bank, was established on July 31, 1995 with the name of China International Capital Corporation Limited (中國國際金融有限公司) in the PRC as approved by the PBOC with a registered capital of US$100 million. The promoters of our Company were the former People's Construction Bank of China (中國人民建設銀行), Morgan Stanley & Co. Incorporated (摩根士丹利國際公司), I&G (then known as China National Investment & Guaranty Corporation (中國經濟技術投資擔保公司)), GIC Private Limited (新加坡政府投資有限公司, then known as Government of Singapore Investment Corporation Pte. Ltd. (新加坡政府投資公司)) and Mingly Corporation (名力集團控股有限公司) (then known as The Mingly Corporation Limited (名力集團)).

On June 1, 2015, our Company was converted into a joint stock company with limited liability with the name of China International Capital Corporation Limited (中國國際金融股份有限公司). Upon the conversion, our Company had a total share capital of RMB1,667,473,000 comprising 1,667,473,000 Shares with nominal value of RMB1.00 each.

Our Company was successfully listed on the Hong Kong Stock Exchange on November 9, 2015 and initially issued 555,824,000 H Shares, and further issued 83,372,000 H Shares upon the exercise of over-allotment option. After the completion of the global offering and the exercise of the over-allotment option, the total number of issued Shares of our Company increased from 1,667,473,000 Shares to 2,306,669,000 Shares.

On November 4, 2016, our Company and Huijin entered into the Equity Transfer Agreement, pursuant to which, our Company has agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of Former CISC (now renamed as CICC Wealth Management). CICC Wealth Management is a fully-licensed securities firm in the PRC with an extensive and well-established branch network, a large customer base and an integrated business platform. The Company became the sole shareholder of Former CISC (now renamed CICC Wealth Management) on March 21, 2017. 1,678,461,809 domestic shares had been issued as fully paid to Huijin as consideration for the Acquisition on April 12, 2017. Upon completion of the Acquisition, Huijin directly held 58.58% equity interest in our Company, and that the registered capital of our Company increased from RMB2,306,669,000 to RMB3,985,130,809.

On March 23, 2018, the Company completed the issuance of 207,537,059 new H Shares to Tencent Mobility Limited. Accordingly, the number of the Company's issued H Shares and the total issued Shares increased to 1,727,714,428 H Shares and 4,192,667,868 Shares, respectively.

On October 24, 2019, the Company has successfully allotted an aggregate of 176,000,000 new H Shares to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company, and accordingly, the total issued H Shares and the total issued Shares of the Company increased to 1,903,714,428 and 4,368,667,868 Shares, respectively.

On November 2, 2020, our Company was successfully listed on the Shanghai Stock Exchange and issued 458,589,000 A Shares in the initial public offering and a total of 2,464,953,440 domestic shares held by the original domestic shareholders of the Company were converted into 2,464,953,440 A Shares. Upon completion of the A Share Offering and Listing, the total number of issued Shares of our Company increased to 4,827,256,868 shares, including 1,903,714,428 H Shares and 2,923,542,440 A Shares.

Company Profile

(As of December 31, 2020)

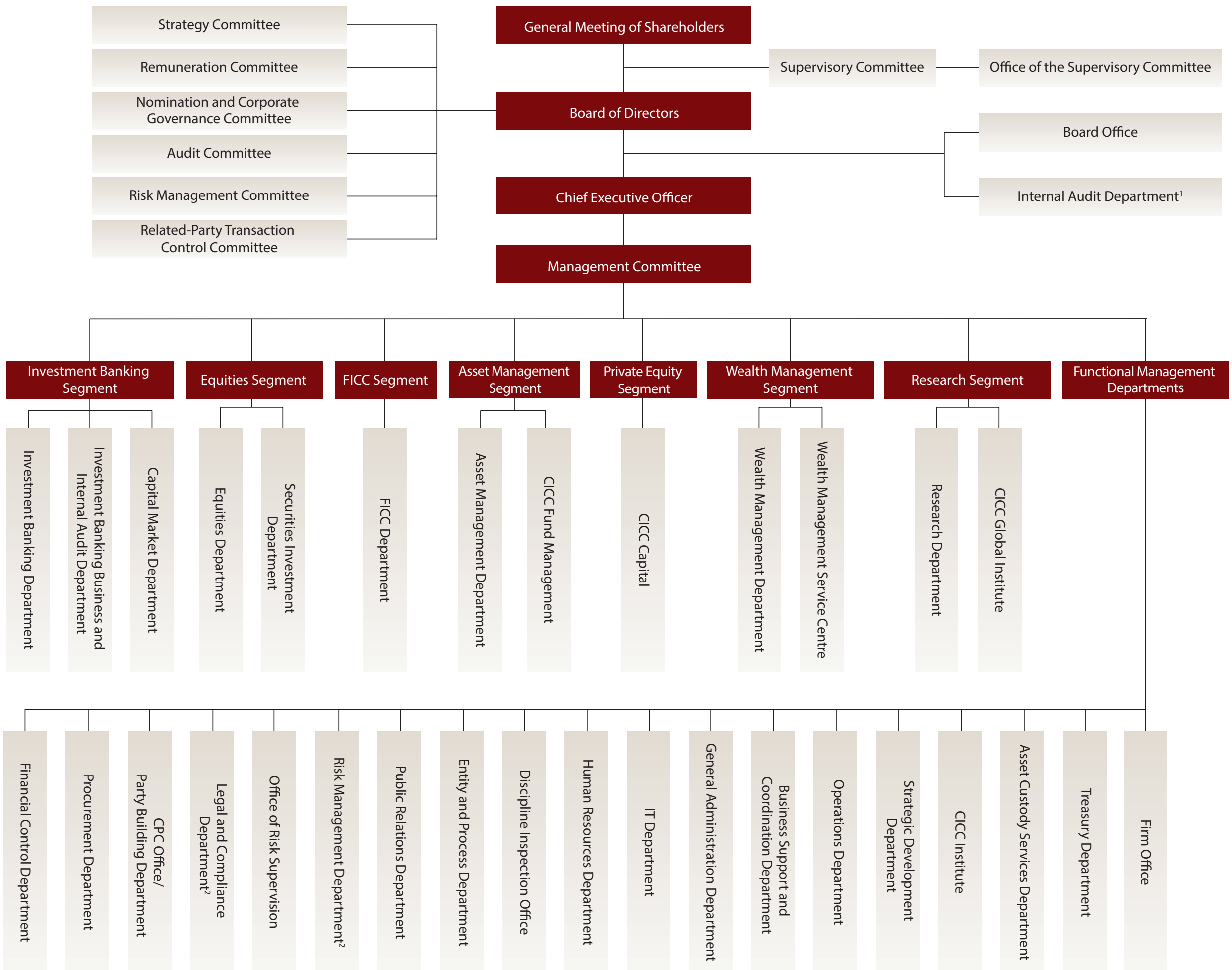
The Headquarters of our Group is in Beijing and as of December 31, 2020, our Group has a number of subsidiaries in the PRC, including CICC Wealth Management, CICC Capital, CICC Fund Management, CICC Pucheng and CICC Futures, and our Group has established branch companies in Shanghai, Shenzhen, Xiamen, Chengdu, Hangzhou and Jinan and the Group and its subsidiaries with over 200 securities branches located in 28 provinces and municipalities of the PRC.

After over 20 years of unremitting efforts, our Group has achieved remarkable progress in business development and transformed into an investment bank with an outstanding team, solid client base and excellent brand. In 2015, our Group obtained several business qualifications such as qualifications for internet finance business, integrated custodian business for private funds and custodian business for securities investment funds. In 2017, CICC obtained from the National Interbank Funding Centre the qualification of market makers for the Northbound Trading under Bond Connect. CICC Futures became a member of Shanghai International Energy Exchange Co., Ltd.. In 2018, CICC obtained the qualification for conducting pilot cross-border businesses and the tier-one OTC option dealer qualification. In 2019, CICC obtained the Operation Qualification of RMB Currency Trading Business and the Operation Qualification of Commodity Options Market-Making Business approved by the CSRC, the Pilot Qualification of Financing Through Exercising Incentive Share Options of Listed Companies approved by the Shenzhen Stock Exchange, the Operation Qualification of Private Equity Fund Service approved by the Asset Management Association of China (including the Operation Qualification of Shares Registration Business Service and the Operation Qualification of Valuation and Accounting Business Service), the Operation Qualification of Lead Market Maker of Listed Funds approved by the Shanghai Stock Exchange, and the Operation Qualification of STAR Market Securities Refinancing Business approved by the China Securities Finance Co., Ltd., and CICC also became the Core Dealer of Credit Protection Contracts approved by the Shenzhen Stock Exchange and a member of the China Banking Association in 2019. In 2020, CICC obtained the approval of the CSRC for pilot securities companies which supervise risk control indices on a consolidated basis, the qualification for conducting pilot fund investment advisory business, the lead underwriting qualification approved by the National Association of Financial Market, and the operation qualification of RMB currency trading business approved by the State Administration of Foreign Exchange and becoming a member of the interbank foreign exchange market, which have further improved the Group's business layout.

As the scope of business continues to expand, our Group has also actively ventured into overseas markets and has established offices in seven international financial centres, namely Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo with our international presence further strengthened. It laid a solid foundation for our Company to become a China-based global investment bank. Our Company was the first securities firm to obtain QDII qualification in 2007 and CICC US Securities was licensed by the US Financial Industry Regulatory Authority and the US Securities and Exchange Commission in the same year; CICC Singapore was licensed by the Monetary Authority of Singapore in 2008. In 2010, CICC UK was licensed by the UK Financial Services Authority. In 2011, CICC Hong Kong was among the first batch of securities companies to obtain approval to commence RQFII business under pilot scheme, CICC HK Futures obtained a license to operate the futures business, and CICC UK was qualified as a member of the London Stock Exchange. In 2012, CICC HK Securities obtained the license for leveraged foreign exchange trading during the same year. In 2013, CICC US Securities was qualified to operate its own research report issuance business, and CICC HK AM obtained QFII qualification. In 2016, the subsidiary of CICC Hong Kong obtained the qualification to be admitted to the national interbank bond market, and CICC HK Securities obtained qualification for the Shenzhen-Hong Kong Stock Connect. In 2017, CICC HK Securities became the first batch of CCASS members to obtain the qualification for the Bond Connect. In 2018, CICC HK Securities became a member and a settlement participant of Astana International Exchange Limited. CICC UK obtained the qualification of serving as a UK cross-border global depositary receipt conversion institution under the Shanghai-London Stock Connect. In 2020, CICC Singapore obtained the stock trading membership from the Singapore Exchange.

In recent years, our Group has focused on enhancing its core competitiveness, accelerating investments in innovative business, further developing its offshore business, endeavoring to realize a balanced principal business structure and striving to become a world renowned well-structured full-service financial institution.

CORPORATE ORGANIZATION AND STRUCTURE



Notes:

1. The Internal Audit Department is independent of the business departments of our Company and will report directly to the Audit Committee under the Board.

2. The Risk Management Department and the Legal and Compliance Department will report to the Management Committee in their daily work, and will report to the Risk Management Committee under the Board.

Major Honors Awarded in 2020

Since its incorporation in 1995, CICC has won honors and awards in events organized by domestic and foreign media and organizations: such as Best Investment Bank in China, Best Sales Service Team and Most Influential Research Institution by leveraging on its profound and professional knowledge in economies, industries, laws and regulations, and quality customer services. Below is a list of awards that we obtained in 2020:

Awards Sponsor: Finance Asia

Country Awards 2020

– Mainland, China
  - ➢ Best Investment Bank
  - ➢ Best ECM House
– Hong Kong, China (Chinese Financial Institutions)
  - ➢ Best Investment Bank
  - ➢ Best ECM House

Achievement Awards 2020

– M&A Deal of the Year:
  PetroChina's US$49.2 billion Sale of its Pipeline, Gas Storage and LNG Terminal Assets to PipeChina
– Best Deal of China:
  PetroChina's US$49.2 billion Sale of its Pipeline, Gas Storage and LNG Terminal Assets to PipeChina

Awards Sponsor: IFR Asia

IFR Asia Awards 2020

– Asian Bank of the Year
– China Equity House
– Best Equity Issue in Asia of the Year:
  Alibaba Group's US$12.9 billion Hong Kong Secondary Listing
– Best onshore Renminbi Bond in China of the Year:
  AIIB's RMB3 billion Panda bond

Awards Sponsor: Mergermarket

China M&A Awards 2020

– M&A Financial Adviser of the Year
– Consumer M&A Financial Adviser of the Year
– M&A Deal of the Year:
  China Oil & Gas Pipeline Network Corporation (Buyer: PipeChina)
– Financial Services M&A Deal of the Year:
  Baoshang Bank (Buyer: Huishang Bank)

Awards Sponsor: HK Takung Wenwei

Golden Bauhinia Awards 2020

– Best Listed Companies

Awards Sponsor: Institutional Investor

2020 All-Asia Executive Team (Banks Sector)

– Best ESG (Buy-Side Rank 1)

2020 Global Fixed-Income Investor Relations (Financials/Banks Sector of Asia)

– Best Investor Relations - Investment Grade (Rank 1)
– Best Use of Debt - Investment Grade (Rank 1)

Awards Sponsor: Institutional Investor & Caixin

2020 All-China Research Team Awards

– The All-China Best Research Team (ranked by teams)
  Firm Leaders: Overall (Rank 1)
  Firm Leaders: Mainland China (Rank 1)
  Firm Leaders: Rest of World (Rank 3)
– The All-China Best Sales Team
  The Leaders: Overall (Rank 1)
  The Leaders: Mainland China (Rank 1)
  The Leaders: Rest of World (Rank 3)

Awards Sponsor: Asiamoney

New Silk Road Finance Awards 2020

– Best Research House for BRI
– Best Chinese Bank in the Region for BRI (Southeast Asia)
– Best Chinese Bank in the Region for BRI (Central and Eastern Europe & Central and West Asia)

China ABS Awards 2020

– Best Firm for Securitization
– Best for CMBS

China Best Wealth Managers 2020

– Best Securities House in Wealth Management

Brokers Poll 2020

– China (A&B Share)
  ➢ Overall Combined Research & Sales
  ➢ Best Local Brokerage
  ➢ Best for Overall Research
  ➢ Best for Overall Sales
  ➢ Best for Corporate Access
  ➢ Best for Execution
– China (H-share, Red chip & P-chip)
  ➢ Best Local Brokerage
  ➢ Best for Overall Research
  ➢ Best for Overall Sales
  ➢ Best for Corporate Access
  ➢ Best for Execution
– Hong Kong, China (Local Share)
  ➢ Best Local Brokerage
  ➢ Best for Overall Research (Rank 2)
  ➢ Best for Overall Sales
  ➢ Best for Corporate Access
  ➢ Best for Execution

Awards Sponsor: Asian Private Banker

China Wealth Awards 2019

– Best Entrepreneur Services

Company Profile

Awards Sponsor: Universum

2020 China's Most Attractive Employers Rankings

– Top 1 of Investment Banks

Awards Sponsor: Mercer Marsh

Mercer China Healthiest Workplace Awards 2020

– Top Healthiest Workplace

Awards Sponsor: Securities Times

Best Investment Bank & Brokerage House in China Awards 2020

– Best Full-Service Investment Bank
– Best Investment Bank for SSE STAR Market
– Best Investment Bank for Main Board
– Best Brokerage House for Institutional Investor
– Best Deals of SSE STAR Market:
  China Railway Signal & Communication IPO
– Best SME Board Deals:
  CGN Power IPO
– Best Main Board Deals:
  Postal Savings Bank of China IPO
– Best M&A Deals:
  Yunnan Baiyao Merger with Baiyao Holdings

Best Wealth Management Institution in China Awards 2020

– Best Wealth Management Institution
– Best Investment Team of Equity Assets:
  Equity Investment Team of CICC

Culture Construction Video Awards 2020 of Security & Fund Industry

– Best Poverty Alleviation and Charity Team

Awards Sponsor: China Securities Journal

Best Asset Management Products Awards 2019

– Best Asset Management Institution of the Year
– Best Overseas Asset Management Institution of the Year
– Best Innovative Asset Management Plan of the Year:
  ICBC CICC USD MONEY MARKET ETF
– Best Two-year Asset Management Plan:
  CICC Anxin Huibao, CICC Peizhi, CICC Xinrui

Best Securities Company Awards 2020

– Top 10 Best Securities Companies
– Best Securities Companies for CSR
– Best Wealth Management Team
– Best Securities Companies for Fintech
– Best Securities Companies for Culture Construction

Awards Sponsor: YICAI

China Financial Value Ranking 2020

– Investment Banker of the Year
  Huang Zhaohui, CEO of CICC
– Chief Economist of the Year (Domestic)
  Peng Wensheng, Chief Economist of CICC

Awards Sponsor: New Fortune

13th Best Investment Bank in China Awards

– Best Investment Bank for IPO (Rank 1)
– Best Investment Bank for Overseas Market (Rank 1)
– Best Investment Bank for TMT (Rank 1)
– Best Investment Bank for Medical Health Care (Rank 1)
– Best Investment Bank for STAR Market (Rank 2)
– Best Investment Bank for Innovation (Rank 2)
– Best Equity House (Rank 2)
– Best Bond House (Rank 3)
– Best Investment Bank in China (Rank 3)
– Best Investment Bank for M&A (Rank 3)
– Best Investment Bank for Refinancing (Rank 4)

- Best IPO:
  PSBC (Rank 1)
  China Zheshang Bank (Rank 2)
  CGN Power (Rank 3)
- Best STAR Market IPO:
  China Railway Signal & Communication Corporation (Rank 1)
  Kingsoft Office (Rank 2)
  Montage Technology (Rank 3)
- Best Overseas Deals:
  Alibaba's HK Listing (Rank 1)
  COFCO Property's Acquisition of Joy City Property (Rank 2)
  Pinduoduo's US Follow-on Offering (Rank 3)
- Best Follow-on:
  BOC's Non-public Offering of Preferred Shares (Rank 1)
  ICBC's Non-public Offering of Preferred Shares (Rank 2)
- Best Corporate Bond:
  CREC's 2019 Corporate Bond (Rank 2)
- Best Convertible Bond:
  CMET's Convertible Bond (Rank 3)
- Best ABS:
  Jianyuan 2019-11 RMBS (Rank 1)

Awards Sponsor: Caijing

Evergreen Awards 2019

- Best for Sustainable Development and Green Initiative

Awards Sponsor: Tencent

China Benefit Corporation Award 2020

- Best Charity Award

Awards Sponsor: International Financial News

International Pioneer Financial Institution Awards 2020

- Best Securities Company for Asset Management
- Best Institution for High-net-worth Clients Service

CSR Pioneer Awards 2020

- Best Enterprises for Charity Innovation

Awards Sponsor: Sina

China ESG Golden Awards 2020

- Best Securities Company for Responsible Investment

Awards Sponsor: Wind

Wind Best Investment Bank Award 2019

- Best Equity Underwriter
- Best IPO Underwriter
- Best Refinancing Underwriter
- Best Preferred Shares Underwriter
- Best Bond Underwriter
- Best Credit Bond Underwriter (Investment Bank Category)
- Best Corporate Bond Underwriter
- Best Financial Bond Underwriter (Investment Bank Category)
- Best ABS Underwriter
- Best Corporate ABS Underwriter
- Best ABN Underwriter
- Best Credit ABS Underwriter
  Best Convertible Bond Underwriter

Company Profile

Awards Sponsor: Zero2IPO Group

China Venture Capital & Private Equity Ranking 2020

- Top 100 Best PE Institutions in China: CICC Capital (Rank 5)
- Top 10 Best Equity Investment Institutions of Investment Bank in China: CICC Capital (Rank 1)
- Top 10 Best Investment Institutions for Science and Technology Innovation enterprises in China: CICC Capital
- Top 10 Best PE Investors in China: SHAN Junbao, CEO of CICC Capital
- Top 30 Best Institutions on Internet/Mobile Internet Investment in China: CICC Capital
- Top 30 Best Institutions on Health Care Investment in China: CICC Capital
- Ten Billion Club in China's Equity Investment Market: CICC Capital
- Top 10 Lead Underwriters of Domestic Listing of Chinese Enterprises (Supported by VC/PR) (Rank 2)
- Top 10 Lead Underwriters of Overseas Listing of Chinese Enterprises (Supported by VC/PR): CICC HK (Rank 3)

Awards Sponsor: China Venture

CV Awards 2019

- Top 50 Best Domestic PE Institutions: CICC Capital (Rank 3)
- Top 10 Best PE Investment Institutions of Investment Bank in China: CICC Capital (Rank 2)

CV Limited Partner Awards 2020

- Top 20 Most Favored PE Institutions for LP: CICC Capital (Rank 3)
- Top 20 Most Favored PE Institutions for GP: CICC Capital (Rank 4)

Awards Sponsor: China FoF Alliance

China FoF Award 2020

- Top 10 Best Chinese Equity Investment Institutions for Fighting Against COVID-19: CICC Capital
- Top 30 Best Return FOF Managers: CICC Capital (Rank 1)
- Top 30 Best Return PE Institutions: CICC Capital (Rank 3)

Awards Sponsor: Caixin

China PE/VC Awards 2019-2020

- Top 20 Best PE Institutions in China: CICC Capital

Awards Sponsor: China ABS Forum

Frontiers Awards 2020

- Best Plan Manager & Underwriter of the Year
- Special Contribution Institutions of the year

Awards Sponsor: World Artificial Intelligence Conference Committee

Best Viewer's Choice Award for WAIC 2020

Note: As of the Latest Practicable Date March 25, 2021

Summary of Accounting Data and Financial Indicators

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	2020	2019	Change year-on-year	2018	2017	2016
Operating results[1] (RMB in million)						
Total revenue and other income	**32,401.8**	22,782.5	42.2%	18,539.7	15,260.2	8,941.3
Total expenses	**23,656.4**	17,541.3	34.9%	14,270.9	11,729.7	6,667.2
Profit before income tax	**8,712.7**	5,301.6	64.3%	4,387.3	3,601.0	2,329.7
Net profit attributable to shareholders of the Company	**7,207.5**	4,238.7	70.0%	3,492.2	2,766.3	1,820.3
Net cash (used in)/generated from operating activities	**(33,738.7)**	(27,657.8)	22.0%	11,056.1	(30,484.5)	(10,098.0)
Basic earnings per share (RMB/share)	**1.598**	0.990	61.4%	0.830	0.760	0.764
Weighted average return on net assets	**13.5%**	9.6%	Increased by 3.9 percentage points	8.8%	8.8%	10.7%

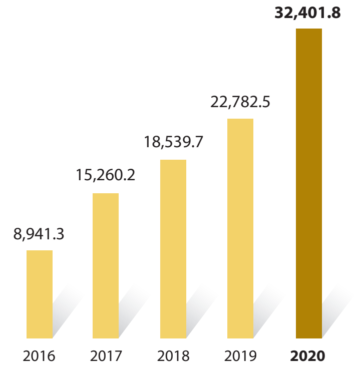
Items	December 31, 2020	December 31, 2019	Change year-on-year	December 31, 2018	December 31, 2017	December 31, 2016
Financial position (RMB in million)						
Total assets	**521,620.5**	344,971.2	51.2%	275,420.5	237,811.9	101,948.5
Total liabilities	**449,805.4**	296,439.7	51.7%	233,043.8	200,919.5	83,451.7
Total equity attributable to shareholders of the Company	**71,634.9**	48,293.8	48.3%	42,183.5	36,706.7	18,446.9
Accounts payable to brokerage clients and to underwriting clients	**70,655.2**	52,815.4	33.8%	41,317.9	47,346.5	17,392.4
Total share capital (in million shares)	**4,827.3**	4,368.7	10.5%	4,192.7	3,985.1	2,306.7
Net assets per share attributable to shareholders of the Company (RMB/share)	**13.8**	10.8	27.5%	9.8	9.0	7.6
Gearing ratio	**84.1%**	83.4%	Increased by 0.7 percentage point	81.9%	80.6%	78.1%

(1) Our Group had included CISC (now known as CICC Wealth Management) in our consolidated financial statements since March 31, 2017, and therefore the Group's operating results for 2017 consolidated the corresponding amounts of CICC Wealth Management for the period from April 1, 2017 to December 31, 2017, and the Group's operating results for 2018, 2019 and 2020 consolidated the corresponding amounts of CICC Wealth Management for the years from January 1, 2018 to December 31, 2018, from January 1, 2019 to December 31, 2019 and from January 1, 2020 to December 31, 2020, respectively.

Summary of Accounting Data and Financial Indicators

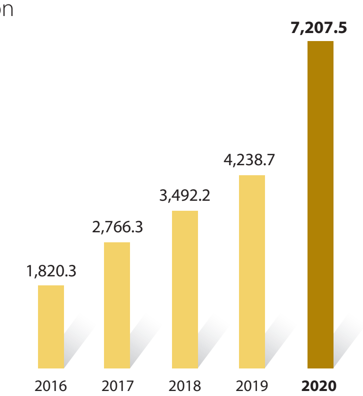
Total revenue and other income

RMB in million

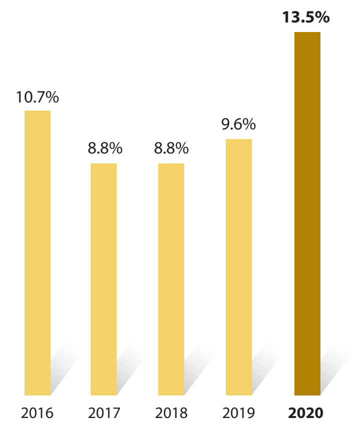


Net profit attributable to shareholders of the Company

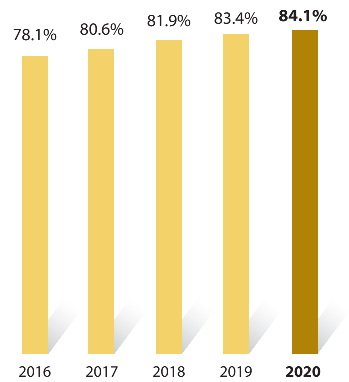
RMB in million



Weighted average return on net assets

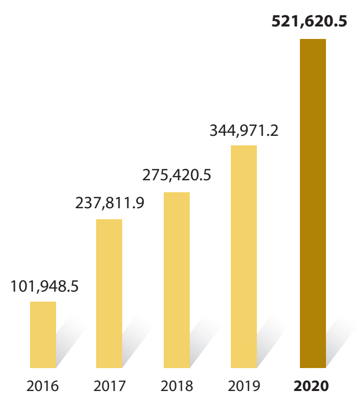


Gearing ratio



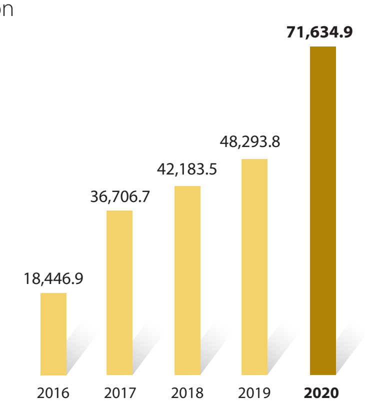
Total assets

RMB in million



Total equity attributable to shareholders of the Company

RMB in million



II. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

In terms of our Group's consolidated net profits for 2020 and 2019 and the consolidated net assets as of December 31, 2020 and December 31, 2019, there's no difference between the data presented in the consolidated financial statements prepared in accordance with IFRSs and that presented in the consolidated financial statements prepared in accordance with CASs.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As of December 31, 2020, the net capital of the Company amounted to RMB46,601.7 million, representing an increase of 62.4% as compared with RMB28,702.0 million as of December 31, 2019. In 2020, our Company's net capital and other risk control indicators all met regulatory requirements.

Unit: RMB in million

Items	December 31, 2020	December 31, 2019
Core net capital	**31,851.7**	19,134.7
Supplementary net capital	**14,750.0**	9,567.3
Net capital	**46,601.7**	28,702.0
Net assets	**60,320.0**	40,885.3
Total risk capital reserves	**28,613.2**	21,663.2
Total on-and-off-balance-sheet assets	**221,768.0**	182,810.8
Risk coverage ratio	**162.9%**	132.5%
Capital leverage ratio	**14.4%**	10.5%
Liquidity coverage ratio	**248.6%**	251.9%
Net stable funding ratio	**125.0%**	128.8%
Net capital/net assets	**77.3%**	70.2%
Net capital/liabilities	**22.7%**	24.7%
Net assets/liabilities	**29.4%**	35.1%
Equity securities and related derivatives held/net capital	**45.6%**	44.9%
Non-equity securities and related derivatives held/net capital	**278.5%**	290.1%

Management Discussion and Analysis

Management Discussion and Analysis

I. CORPORATE STRATEGIES AND OPERATIONS

Market Environment

China continued to reform and open up its financial sector in 2020. The country strengthened the coordination among financial regulators and further improved the macro prudential management framework. Meanwhile, implementation of opening-up measures accelerated in the financial sector. In response to impacts from COVID-19, China's macro policies became more counter-cyclical, and the country's macro leverage ratio rose markedly. We believe regulators' top priorities in 2021 will still include strengthening financial regulation to prevent systemic financial risks, and adherence to the principle that "houses are for living in, not for speculation". Supporting the real economy will remain the primary goal of the financial industry, in our view.

China further advanced capital market reforms in 2020. Reform initiatives include the pilot registration-based IPO system and other reforms in the ChiNext market, the official launch of the NEEQ Select market, revisions to the compilation rules for the Shanghai Stock Exchange Composite Index, adjustments to rules for delisting and follow-on equity placement, as well as introduction of pilot infrastructure REITs. From a medium-to long-term perspective, we believe rapid development and opening-up of China's capital market will continue, while fundamental market systems and the quality of listed companies will further improve. This presents golden opportunities for strategic development of the securities industry, in our view.

The unexpected COVID-19 outbreak in early 2020 dealt a heavy blow to China and the global economy. As a result, central banks around the world reverted to expansionary policies and began to slash interest rates. Benchmark interest rates fell to zero or even became negative in a number of developed economies. However, the People's Bank of China took a rather prudent approach and adopted flexible monetary policies by accurately adjusting its policy magnitude, pace and focus in light of actual economic conditions. This approach helped maintain financial stability, support economic recovery, and keep the interest rate spread between renminbi and foreign currencies in a proper range, making renminbi assets more attractive. Meanwhile, the financial industry relinquished RMB1.5 trillion in profits to the real economy, achieving the full-year target for 2020.

The financial industry has provided increasing support to the real economy, especially in critical areas related to China's national strategy, inclusive finance, technological innovation and green development. At a regular convention held in 4Q20, the PBOC's Monetary Policy Committee highlighted a wide range of initiatives, including development of systems and mechanisms for the financial industry's effective support to the real economy, as well as improved financial support for innovations in the form of complete funding systems for innovations and value chains. The Committee called for positive interactions and constructive cycles among financial, technological and industrial sectors, and urged financial institutions to provide more medium-to long-term loans to manufacturing industries. In addition, the regulator stated that the financial industry should provide private businesses with adequate support that matches their contribution to China's economic and social development. The regulator also stressed the importance of an improved "green" financial system, which should help China achieve its goal for carbon neutrality following the peaking of the country's carbon emissions.

China continued to work on the prevention, mitigation and removal of major financial risks. The government encouraged companies to lower their financial leverage via market-based debt-to-equity swaps. In particular, state-owned enterprises have been urged to reduce their debt to asset ratios. The financial industry has been asked to assist local governments to reduce and remove their hidden debts. While the financing activities of local governments are subject to strict regulation, they have received support for bond issuance, which should help improve their debt structures. High risks in troubled financial institutions, including Baoshang Bank, Hengfeng Bank, and Bank of Jinzhou, have been methodically dealt with and mitigated. In accordance with relevant laws, regulators took over nine financial institutions: Tianan Property Insurance Co., Ltd., Huaxia Life Insurance Co., Ltd., Tianan Life Insurance Co., Ltd., Yi An Property & Casualty Insurance Co., Ltd., New Times Trust Co., Ltd., New China Trust Co., Ltd., New Times Securities, Guosheng Securities, and Guosheng Futures. Financial institutions have been urged to step up their efforts to deal with non-performing assets. Regulators have strived to methodically remove implicit guarantees for redemption in the bond market, and have introduced new tools and better mechanisms to handle bond defaults.

Despite the unexpected COVID-19 outbreak in 2020, China continued to open up the border of its financial markets to both domestic and overseas investors at an accelerating pace. In September, CSRC, PBOC and SAFE jointly issued new rules on QFII and RQFII, which further lowered the domestic market's entry barrier for overseas investors and expanded the scope of financial products. Moreover, the large-scale and frequent quota expansions were unprecedented since 2018, and well illustrated China's strong confidence and firm resolution to further open up financial markets. Fund flows between domestic and overseas financial markets became more active in 2020. The total northbound fund inflows under the Shanghai/Shenzhen-Hong Kong Stock Connect schemes remained quite high at RMB208.9 billion in 2020, although the level in 2019 was higher at RMB351.7 billion. Southbound fund flows were even stronger and totaled almost RMB600 billion in 2020, 2.7 times as much as the amount in 2019. Looking ahead, we believe Chinese assets will become more attractive to overseas investors and capital inflow will increase, thanks to China's effective pandemic containment, faster work resumption ahead of the rest of the world, and greater certainty in fundamentals and policies. In addition, the strengthening renminbi and a high interest rate spread between China and the US may also attract capital flows into China. In contrast, most economies around the world are still struggling with low interest rates and low growth rates due to their failures to bring COVID-19 under control.

Landscape of Securities Industry

The securities industry became more profitable as performance of China's capital market continued to improve in 2020. Key market indicators rose across the board, with the CSI 300 Index and ChiNext Index up 27.2% and 65.0% respectively. The A-share market's daily average turnover grew 63.0% YoY to RMB847.8 billion, while the year-end balance of margin trading/short selling rose to RMB1.6 trillion, up 58.8% from the amount at the beginning of the year. As a result, the securities industry's profitability further improved. Multiple securities firms replenished their capital, and the industry's leverage ratio rose steadily due to growing assets in both investment business and financing for clients. As for performance of various business lines, we believe brokerage income and interest from margin trading/short selling should have grown significantly thanks to upbeat trading sentiment in the market. As China expanded the pilot registration-based IPO reform and eased restrictions on follow-on equity placement, the income from investment banking business continued to rise robustly, driven by strong volume growth in IPOs/follow-on equity placement and moderate increases in bond financing. Despite a decline in the total amount of assets under management, performance of asset management business began to improve in 2020 as solid growth of active management has effectively offset negative impacts from the "elimination of channel business". Meanwhile, securities firms' investment business remained stable as stock markets rose while bond markets fluctuated. The structure of investment income and its contribution to total revenue have both diverged significantly among securities firms.

The securities industry's competitive landscape is improving thanks to further reforms in the capital market, the regulator's favorable policies for strong players and restrictions on poor performers, as well as disparities in development strategies adopted by different securities firms. Rapid development of the capital market leads to strong volume growth and business upgrades in the securities industry, presenting securities firms with golden opportunities for business expansion. On the other hand, capital market reforms have raised proportions of institutional and international investors, prompting securities firms to differentiate their development strategies from competitors' so as to grow larger and stronger. Leading securities firms have been strengthening their competitive advantages in a wide range of areas, such as business transformation to develop wealth management, improvement of integrated service capabilities for institutional clients, and development of active asset management business. Under the registration-based IPO system, leading securities firms are also sharpening their competitive edge in comprehensive investment banking businesses and the combination of investment banking with related businesses backed by their capital base. Therefore, we believe leading securities firms' business growth will outpace the industry average, driving up the industry's concentration ratio. Looking ahead, we believe leading securities firms can maintain and strengthen their competitive advantages by building financial ecosystems centered around client demand, spending more on technology advancement and platform construction, and developing integrated business models along the whole value chain to create entry barriers.

We believe China's reform and opening-up of the capital market, coupled with the country's switch to a new development pattern and substantial changes in Chinese households' asset allocation, will pave the way for the rise of strong China-based international investment banks. Development of the capital market has its roots in the real economy. In the "14th Five-Year Plan" period, China will accelerate the construction of a new development pattern that features domestic circulation as the mainstay and the mutual reinforcement between domestic circulation and international circulation. We believe this will provide solid support for the country's efforts to further reform the capital market and expand the proportion of direct financing. For the securities industry, capital market reforms will provide sustained policy benefits that may lead to more active trading in the near term, help securities firms expand operations and upgrade business models in the medium-to long-term, and enhance the systemic importance of the securities industry in the long run. We believe that sustained capital inflow into China's capital market and accelerating expansion of financial assets in household asset allocation will provide fresh liquidity support for the high-quality development of the capital market, in which direct financing will be the primary financing approach. Moreover, the capital market will also benefit from the expanding proportion of medium-to long-term investment thanks to the strong growth of professional asset management institutions. Therefore, we see golden opportunities for strategic development of China's securities industry, and look forward to the rise of first-class China-based international investment banks.

Development Strategies

Looking into the future, a new round of deep reform and opening up of China's economy and capital market will provide unprecedented historical opportunities for CICC to achieve leapfrog development. In line with our medium and long-term development goals, we will strive to increase the market share, expand the revenue size, and accelerate our pace to become a first-class international investment bank.

Business Plans

2021 will be a critical year for CICC to deepen strategic implementation and digital transformation. The Company will focus on the "Three + One" strategic deployment of "digitization, regionalization and internationalization" and "One CICC", and strive to reach a higher stage of development in both scale and quality by increasing resource investment, improving network layout, accelerating transformation and development, consolidating the middle and back-end capability.

II. ANALYSIS OF CORE COMPETITIVENESS

(I) Premier Brand

Our Company has established a premier brand in the financial services industry. Since the inception, our Company has drawn on advanced management model of world-class investment banks and combined with best practices in China, and has always adhered to the business philosophy of "By the People and For the Nation, Professionalism and Diligence, Innovation and Entrepreneurship, Clients First, and Integrity", which won us a market reputation at home and abroad. For years, while maintaining high-standard practices, our Company has actively participated in reforms and system construction of the capital market to stimulate business innovation. Our Company maintained leading positions in many businesses for years, and was honored numerous awards as the best player in China.

Our Company regarded the brand cultivation and cultural building as key measures to continuously enhance our market leading position. Leveraging our franchise and core values of professionalism, entrepreneurship and pursuing excellence, our Company continued to attract outstanding talents and new clients, expand our business scope and capture important business opportunities while maintaining the stability of existing employees and clients.

(II) High-quality Client Base

Our Company has explored an extensive and profound client base with high quality. Relying on our excellent service quality and professional service capabilities, our Company has formed a profound client base covering a wide range of large-sized enterprises, high-quality emerging growth companies, professional institutional investors and growing wealth management clients that play important roles in the national economy and capital market. Our Company can provide our clients with complicated, diversified and high-quality business services through our integrated and customized cross-border platform. Our Company have developed long-term cooperation with clients and are dedicated to providing them with a comprehensive suite of products and services.

Management Discussion and Analysis

(III) Forward-Looking and Balanced Business Structure

Our Company has established our business structure from a forward-looking prospective based on our insight into development trends of global capital markets. With the accelerating process of internationalization and institutionalization of the capital market in recent years, a large number of traditional channel businesses are facing tremendous pressure. As such, in line with the trend of "internationalization", "institutionalization" and "productization", our Company continued to enhance overall capabilities and embark on a new track in advance, with the aim to promote the sustainable development of emerging businesses related to the science and technology innovation board, prime brokerage business, cross-border business, asset management business and wealth management business.

(IV) Outstanding Cross-border Capability

Capitalizing on our distinct international DNA and first mover advantage in pursuing international strategy, our Company has formed outstanding cross-border business capabilities with a leading position in the cross-border arena, thus proactively playing our role in serving cross-border capital transactions and promoting the mutual opening of financial markets.

In terms of international presence, our Company has established overseas operations and business activities in seven financial centres across Hong Kong, New York, London, Singapore, San Francisco, Frankfurt and Tokyo, which are managed by respective business lines vertically, so as to fully mobilize domestic and overseas resources including research, people and products, thus providing one-stop cross-border services for our clients. The seamless connection among our domestic and overseas businesses equipped our teams with both domestic and overseas business experience. The substantial majority of members of our investment banking and research teams have obtained qualifications for domestic businesses and businesses in several overseas regions.

In terms of cross-border business, our Company has been serving the "introduction" and "going global" needs of industrial capital and financial capital, which enabled us to enjoy certain advantages in businesses such as overseas IPOs for PRC-based companies, offshore bond offerings, and cross-border mergers and acquisitions, to sustain strong growth in emerging businesses such as cross-border transactions and the Connect business and to maintain the leading market in terms of transaction volume of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect business, thereby strengthening the influence of PRC-based institutions in the international market. In addition, our Company continued to enhance cross-border business capabilities and international presence through the acquisition of Krane Funds Advisors in the United States.

(V) Leading and Influential Research

Research is an important foundation for our business. Our talented and experienced international research team has provided objective, independent, prudent and professional research services for domestic and overseas clients through our research platform covering the global markets. With in-depth understanding, thorough analysis and unique insights into Chinese companies and industries, our research team has won the Company a reputation as the "China Expert".

Our research capabilities have been widely recognized by influential international institutions. These included the "No. 1 Overall Country Research for China" in the Asiamoney Brokers Poll, which marked the 15th consecutive year of our championship in this poll from 2006 to 2020. We were also named the "No.1 The All-China Best Research Team" by *Institutional Investor* for nine consecutive years from 2012 to 2020.

(VI) Experienced Management and High-quality Workforce

Our Company has a senior management team with global perspectives and entrepreneurship, and a high-quality workforce with full licenses at home and abroad.

Rooted in our international DNA, most members of our senior management team have work experience in domestic and overseas financial institutions with global perspectives. Meantime, they have experienced the main development course and multiple cycles of China's securities industry, and are equipped with rich experience and profound understanding regarding domestic and overseas capital markets and the securities markets. Riding on the concept of "Chinese Roots and International Reach", our senior management team has constantly combined advanced management experience with the practices of China's financial reform, and took the lead in developing new products and vigorously exploring new markets.

Our excellent brand and high-quality platforms enabled us to recruit the best graduates from top domestic and overseas universities, providing the best talents for our domestic and overseas branches. Our sound staff development and training system have provided comprehensive and systematic training for employees at different levels and positions, thereby continuously enhancing professional capabilities of our workforce and equipping them with practice capabilities to obtain full licenses. Meanwhile, riding on the advanced international experience, our Company has developed advanced talent selection and cultivation mechanism combining incentives in line with market benchmarks, thereby maintaining a large number of outstanding talents to support the long-term sustainable development of our Company. Through the above measures, we have developed high-quality workforce to support our rapid, healthy and sustainable development.

(VII) Efficient Management Model and Prudent Risk Management Mechanism

Our Company has established an efficient and reasonable management model and a comprehensive and prudent risk management mechanism. Since establishment, our Company has adhered to the concept of combining best international practices with the actual conditions of China, formulated a full set of governance structure and management procedures in line with international standards, and established a vertical management model covering business operations and internal control of the Company to ensure efficient and effective management. At the same time, our Company has always adhered to and continuously strengthened the "all staff, whole process, full coverage and penetrating" risk control compliance system and operating mechanism, through which the parent company can conduct integrated vertical management over domestic and overseas subsidiaries and branches, and the same business and the same client can be subject to unified risk management. Therefore, our Company has formed centralized and effective business management and risk control, and unified decision-making, management and resources allocation, thus ensuring the smooth and orderly development of our business and the stable operation of our risk control system.

(VIII) Advanced Information Technology Capabilities

We consider information technology as a core component of our competitiveness. We have a sound IT governance structure and the industry-leading independent research and development capabilities. Our Company has developed three basic technology systems regarding basic transactions, products and services, and risk control and operation management, to provide complicated whole-process and end-to-end financial products and services for clients and various business units as well as global support of comprehensive business operation and management capabilities. Our Company has adopted self-developed and industry-leading core business systems and platforms with stable operation.

The Company will continue to promote our business development based on information technologies. With the continuous advancement of information technologies in recent years, our Company has also increased capital investment in and attached importance to talent training and capacity building, continued to optimize our organizational structure and operating model, and proactively researched and explored the application of new technologies in various business areas of investment banks, so as to promote the integration of businesses and technologies. Capitalizing on the advantages brought by the booming development of China's financial technologies, we have actively carried out strategic cooperation with China's leading technology companies to develop new products, businesses and models with data and technology. In September 2019, our Company announced the proposal to establish a joint venture financial technology company, Jinteng Technology, with Tencent in China. As such, we can provide more convenient, intelligent and differentiated wealth management solutions, enhance the service efficiency of investment consultants, optimize precision marketing and drive the accelerated transformation and scalable development of the Company's wealth management business. Jinteng Technology started operation in September, 2020.

III. ANALYSIS OF PRINCIPAL BUSINESS

INVESTMENT BANKING

Equity Financing

Market Environment

In 2020, a total of 399 A-share IPOs were completed, with an aggregate financing size of approximately RMB472.7 billion, representing a year-on-year increase of 86.5%; a total of 318 A-share follow-on offerings were completed, with an aggregate financing size of approximately RMB600.4 billion, representing a year-on-year increase of 297.7%.

In the Hong Kong primary market, a total of 145 Hong Kong IPOs were completed, with an aggregate financing size of approximately US$51.6 billion, representing a year-on-year increase of 28.0%; in terms of follow-on offerings and selldowns, a total of 279 transactions were closed with an aggregate amount of approximately US$44.1 billion, representing a year-on-year increase of 165.7%.

In the U.S. primary market, a total of 37 US IPOs of PRC-based companies were completed, with an aggregate financing size of approximately US$14.0 billion, representing a year-on-year increase of 251.3%. A total of 60 US follow-on offerings and selldowns of PRC-based companies were completed, with an aggregate trading size of approximately US$24.0 billion, representing a year-on-year increase of 183.3%.

Actions and Achievements

In 2020, our Company closed a total of 32 A-share IPOs acting as the lead underwriter, with an aggregate lead underwriting amount of RMB62.4 billion, ranking No.2 in the market. The Company closed a total of 19 A-share refinancing projects acting as the lead underwriter, with an aggregate lead underwriting amount of RMB40.4 billion, ranking No.4 in the market.

In 2020, the Company sponsored a total of 13 Hong Kong IPOs acting as the sponsor, with an aggregate amount of US$5.4 billion, ranking No.2 in the market; the Company closed a total of 29 Hong Kong IPOs acting as the global coordinator, with an aggregate lead underwriting amount of US$6.2 billion, ranking first in the market; the Company also closed a total of 33 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US$4.0 billion, ranking first in the market. In 2020, the Company closed 22 transactions of follow-on offerings and selldowns for Hong Kong stocks acting as the lead bookrunner, with an aggregate lead underwriting amount of US$2.8 billion, ranking No.6 in the market.

In 2020, the Company closed a total of 7 US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US$1.3 billion, ranking No.5 in the market. In 2020, the Company closed 6 US follow-on offerings and selldowns of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US$3.0 billion, ranking No.4 in the market.

	2020		2019	
Items **A Shares**	**Lead underwriting amount (RMB in million)**	**Number of offerings**	Lead underwriting amount (RMB in million)	Number of offerings
IPOs	**62,417**	**32**	40,262	18
Follow-on offerings	**40,433**	**19**	7,830	6
Preference shares offerings	**0**	**0**	38,125	5

	2020		2019	
Items **Hong Kong equity offerings**	**Lead underwriting amount (USD in million)**	**Number of offerings**	Lead underwriting amount (USD in million)	Number of offerings
IPOs	**4,006**	**33**	4,201	30
Follow-on offerings	**2,821**	**22**	1,373	10

	2020		2019	
Items **U.S. equity offerings by PRC-based companies**	**Lead underwriting amount (USD in million)**	**Number of offerings**	Lead underwriting amount (USD in million)	Number of offerings
IPOs	**1,303**	**7**	422	10
Follow-on offerings	**3,001**	**6**	316	1

Source: Company statistics; Wind for A-share market, Dealogic for overseas market;

Note: Domestic follow-on offerings include private placement, public placement and allotment; follow-on offerings for Hong Kong stock market and PRC-based U.S. stock market include placement, allotment, and block trade sell down.

Outlook for 2021

In 2021, the Company will continue to serve major national strategies, and give full play to our unique advantages to comprehensively promote the sound development of investment banking business. We will increase the breadth and depth of customer coverage from multiple dimensions and deepen our presence in emerging industries, build our pipeline so as to establish a leading position in the industry, and increase our market share and ranking. We will also implement our regional strategies with focus on the Yangtze River Delta, the Greater Bay Area, Beijing-Tianjin-Hebei Region, the Yangtze River Economic Belt and the Chengdu-Chongqing economic circle, thus firmly expanding our regional presence. Meantime, in order to accelerate the development of cross-border businesses, we will further increase the coverage of large multinational companies, pay attention to and capture thematic opportunities in the context of changing international situation, and continue to strengthen the coverage of customers in international regions such as the Belt and Road regions, Japan and South Korea.

Debt and Structured Financing

Market Environment

In the domestic market, due to the impact of COVID-19 outbreak in early 2020, domestic interest rates declined driven by monetary policies, and the scale of bond financing increased significantly on demand and supply factors. In the middle of 2020, with the easing of the pandemic, recovery of economic fundamentals and tightening monetary policies in China, as well as the upward fluctuation of interest rates due to the negative impact of bond risk events in the third and fourth quarters on market sentiment, the growth of bond financing slowed down. The size of domestic credit bond issuance was approximately RMB19.1 trillion in 2020, representing a year-on-year increase of 29.0%. In the offshore market, due to the liquidity crisis of US dollars and the panic sentiment in the market caused by the global COVID-19 pandemic in the first quarter of 2020, the new overseas debt capital raising amount of PRC-based companies decreased significantly. Since the second quarter, with the periodic improvement of the pandemic and the economic recovery in many countries, intensified easing monetary policies around the world and the restoration of investors' risk sentiments, the overseas debt capital raising activities of PRC-based companies gradually picked up. In 2020, the overseas debt capital raising amount of PRC-based companies amounted to approximately US$232.1 billion, representing a year-on-year decrease of 1.4%.

Actions and Achievements

In 2020, the Group closed a total of 821 fixed income transactions, representing a year-on-year increase of 52.0%. Among them, 696 onshore bond underwriting transactions amounted to approximately RMB654.1 billion, and 125 offshore bond underwriting transactions amounted to approximately US$7.0 billion.

In 2020, CICC continued to promote strategic product innovation, international presence, regional strategy and digital transformation, and proactively built presence in publicly-offered REITs business. CICC ranked No. 4 among securities firms in terms of onshore bond offering amount. In terms of financial bonds, CICC ranked No.1 in the size of perpetual bond issuance to financial institutions. As for asset-backed securities business, CICC ranked No.2 in the market in terms of the underwriting amount of asset-backed securities, and leading the market in several market segments including CMBS, RMBS, and non-performing loan ABS, maintaining our advantage in China's market of innovative structured financing business. In terms of offshore bonds, CICC's underwriting size continued to increase, ranking No.2 among PRC-based securities companies in terms of the overseas debt capital raising amount of PRC-based companies and No.1 among PRC-based securities companies in terms of the underwriting amount of investment-grade USD bond offerings by PRC-based issuers.

In terms of product innovation and milestone deals, CICC assisted the AIIB in its first RMB financing in China, assisted the Agricultural Bank of China in issuing the first small and micro financial bond related to pandemic prevention and control among large state-owned banks, assisted Orient Asset Management in issuing the first non-fixed term capital bond of a non-bank financial institution, completed the IDC infrastructure revenue rights ABS for Sino-Ocean UNIQloud which was the first new infrastructure revenue rights ABS in the market, and completed the bad asset-backed securities for TECO which was the first bad asset-backed securities of a non-bank financial institution. In terms of offshore products, CICC was the only PRC-based investment bank participating in the issuance of foreign currency sovereign bonds by the Ministry of Finance of China acting as the lead underwriter and bookrunner for 4 consecutive years. In addition, CICC assisted the Paris Branch of Bank of China in issuing the first blue bonds in the Asia-Pacific region, and assisted Pirelli in issuing overseas convertible bonds with an amount of EUR500 million.

Outlook for 2021

In 2021, our Company will intensify business activities in all kinds of asset securitization and supplement professionals in key areas; continue to promote the breadth and depth of cross-selling of fixed income products, and expand means of customer services based on the types of key products. The Company will also enhance risk awareness and comprehensively improve quality control of fixed income underwriting business, so as to enhance our deal sourcing and execution capabilities.

Management Discussion and Analysis

Financial Advisory Services

Market Environment

In 2020, according to statistics of Dealogic, 5,155 mergers and acquisitions ("M&A") were announced on China's M&A market with an aggregate amount of approximately US$582.5 billion, representing a year-on-year increase of 30.8%, among which, 4,567 were domestic M&A transactions with a total amount of approximately US$520.3 billion, representing a year-on-year increase of 43.5%; and 588 were cross-border M&A transactions with a total amount of approximately US$62.2 billion, representing a year-on-year decrease of 24.8%.

Actions and Achievements

We continued to reinforce our leadership in the M&A business. In 2020, according to Dealogic, the Company announced 90 deals, involving an amount of approximately US$187.2 billion. Among these transactions, 78 were domestic M&A transactions with a total amount of approximately US$175.6 billion and 12 were cross-border and offshore M&A transactions with a total amount of approximately US$11.6 billion. In 2020, we ranked No.1 in the PRC M&A market with a market share of approximately 30.8%, further expanding CICC's market leadership.

The milestone transactions announced in 2020 include:

Projects	Size	Highlights
Reorganization of PipeChina	US$108.3 billion	The largest M&A transaction in the world in 2020, involving 13 transaction entities in multiple capital markets and representing another benchmark transaction in reorganization of state-owned enterprises
Privatization of Haier Electrics through issuing H shares by Haier Smart Home and listing on the Hong Kong stock market by way of introduction	US$6.7 billion	The first privatization of an A-share company through issuing H shares and listing on the Hong Kong stock market by way of introduction
Mixed reform of China Eastern Airlines	US$4.6 billion	The first case of ownership diversification reform at the centrally-owned group company level under the three-year state-owned enterprise reform action plan
Merger of Yingkou Port by Dalian Port by way of absorption	US$2.3 billion	The largest transaction of an A+H listed company merging with an A-share company by way of absorption and supported capital raising at the same time
Acquisition of China Railway Materials Sheng by Tianjin Faw Xiali Automobile through issuing shares	US$1.7 billion	Realizing the overall listing of China Railway Materials Group, and creating a typical model for large-scale asset reorganization and vitalization of existing assets between central state-owned group companies
Reorganization of Chongqing Brewery and Carlsberg China	US$900 million	Integrating core businesses in China by a large multinational group company through innovative joint venture structure and injected into an A-share listing platform to achieve overall listing
BYD Semiconductor's Series A and Series A+ private placements	US$400 million	Introducing over 40 domestic and foreign investors by a key semiconductor company in China

Outlook for 2021

In 2021, the Company will intensify its efforts in business development to further increase its market share, strengthen domestic and foreign synergy to capture cross-border M&A business opportunities under the dual-circle landscape, and deepen inter-regional cooperation to expand its coverage of local state-owned enterprises and leading local private enterprises. The Company will actively pursue new business models and explore investment opportunities focusing on market-based M&A.

EQUITIES

Market Environment

In 2020, affected by uncertainties including global trade frictions and the COVID-19 outbreak, the global stock market swung significantly. Main stock indexes trended downward in the first quarter. In the second quarter, central banks introduced expansionary monetary policies and various stimulus measures, thus restoring investor confidence. In the second half of the year, continuous flowing of money into technology, consumer and other sectors, which were favored by investors, as well as excellent performance of many new shares after listing, warmed up overall markets, with especially significant rise in the US stock market and the A-share market. In the fourth quarter, as the COVID-19 vaccination and other positive factors helped get the global economy back on track, the prospects of profit and restoration of values of listed companies were expected, thus boosting investment sentiment.

As of December 31, 2020, there were increases of 13.9% in SSE Composite Index, 38.7% in SZSE Component Index, 65.0% in ChiNext Price Index, 43.9% in SZSE SME Price Index; while there were declines of 3.4% in Hang Seng Indexes and 3.8% in H-shares Index as compared with the beginning of the year. The Hang Seng TECH Index, which was launched at the end of July 2020, rose by 78.7%, significantly outperforming the broader stock market. In 2020, the average daily turnover of A shares reached RMB847.8 billion, representing a year-on-year increase of 63.0%, with the average daily turnover in July and August exceeding RMB1.0 trillion; the average daily turnover in the Hong Kong stock market was HK$129.5 billion, representing a year-on-year increase of 48.6%; the net flow into Northbound Stock Connect was RMB208.9 billion, and the net flow into the Southbound Stock Connect reached HK$672.1 billion.

Actions and Achievements

In 2020, against the backdrop of significant fluctuations of the global market, for the equities business, the Company continuously improved its comprehensive customer service capacity, actively expanded into new areas and acquired new customer bases, increased the scale and productivity, and paid attention to monetizing business synergy within the department and with other business lines, so as to achieve a win-win outcome. Meanwhile, the equities business, continuously enhanced operation management, exercised effective risk control and compliance management, and continuously improved systems and optimized processes to prevent financial risks; accelerated and promoted the systematization and digitalization process, and constructed an all-around business system in an orderly manner. In 2020, the equities business saw a significant year-on-year increase in domestic and overseas business revenues, outperforming the market, with a balanced structure of domestic and overseas, on-exchange and OTC business revenues.

Management Discussion and Analysis

In terms of coverage of customers, for the equities business, the Company enhanced its efforts for online and offline services, and innovated its service model, so as to ensure its efforts and efficiency to acquire and serve new and old customers at home and abroad. In 2020, the number of accounts opened by domestic and overseas customers kept growing considerably, with the turnover and market share hitting another record high. The customer coverage and market share of the Company in long funds (including QFII/RQFII, WOFE, QDII and Shanghai-Shenzhen Stock Connect investors), insurance companies and hedge fund continued to remain at a high level, with a steady increase in its trading market share of mutual funds. The Company won bids for businesses of wealth management subsidiaries of various banks under the model of settlement via securities brokers, implemented various models of cooperation with bank customers. In terms of Connect business, the Company achieved a steady increase in the number of customer accounts opened with it, and the total transaction volume and share, and had ranked among the tops in the market for years in a row.

In terms of capital business, the Company fully seized the opportunities from fluctuations of the global market, thus achieving significant increases in revenue, scale, customers and trading volume. For overseas product business, the Company strengthened team development, continuously expanding its scale. The Company continuously improved its domestic prime brokerage business platform, and maintained its market leading position for its cross-border business. In 2020, the Company actively promoted the margin trading and securities lending business for qualified foreign institutional investors, and reported the first order for QFII refinancing securities lending in the market. In derivatives business, the Company offered both standard and tailor-made services. The Company continuously innovated its product mix, and carried out many corporate derivative businesses, which were highly recognized in the market. As a result, the Company continued to maintain its leading position among OTC option market makers. The capital introduction business and equities proprietary trading business were carried out successfully, with steady growth in results.

In terms of international business, the Company deepened and expanded its business in the international market, continuously strengthened the construction and arrangement of local trading platforms in Hong Kong, Singapore, New York and London. As a result, the Company's sources of revenue from overseas trading activities became increasingly diversified. In 2020, CICC Singapore officially became a member of the Singapore Exchange. The Company implemented the secondary listing in Hong Kong of enterprises with U.S.-listed China concepts stocks and the listing of several GDRs in London. The total number, amount and types of projects in primary and secondary markets implemented by the team in the year were higher than those in recent years. Introducing high-quality foreign institutional investors into various A-share projects became a benchmark in the market.

Outlook for 2021

We will continue to act by the principle of serving national strategy, seize the opportunities from internal and external dual circulation, the reform and opening up of capital market, and the development of financial technologies, and rely on extensive regional and international professional customer bases to further construct domestic and overseas, on-exchange and OTC platforms for global stock asset allocation, and make efforts to promote trans-department cross-selling, so as to expand the scale. We will continuously improve our risk management capability, empower through technology, improve our business systems, to constantly enhance operation management efficiency and customer experience.

FICC

Market Environment

In 2020, facing the unprecedented impact of the historical pandemic in a century, domestic and foreign economies experienced a rapid decline in the short term. However, due to strong prevention and control in China and favorable monetary and fiscal policies, China's economy has recovered in a steady manner since the second quarter, becoming the only major economy in the world which has achieved positive economic growth in 2020. To cope with the impact of the pandemic, ultra-loose monetary policies were initiated around the world, and China's 10-year government bond yields hit a new low in 10 years, while bond yields fell rapidly. Since May, with the gradual control of the pandemic, China gradually tightened monetary policies and recovered its economy, and bond yields experienced upward fluctuations. In the third quarter, bond yields experienced constant fluctuations due to the stock-bond rotation, China-U.S. trade friction and the supply and demand of the bond market. In November, credit bond default events caused a relatively significant impact on the bond market, and the primary and secondary markets were all affected to some extent. In terms of cross-border investment and financing, China continued to open up its bond market, and the holdings of China's bonds by foreign institutions have increased significantly.

Actions and Achievements

In 2020, the Company further promoted the innovation of FICC business, and formed a domestic and overseas business system covering interest rates, credit, structuring, commodities and foreign exchange products. Meantime, the Company established a professional product line to comprehensively improve its comprehensive customer service capabilities, so as to create an all-round fixed-income service and support platform covering market making, financing, and cross-border businesses. Despite of volatilities in the market environment, the trading business continued to showcase sound trading and risk control capabilities, and realized gains by steadily capturing market opportunities. Cross-border business has achieved solid progress, with Bond Connect trading volume reaching RMB50 billion, a year-on-year increase of 53%, hitting a record high.

In 2020, the Company continued to strengthen its infrastructure for FICC business, and optimized and established three major infrastructure platforms covering capital, operation, and IT system to promote business development. The Company has also established an agility team for digital transformation, with a view to vigorously promoting the digital transformation of the entire FICC business line.

Outlook for 2021

The Company will continue to promote the strategic transformation of its FICC business, enhance its comprehensive customer service capabilities, and develop a first-class market-making platform for FICC products featured by cross-border, cross-market and cross-platform. The Company will strengthen risk control to achieve better returns, and form a risk control mechanism in line with its business development. The Company will further strengthen its capacities in creating various financial products to diversify product lines and enlarge product scale. The Company will improve its cross-border business capabilities to accelerate international presence, and step up in digital development to build a first-class FICC fin-tech platform.

ASSET MANAGEMENT

Asset Management

Market Environment

Since the beginning of 2020, with the continuous improvement of new asset management regulations, the policies of removal of implicit guarantees and curbing the "conduit" business began to take effect. The ecological landscape of the industry has been further reshaped, and transformation and innovation has become the key drivers for the reform and development of the asset management industry to improve competitiveness. In 2020, the securities firms' asset management "conduit" business continued to decline, the size of active management continued to expand, and the transformation toward publicly-offered products accelerated.

The fifth plenary session of the 19th Central Committee of the Communist Party of China and other significant meetings have pictured the systematic plan and strategic roadmap for the "14th Five-Year Plan" period, and formulated a series of policies and measures regarding deepening capital market reforms, promoting two-way opening-up of financial markets and strengthening the construction of the investment side of the capital market, which will play a significant guiding role in the future development of the overall asset management industry. As China continuously deepened reform and expanded opening-up in a comprehensive way, the household asset allocation has ushered in a "turning point". With the accelerating sophistication of institutional investors as well as the continuous optimization of the capital market system, cross-border capital transactions have been increasing, which has provided broad space and massive opportunities for the development of China's asset management industry.

Actions and Achievements

In 2020, the asset management business comprehensively improved its comprehensive service capabilities offerings. The asset management business further optimized its product arrangements, improved its product planning, and established a customer-centered product and service management system; further improved its research capabilities, and built an integrated investment and research platform; vigorously improved the level of specialized sales-force and customer acquisition practice, and focused on strengthening the coverage over and service for national social security fund, annuity plans, bank wealth management subsidiaries, and corporate customers. The asset management business expanded internal and external key retail channels, increased access to bank channels, and actively developed online third-party channels. The asset management business seized the business opportunities arising out of global asset allocation by Chinese-funded organizations, and gradually expanded overseas channels to strengthen the coverage over foreign-funded organizations. The asset management business refined the middle and back office management, teased out the optimization process, identified major risks in various businesses in a systematic and forward-looking manner, and improved its risk management system. The asset management business increased the information technology investment, strengthened the construction for system automation, promoted financial technology innovation, and empowered business development.

As of December 31, 2020, the AUM of the Asset Management Department of the Company was RMB512.9 billion, representing an increase of 72.3% compared with the end of 2019. By product line, the assets under management of collective asset management products and segregated asset management products (including NSSF, corporate annuities, occupational annuities and pensions) were RMB165.4 billion and RMB347.5 billion, respectively. We had altogether 598 products under management, most of which were under active management.

Outlook for 2021

In 2021, the asset management business will continue to consolidate the platform for asset management business, strengthen the development of investment and research teams, improve its investment capability, product lines and customer service level, strengthen the coverage over channels, international and specific regions, and continuously expand its business scale and market share. The asset management business will actively participate in the digital transformation of the Company, substantially promote the construction of business, management and control platforms, so as to support and promote high-quality development.

In 2021, the asset management business will seize market opportunities to vigorously promote the development of regular business and capture strategic opportunities pace up efforts to establish itself as a world-class asset manager and play a pivotal role as an important bridge for the capital market and become an important force for the transformation of household savings into investment, and an important professional institutional investor in terms of investment.

Management Discussion and Analysis

CICC Fund Management

Market Environment

In 2020, the A-share market continued to see an upward trend since 2019, experiencing the strongest rally among the highest of major global markets. In 2020, with the remarkable wealth effect of mutual funds and the continuous development of the industry, the assets and products under management and new products issued by mutual funds hit a record high. As of the end of the year, the AUM of mutual funds hit another record high of RMB19.9 trillion, and the newly issued funds exceeded RMB3.2 trillion in the year. The industry scale increased by RMB5.1 trillion, or 35% compared with the end of the previous year, while the scale of non-money market funds increased by RMB4.2 trillion, or 55%. In the year, there were many best-selling funds, and mutual funds increasingly became an investment tool trusted by ordinary investors.

During the year, many regulatory measures promoted the reform and innovation of the mutual fund industry. The introduction of the guide on China's infrastructure REITs provided new opportunities for the industry; the implementation of new sales regulations guided the long-term sales behavior; the newly revised securities law laid a foundation for the long-term improvement of the industry.

Actions and Achievements

In 2020, CICC Fund Management continued to improve its product line with a focus on actively managed equity-type products and fixed-income products. Meanwhile, in active response to the national policy and capitalizing on the advantages of CICC, CICC Fund Management made efforts to develop new businesses including China's infrastructure REITs and ETF. CICC Fund Management continued to invest in the construction of investment and research teams, and persisted in steadily improving its long-term investment performance. CICC Fund Management accelerated the efforts in deepening regional penetration, thus further enhancing retail coverage and service capabilities; continued to gain institutional access, so as to vigorously acquire key customers and increase customer stickiness; and promoted online marketing on third-party distributor to realize the conversion to sales. In 2020, the operation of CICC Fund Management was stable, without material violations of laws and regulations or major compliance risks.

In 2020, the assets under management of CICC Fund Management amounted to RMB55.3 billion, representing a year-on-year increase of 98%. In particular, the size of mutual funds increased to RMB54.0 billion, representing a year-on-year increase of 127%; and the size of private asset management schemes amounted to RMB1.3 billion.

Outlook for 2021

In 2021, CICC Fund Management will continue to focus on developing the active management capacity for long-term stable performance and providing instrument-type products for long-term allocation. CICC Fund Management will be deeply engaged in the retail market to expand coverage, enhance its channel service capabilities and customer experience, strengthen the development of institutional business and the investment in online third-party distributor. CICC Fund Management will actively make preparation for the third-pillar pension FoF business, and fully use the Group's resources to explore new addressable markets, so as to make important contributions to all-round improvement in asset management and comprehensive service capabilities of the Group.

PRIVATE EQUITY

Market Environment

In 2020, as affected by the COVID-19 epidemic and new regulations over asset management, China's private equity fundraising market continued to be under pressure. The industry continued to polarize where leading private equity funds continued to draw the biggest share of capital. But we do see more development opportunities here. On the one hand, there are more channels allowing overseas capital into China as the state continued to advance financial opening-up; on the other hand, the fund sources of the private equity market is expected to further expand with the implementation of China's policies to further widen equity investment market access for long-term capital, such as insurance funds.

In terms of investment, since the second quarter of 2020, with the constant gloom of the COVID-19 pandemic in China, private equity investment has been relatively active. An obvious trend is that capital flows to leading funds and leading institutions increased, and high-quality funds attracted more and more investors. Investment in biomedicine, semiconductors, and corporate services sectors was booming.

In terms of exit, the deepening reform of the domestic capital market boosted confidence in exiting the market, and the VC/PE penetration rate of newly listed companies continued to increase. With the continuous deepening of China's capital market reforms, a multi-layered market has gradually formed, providing more exit options for private equity investments.

Actions and Achievements

CICC Capital is committed to establishing a unified and open management platform. Internally, we achieved resource centralization and management synergy. Externally, we fostered an open platform ecosystem. The family of funds managed by CICC Capital mainly included domestic corporate equity investment funds, fund of funds, US dollar funds, real estate funds, and infrastructure funds. The industries covered include high technology, high-end manufacturing, comprehensive healthcare and macro consumption.

During the Reporting Period, CICC Capital mainly deployed industrial funds through strong cooperation with multinational companies, innovative special account management funds via cooperation with large industrial groups, and focused on growth investments, for instance, direct investment funds, and key regional pillar products, and has formed relatively diversified product lines. We laid a solid foundation for the stable business development of CICC Capital in the long run through balancing the overall risk of the business in light of diversified risk profiles of different products. Amid the challenging fundraising environment in the market, some star funds continued to enlarge, demonstrating investors' confidence in the investment and management capabilities of CICC Capital. On October 30 2020, our Group established the second private equity subsidiary – CICC Private Equity Investment and Management Company Limited in Shanghai, which will manage funds in the Yangtze River Delta region to serve the economic development within the region. As of December 31, 2020, CICC Capital's overall asset management[1] through various means reached approximately RMB302.2 billion.

CICC Capital attaches great importance to risk, and risk awareness has been implanted in CICC culture. CICC Capital emphasizes on further strengthening risk awareness of the team, and urges the team to carry out investment, post-investment and exit in a more prudent manner to generate more revenue through investment appreciation, and create value for investors. In terms of internal control management, CICC Capital continued to promote sound and effective risk management and control measures, enhanced the unified management and control capabilities of its platform, and further formulated stricter standards for investment decisions and post-investment management of each fund on the basis of the existing relatively complete and strict risk management system in line with business development.

1 The subscription size under management, including CICC Qianhai and CISC Luckystone (China-invs Changchun inclusive) which were newly brought into management in 2020, totalled RMB18.04 billion.

Management Discussion and Analysis

Outlook for 2021

CICC Capital will continue to adhere to the basic concept of pursuing growth in prudent and steady paces to ensure stability and strive for success while progressing. Catering for the requirements of shareholders and the needs of its own development, CICC Capital will vigorously develop the strategies of internationalization, regionalization, and digitalization, consolidate the platform to effectively leverage its own advantages, and grasp opportunities brought by the reform of China's stock economies and development of new economies to create long-term solid investment returns for investors. In 2021, CICC Capital will further strengthen its advantage in terms of scale of assets under management and expand its market presence; focus on establishment of US dollar funds, and deploy platform resources to fully develop investors of US dollar funds; expand its advantages in corporate equity products, and deploy resources to establish new funds with leading industry players and local government platforms; focus on the high-tech, high-end manufacturing, comprehensive healthcare and macro consumption industries to strengthen empowerment and support of investment research for business teams; leverage CICC Capital's advantages in fund of funds products and actively develop solutions for fund of funds and market-based funds; in terms of M&A funds, start with single-project M&A funds, and gradually transform to market-based leveraged buyouts and in the meantime constantly cultivate the post-investment capabilities of the platform; focus on the development of infrastructure funds and real estate funds, and explore the development of mezzanine funds and special opportunity funds; continue to optimize the income structure of CICC Capital by increasing its own capital investment; continue to promote cross-departmental cooperation and further strengthen inter-departmental business coordination; continue to strengthen risk control management and unified management and control of business platforms.

THE ASSETS UNDER MANAGEMENT OF THE GROUP

As of December 31, 2020, the size of total assets managed by different business divisions and subsidiaries of our Group is set forth as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	% of change
AUM in relation to fee and commission income (wholly-owned)			
Collective asset management schemes	**169,021**	49,046	244.6%
Segregated asset management schemes	**380,858**	271,395	40.3%
Special asset management schemes	**209,966**	152,959	37.3%
Mutual funds[1]	**55,298**	27,869	98.4%
Private equity investment funds	**198,603**	175,552	13.1%
Subtotal	**1,013,746**	676,821	49.8%
AUM in relation to share of profits of associates and joint ventures (jointly-invested)			
Private equity investment funds	**115,904**	135,470	-14.4%
Non-private equity investment funds	**45,029**	24,534	83.5%
Subtotal	**160,932**	160,004	0.6%
Total	**1,174,679**	836,825	40.4%

Note:

(1) Mutual funds include public securities investment funds and private asset management schemes under the management of CICC Fund.

WEALTH MANAGEMENT

Market Environment

In 2020, against the backdrop of the COVID-19 pandemic and the complex international situation, the domestic capital market maintained a good growth momentum, benefiting from the global stimulus policies and China's early and rapid recovery from the outbreak. In 2020, SSE Composite Index rose by 13.9% and SZSE Component Index was up by 38.7%. In the first half of the year, the average daily turnover in Shanghai and Shenzhen stock markets reached RMB809.4 billion, which increased to RMB1,116.4 billion in the third quarter and decreased to RMB867.8 billion in the fourth quarter. In addition, the growth of residents' wealth and the greater popularity of long-term investment and investment diversification philosophies strongly promoted the transformation of the wealth management business.

Actions and Achievements

In 2020, the wealth management business seized market opportunities to carry out various businesses in an orderly manner, thus achieving rapid growth in terms of operating results, steadily improving its market competitiveness and realizing high-quality development. In terms of product allocation business, the size of existing products increased sharply by 74%; long position and quantitative strategies for selected products which were sold on a commission basis outperformed the average for like products; the results of bond products and fixed-income products were stable. In terms of buy-side investment consulting business, private account and fund investment advisory led the industry transformation, and enhanced the customer experience through multi-asset allocation, and guided customers to make reasonable allocation for long-term investment. In terms of trading business, the trading share increased significantly to 2.13%, and new breakthroughs were made in traditional business through measures including capitalizing on the research capability of the Group, improving online customer experience and strengthening operational services to customers.

In 2020, the wealth management business further improved customer segmentation services, expanded the scale of private wealth management business, significantly enhanced productivity, and strengthened market presence. Meanwhile, along with the digital transformation of CICC, leveraging the financial technology and online-to-offline means, breakthroughs were made in serving affluent and mass customers; the pilot project team formed an effective customer base management system and team working mechanism, laying a foundation for a larger-scale comprehensive transformation in 2021. As of December 31, 2020, the number of wealth management customers of CICC was 3,694,107, representing an increase of 12.9% compared with the end of 2019 on a comparable basis. The total customer assets reached RMB2,578.3 billion, representing an increase of 40.2% compared with the end of 2019 on a comparable basis. There were 25,625 high-net-worth individuals[1] as of December 31, 2020, representing an increase of 32.1% compared with the end of 2019 on a comparable basis. The total assets of high-net-worth individuals amounted to RMB672.5 billion, representing an increase of 46.1% compared with the end of 2019 on a comparable basis.

Outlook for 2021

In 2021, the wealth management business will continue to improve and firmly implement its strategic plans, and speed up reform with focus on key points. Under the background of the deep integration of wealth management of CICC and CICC Wealth Management Securities, the wealth management business will intensify reform and innovation, starting from digitalization and organization mode to promote wealth management transitioning leveraging financial technology, and enhance core competitiveness, thus making new progress in establishing a world-class wealth management organization worthy of customers' trust.

Note:

(1) High-net-worth individuals refer to the clients with client assets of over (including) RMB3.0 million

RESEARCH

Our research team covers global markets and serves clients both at home and abroad through the Group's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy and market strategy to fixed income, asset allocation, equities, commodities, and derivatives. As of December 31, 2020, our research team employed almost 200 highly experienced professionals, and covered more than 30 sectors and 1,100 companies listed in the Chinese mainland, Hong Kong SAR, New York, Singapore, Frankfurt, London and Paris.

CICC Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In 2020, we published more than 15,000 research reports in Chinese and/or English. On top of numerous sector and company reports, we also assembled a series of in-depth thematic reports, such as *Digital Economy: The Next Decade*, *Economic and Financial Cycles to Converge in 2021*, *China Infrastructure REIT Research Series,* as well as thematic reports on China's consumer industries and potential winners in this promising arena. These research products show our profound understanding of China. The superior quality and extensive coverage of our research reports have earned us the reputation as the "China Expert".

Our research team continued to win awards from prominent international institutions in 2020. These include the "Best for Overall Research (China)" in the Asiamoney Brokers Poll, marking the 15th consecutive year of our championship in this poll from 2006 to 2020. We also topped the All-China Research Team (Firm Leaders: Overall) hosted by *Institutional Investor* for nine consecutive years from 2012 to 2020.

To accomplish CICC's strategic goal and implement the "One CICC" corporate culture, the Group decided to optimize the allocation of research resources to maximize benefits from internal cooperation and synergies based on existing research strengths. We adjusted organizational structures to consolidate the Group's research resources, and built an integrated research platform with solid competitive advantages over peers to better support the Group's various business lines and continue to deliver high-quality research services to clients.

CICC established a new tier-one department – CICC Global Institute (CGI) – to provide its accumulated knowledge and wisdom to support China's national strategy. Created as a new top-notch think tank for a changed world in a brand new era, CGI's key mission is to assist in the research and formulation of China's public policies, participate in discussions and communications about international policies, and offer suggestions on the development of China's financial markets, especially the capital market. CGI will endeavor to build a strong team with solid capabilities for the research of key issues in the medium- and long-term development of Chinese and global economies, financial systems and capital markets. The think tank's forward-looking research will focus on major topics of vital significance to the country and people's well-being. CGI shall serve and support government organizations, corporate entities and other institutions via research consultations, high-profile forums, international communications and a whole series of thematic seminars. Mr. Huang Zhaohui, CEO of CICC, serves as the Dean of CICC Global Institute. Mr. Peng Wensheng, Chief Economist and Head of Research Department, serves as the Executive Dean of CICC Global Institute.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(i) Profitability Analysis of Our Group

In 2020, confronted with the impact of the global spread of COVID-19 pandemic as well as the complex and harsh market environment, the Group actively coped with the challenges and implemented effective pandemic prevention and control and efficient business management. It maintained a rapid businesses development and continuously improved its operating efficiency. The investment banking business remained committed to serve the financing for real economy. The equities business further consolidated the leading position in the market. The Group continuously improved the FICC business layout and infrastructure and systematically enhanced the capabilities of providing comprehensive asset management services. It also maintained an industry-leading position of its private equity business in terms of the total assets under management and achieved remarkable results in transformation and development of its wealth management business.

In 2020, the Group realized total revenue and other income of RMB32,401.8 million, representing a year-on-year increase of RMB9,619.3 million or 42.2%. In 2020, the Group realized net profit attributable to shareholders of the Company of RMB7,207.5 million, representing a year-on-year increase of RMB2,968.7 million or 70.0%. The Group realized earnings per share of RMB1.598 in 2020, representing a year-on-year increase of 61.4%. The weighted average return on net assets was 13.5%, representing a year-on-year increase of 3.9 percentage points.

(ii) Asset Structure and Quality

As of December 31, 2020, total assets of the Group amounted to RMB521,620.5 million, representing a year-on-year increase of RMB176,649.3 million or 51.2%. Total liabilities of the Group amounted to RMB449,805.4 million, representing a year-on-year increase of RMB153,365.7 million or 51.7%. The Group's total equity attributable to shareholders of our Company amounted to RMB71,634.9 million, representing a year-on-year increase of RMB23,341.1 million or 48.3%. After deducting accounts payable to brokerage clients and to underwriting clients of RMB70,655.2 million, the adjusted total assets of the Group amounted to RMB450,965.3 million; the adjusted total liabilities amounted to RMB379,150.2 million; the gearing ratio was 84.1%, increased by 0.7 percentage point from 83.4% as of December 31, 2019; the operating leverage ratio was 6.3 times, representing an increase of 0.2 time compared with 6.0 times as of December 31, 2019.

As of December 31, 2020, the Group's financial assets at fair value through profit or loss and derivative financial assets totalled RMB259,917.0 million, accounting for 49.8% of the total assets; financial assets at fair value through other comprehensive income amounted to RMB37,212.2 million, accounting for 7.1% of the total assets; cash and bank balances and cash held on behalf of clients totalled RMB108,111.8 million, accounting for 20.7% of the total assets; receivable from margin clients and reverse REPOs totalled RMB52,315.5 million, accounting for 10.0% of the total assets; interests in associates and joint ventures amounted to RMB1,188.9 million, accounting for 0.2% of the total assets; other assets totalled RMB62,875.2 million, accounting for 12.1% of the total assets.

Management Discussion and Analysis

As of December 31, 2020, most of the Group's liabilities were current liabilities, among which accounts payable to brokerage clients amounted to RMB70,655.2 million, accounting for 15.7% of the total liabilities; REPOs amounted to RMB25,101.1 million, accounting for 5.6% of the total liabilities; placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year totalled RMB84,395.4 million, accounting for 18.8% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB67,574.1 million, accounting for 15.0% of the total liabilities; long-term debt securities issued amounted to RMB104,614.5 million, accounting for 23.3% of the total liabilities; other liabilities totalled RMB97,465.1 million, accounting for 21.7% of the total liabilities.

(iii) Cash Flows

In 2020, excluding the impacts of change in accounts payable to brokerage clients and to underwriting clients, net increase in cash and cash equivalents of the Group amounted to RMB24,190.8 million, representing an increase of RMB23,719.3 million or 5,031.7% compared with the net increase in cash and cash equivalents of RMB471.4 million in 2019, mainly due to the increase in net cash generated from financing activities.

Net cash used in operating activities amounted to RMB33,738.7 million in 2020, representing an increase of RMB6,080.9 million or 22.0% compared with the net cash used of RMB27,657.8 million in 2019, mainly due to a decrease in net cash inflows caused by an enlarged investment in financial assets at fair value through profit or loss and an increase in receivables for derivative transactions and receivables from brokers and clearinghouses. The decrease was partially offset by the increase in cash held on behalf of brokerage clients.

Net cash used in investing activities amounted to RMB8,058.6 million in 2020 and net cash generated amounted to RMB6,452.4 million in 2019. The variation was primarily a result of a decrease in cash receipts from disposal of investments as well as an increase in payment for purchase of investments.

Net cash generated from financing activities amounted to RMB65,988.0 million in 2020, representing an increase of RMB44,311.2 million or 204.4% compared with the net cash generated of RMB21,676.9 million in 2019. The increase was primarily attributable to proceeds from issuance of debt instruments and A Share Offering and Listing.

(iv) Financing Channels and Capability

Our Group constantly broadens its financing channels to optimize its liability structure. The financing instruments of our Group include perpetual subordinated bonds, subordinated bonds, corporate bonds, financial bonds, syndication loans, short-term commercial papers, beneficiary certificates, USD-denominated medium-term notes, structured notes, inter-bank borrowings and REPOs.

In addition, our Group may finance through follow-on offerings, rights issues and other ways according to market conditions and business needs.

(v) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss

Summary of Financial Performance

In 2020, the Group realized a net profit of RMB7,262.1 million, representing a year-on-year increase of 71.0%. The financial performance of the Group is summarized as follows:

Unit: RMB in million

Items	2020	2019	Change	% of change
Revenue				
Fee and commission income	**15,614.7**	10,733.1	4,881.6	45.5%
Interest income	**5,644.9**	4,800.2	844.7	17.6%
Investment income	**13,158.6**	6,958.6	6,200.0	89.1%
Total revenue	**34,418.2**	22,491.9	11,926.3	53.0%
Other (losses)/income, net	**(2,016.4)**	290.6	(2,307.0)	N/A
Total revenue and other income	**32,401.8**	22,782.5	9,619.3	42.2%
Total expenses	**23,656.4**	17,541.3	6,115.1	34.9%
Share of (losses)/profits of associates and joint ventures	**(32.8)**	60.4	(93.2)	N/A
Profit before income tax	**8,712.7**	5,301.6	3,411.1	64.3%
Income tax expense	**1,450.5**	1,053.8	396.7	37.6%
Profit for the year	**7,262.1**	4,247.8	3,014.3	71.0%
Net profit attributable to shareholders of the Company	**7,207.5**	4,238.7	2,968.7	70.0%

Revenue Breakdown

In 2020, the Group's revenue increased by 53.0% to RMB34,418.2 million compared with that in 2019. Investment income increased significantly compared with that of last year, resulting in a smaller proportion of fee and commission income and of interest income in total revenue. The structure of the Group's revenue for 2020 is presented as follows:

Items	**2020**	2019	**Change**
Fee and commission income	**45.4%**	47.7%	Decreased by 2.4 percentage points
Interest income	**16.4%**	21.3%	Decreased by 4.9 percentage points
Investment income	**38.2%**	30.9%	Increased by 7.3 percentage points
Total	**100.0%**	100.0%	

Fee and Commission Income and Expenses

In 2020, the Group realized a net fee and commission income of RMB13,625.6 million, representing a year-on-year increase of RMB4,078.9 million or 42.7%. A breakdown of the Group's fee and commission income and expenses in 2020 is presented as follows:

Unit: RMB in million

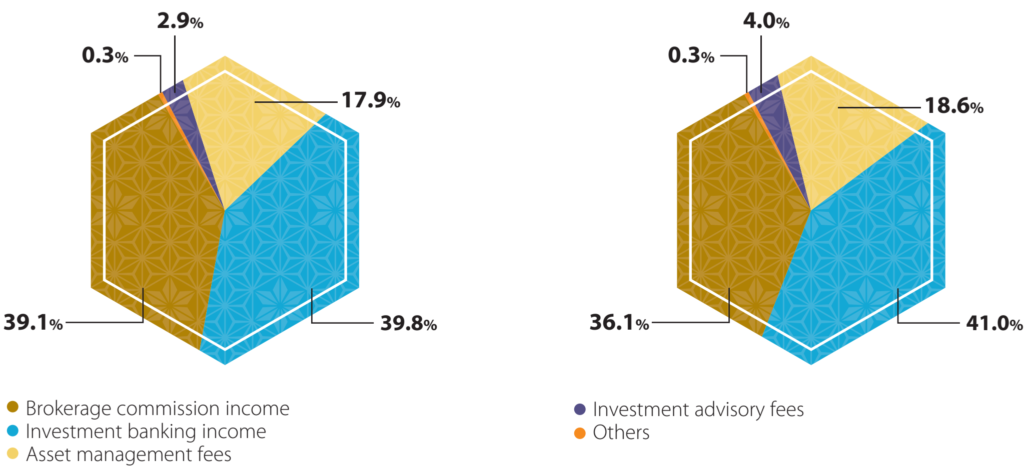
Items	2020	2019	Change	% of change
Fee and commission income				
Brokerage commission income	**6,110.7**	3,878.0	2,232.7	57.6%
Investment banking income	**6,209.4**	4,396.3	1,813.0	41.2%
Underwriting and sponsoring fees from equity financing	**4,129.2**	2,388.0	1,741.1	72.9%
Underwriting and sponsoring fees from debt and structured financing	**1,214.2**	1,333.6	(119.4)	(9.0%)
Financial advisory fees	**866.0**	674.7	191.4	28.4%
Asset management fees	**2,796.0**	2,001.5	794.5	39.7%
Asset management and mutual funds	**1,373.0**	886.2	486.9	54.9%
Private equity investment funds	**1,423.0**	1,115.3	307.6	27.6%
Investment advisory fees	**458.5**	424.7	33.8	8.0%
Others	**40.0**	32.5	7.6	23.3%
Total fee and commission income	**15,614.7**	10,733.1	4,881.6	45.5%
Fee and commission expenses	**1,989.1**	1,186.3	802.8	67.7%
Net fee and commission income	**13,625.6**	9,546.7	4,078.9	42.7%

Management Discussion and Analysis

The charts below set forth the composition of the Group's fee and commission income in 2020 and 2019:

Composition of fee and commission income in 2020

Composition of fee and commission income in 2019



The structure of the Group's fee and commission income in 2020 and 2019 is presented as follows:

Items	2020	2019	Change
Brokerage commission income	**39.1%**	36.1%	Increased by 3.0 percentage points
Investment banking income	**39.8%**	41.0%	Decreased by 1.2 percentage points
Asset management fees	**17.9%**	18.6%	Decreased by 0.7 percentage point
Investment advisory fees	**2.9%**	4.0%	Decreased by 1.0 percentage point
Others	**0.3%**	0.3%	Decreased by 0.0 percentage point
Total	**100.0%**	100.0%	

Brokerage commission income amounted to RMB6,110.7 million, representing a year-on-year increase of RMB2,232.7 million or 57.6%, mainly due to an outperformance of major stock indices over the broader stock market in Mainland China and Hong Kong SAR in 2020; at the same time, the average daily turnover of A shares reached RMB847.8 billion, representing a year-on-year increase of 63.0%, and the average daily turnover in the Hong Kong stock market was HK$129.5 billion, representing a year-on-year increase of 48.6%.

Investment banking income amounted to RMB6,209.4 million, representing a year-on-year increase of RMB1,813.0 million or 41.2%. Investment banking income included underwriting and sponsoring fees from equity financing and from debt and structured financing and financial advisory fees. Among them, the underwriting and sponsoring fees amounted to RMB5,343.3 million, representing a year-on-year increase of RMB1,621.7 million or 43.6%, mainly due to an increase in the underwriting and sponsoring fees from equity financing. Financial advisory fees amounted to RMB866.0 million, representing a year-on-year increase of RMB191.4 million or 28.4%, mainly due to the increases in IPO advisory fees and restructuring advisory fees compared with those in 2019.

Asset management fees amounted to RMB2,796.0 million, representing a year-on-year increase of RMB794.5 million or 39.7%, in line with the growth in AUM. Asset management fees consisted of the management fees from asset management business, mutual fund business and private equity investment fund business. In addition to asset management fees, the Group also had a share of profits of associates and joint ventures generated from the AUM of fund management companies jointly-invested by the Group.

Investment advisory fees amounted to RMB458.5 million, representing a year-on-year increase of RMB33.8 million or 8.0%, mainly due to a rise in demand for advisory services for private equity investments.

Fee and commission expenses amounted to RMB1,989.1 million, representing a year-on-year increase of RMB802.8 million or 67.7%, in line with the growth of the Group's fee and commission income.

Management Discussion and Analysis

Interest Income and Expenses

In 2020, the Group incurred net interest expenses of RMB1,068.9 million, among which interest income amounted to RMB5,644.9 million, representing a year-on-year increase of 17.6%, and among which interest expenses amounted to RMB6,713.7 million, representing a year-on-year increase of 13.9%. A breakdown of the Group's interest income and expenses in 2020 is presented as follows:

Unit: RMB in million

Items	2020	2019	Change	% of change
Interest income				
Interest income from financial institutions	**1,640.8**	1,379.0	261.8	19.0%
Interest income from margin financing and securities lending	**2,038.5**	1,461.1	577.3	39.5%
Interest income from reverse REPOs	**687.0**	724.5	(37.5)	(5.2%)
Interest income from financial assets at fair value through other comprehensive income	**1,163.3**	1,160.5	2.8	0.2%
Others	**115.3**	75.0	40.2	53.6%
Total interest income	**5,644.9**	4,800.2	844.7	17.6%
Interest expenses				
Interest expenses on accounts payable to brokerage clients	**232.5**	164.3	68.3	41.5%
Interest expenses on REPOs	**795.6**	1,009.6	(214.0)	(21.2%)
Interest expenses on placements from financial institutions	**822.0**	765.5	56.4	7.4%
Interest expenses on debt securities issued	**4,207.4**	3,424.9	782.5	22.8%
Interest expenses on lease liabilities	**57.2**	73.5	(16.3)	(22.2%)
Others	**599.1**	457.7	141.4	30.9%
Total interest expenses	**6,713.7**	5,895.5	818.2	13.9%
Net interest expenses	**(1,068.9)**	(1,095.3)	26.4	(2.4%)

Interest income from financial institutions amounted to RMB1,640.8 million, representing a year-on-year increase of RMB261.8 million or 19.0%, mainly due to the increases in bank balances and cash held on behalf of clients as compared with that in 2019.

Interest income from margin financing and securities lending amounted to RMB2,038.5 million, representing a year-on-year increase of RMB577.3 million or 39.5%, mainly due to an enlargement of average daily scale of margin financing as a result of surge in financing demands of domestic clients, resulting in the corresponding increase in interest income.

Interest income from reverse REPOs amounted to RMB687.0 million, representing a year-on-year decrease of RMB37.5 million or 5.2%, mainly due to a decrease in daily average scale of stock-pledged repurchase business.

Interest income from financial assets at fair value through other comprehensive income amounted to RMB1,163.3 million, representing an increase of RMB2.8 million or 0.2% compared with that in 2019.

Interest expenses amounted to RMB6,713.7 million, representing a year-on-year increase of RMB818.2 million or 13.9%, mainly due to an increase in debt financing. In 2020, in order to meet its business development needs and the regulatory requirements, the Group issued various debt securities including corporate bonds, subordinated bonds, structured notes and USD-denominated medium-term notes, resulting in the corresponding increase in interest expenses.

Management Discussion and Analysis

Investment Income

In 2020, the Group realized an investment income of RMB13,158.6 million, representing a year-on-year increase of RMB6,200.0 million or 89.1%. A breakdown of the Group's investment income in 2020 is presented as follows:

Unit: RMB in million

Items	2020	2019	Change	% of change
Investment income				
Net gains from disposal of financial assets at fair value through other comprehensive income	**143.6**	200.6	(57.0)	(28.4%)
Net gains from financial instruments at fair value through profit or loss and derivative financial instruments	**12,786.5**	6,759.3	6,027.1	89.2%
– Equity investments	**5,371.7**	2,753.6	2,618.1	95.1%
– Debt investments	**3,703.7**	2,890.3	813.4	28.1%
– Other investments	**3,711.1**	1,115.5	2,595.7	232.7%
Others	**228.6**	(1.3)	229.9	N/A
Total	**13,158.6**	6,958.6	6,200.0	89.1%

Net gains from disposal of financial assets at fair value through other comprehensive income amounted to RMB143.6 million, representing a year-on-year decrease of RMB57.0 million or 28.4%, mainly due to a decrease in gains from disposal of debt investments at fair value through other comprehensive income.

Net gains from financial instruments at fair value through profit or loss and from derivative financial instruments totalled RMB12,786.5 million, representing a year-on-year increase of RMB6,027.1 million or 89.2%. The net gains were from the following categories of investments:

– Net gains from equity investments represented a year-on-year increase of RMB2,618.1 million or 95.1%, primarily attributable to the Group's enlarged business scale of OTC derivatives and gains from securities positions held under the following-investment mechanism on STAR Market amid a stock market with an upward trajectory and surge in trading demand in 2020;

– Net gains from debt investments represented a year-on-year increase of RMB813.4 million or 28.1%, mainly due to a growth of gains from investment in securitized products and in perpetual bonds;

– Net gains from other investments represented a year-on-year increase of RMB2,595.7 million or 232.7%, mainly due to a substantial growth of gains from investments in fixed-income trusts, money market funds and ETFs as well as an increase in gains from derivative financial instruments under commodity contracts.

Other investment income amounted to RMB228.6 million, representing a year-on-year increase of RMB229.9 million, mainly consisting of gains from disposal of long-term equity investment.

For detailed information of the financial assets at fair value through profit or loss and of derivative financial assets held by the Group at the end of 2020, please refer to "(vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investments – Financial Assets at Fair Value through Profit or Loss" and "(vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investments – Derivative Financial Assets" respectively.

Management Discussion and Analysis

Operating Expenses

In 2020, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB14,953.5 million, representing a year-on-year increase of RMB4,494.1 million or 43.0%. A breakdown of the Group's operating expenses in 2020 is presented as follows:

Unit: RMB in million

Items	2020	2019	Change	% of change
Operating expenses				
Staff costs	**10,775.5**	7,202.9	3,572.6	49.6%
Depreciation and amortization expenses	**1,000.8**	913.2	87.5	9.6%
Tax and surcharges	**115.8**	84.4	31.4	37.2%
Other operating expenses and costs	**2,088.7**	2,099.3	(10.7)	(0.5%)
Impairment losses under expected credit loss model	**972.8**	159.6	813.2	509.5%
Total	**14,953.5**	10,459.4	4,494.1	43.0%

Staff costs amounted to RMB10,775.5 million, representing a year-on-year increase of RMB3,572.6 million or 49.6%, mainly due to an improvement in the operating results of the Group compared with that in 2019 and an increase in the number of staff.

Depreciation and amortization expenses amounted to RMB1,000.8 million, representing a year-on-year increase of RMB87.5 million or 9.6%, mainly due to an increase in depreciation of right-of-use assets, properties and equipment.

Tax and surcharges amounted to RMB115.8 million, representing a year-on-year increase of RMB31.4 million or 37.2%, mainly due to an increase in the taxable revenue of value-added tax, resulting in a corresponding increase in surcharges of value-added tax.

Other operating expenses and costs amounted to RMB2,088.7 million, representing a year-on-year decrease of RMB10.7 million or 0.5%.

Impairment losses under expected credit loss model amounted to RMB972.8 million, representing a year-on-year increase of RMB813.2 million or 509.5%. The increase was primarily attributable to an increase in impairment losses provided for financing business including margin financing and securities lending, stock-pledged repurchase and agreed repurchase and an increase in impairment losses provided for accounts receivables and other receivables. The Group cautiously assesses its credit risk, and comprehensively and reasonably recognizes impairment losses by taking into account credit status and performance guarantee of clients and forward-looking information.

2. Segment Results

We have six principal business segments: Investment Banking, Equities, FICC, Asset Management, Private Equity and Wealth Management. The segment Others mainly comprises of other business departments and back offices.

Unit: RMB in million

Items	2020	2019	Change	% of change
Investment Banking				
Segment revenue and other income	**6,127.4**	3,865.2	2,262.2	58.5%
Fee and commission income	**5,134.0**	3,359.7	1,774.3	52.8%
Interest income	**51.0**	34.9	16.1	46.2%
Investment income	**941.4**	461.4	480.0	104.0%
Other income, net	**1.1**	9.2	(8.1)	(88.0%)
Interest expenses	**(253.5)**	(146.6)	(106.9)	72.9%
Revenue and other income after interest	**5,873.9**	3,718.6	2,155.3	58.0%
Non-interest expenses(2)	**(4,013.9)**	(2,390.3)	(1,623.6)	67.9%
Profit before income tax	**1,860.0**	1,328.3	531.7	40.0%
Segment margin(3)	**30.4%**	34.4%	Decreased by 4.0 percentage points	

Investment income of Investment Banking grew significantly compared with that in 2019, primarily resulting from a substantial increase in the gains from securities positions held under the following-investment mechanism on STAR Market amid a stock market with an upward trajectory in 2020.

Items	2020	2019	Change	% of change
Equities				
Segment revenue and other income	**6,881.7**	4,101.1	2,780.7	67.8%
Fee and commission income	**2,489.1**	1,668.9	820.2	49.1%
Interest income	**582.3**	341.8	240.5	70.4%
Investment income	**5,264.4**	2,025.9	3,238.5	159.9%
Other (losses)/income, net	**(1,454.1)**	64.5	(1,518.6)	N/A
Interest expenses	**(953.7)**	(622.7)	(331.0)	53.2%
Revenue and other income after interest	**5,928.0**	3,478.3	2,449.7	70.4%
Non-interest expenses(2)	**(1,893.2)**	(1,163.9)	(729.2)	62.7%
Profit before income tax	**4,034.8**	2,314.4	1,720.4	74.3%
Segment margin(3)	**58.6%**	56.4%	Increased by 2.2 percentage points	

Investment income of Equities increased significantly year on year, mainly due to the enlarged business scale of OTC derivatives amid a stock market with an upward trajectory and booming trading demand in 2020, resulting in a corresponding growth in investment income. The variation of other losses from other income in 2019 was primarily attributable to the changes in gains and losses from foreign exchange derivatives under the effect of exchange rate fluctuations. After taking into account its hedge position, the Group had a limited exposure to currency risk and to volatility of gains and losses associated with its foreign exchange derivatives business.

Items	2020	2019	Change	% of change
FICC				
Segment revenue and other income	**5,959.9**	5,663.3	296.6	5.2%
Fee and commission income	**647.4**	948.3	(301.0)	(31.7%)
Interest income	**1,310.8**	1,285.7	25.1	1.9%
Investment income	**4,525.1**	3,349.2	1,175.9	35.1%
Other (losses)/income, net	**(523.4)**	80.1	(603.5)	N/A
Interest expenses	**(2,760.8)**	(3,045.0)	284.2	(9.3%)
Revenue and other income after interest	**3,199.1**	2,618.3	580.8	22.2%
Non-interest expenses[(2)]	**(793.8)**	(759.9)	(33.8)	4.5%
Profit before income tax	**2,405.3**	1,858.4	546.9	29.4%
Segment margin[(3)]	**40.4%**	32.8%	Increased by 7.5 percentage points	

The variation of other losses of FICC from other income in 2019 was primarily attributable to the changes in gains and losses from foreign exchange derivatives under the effect of exchange rate fluctuations. After taking into account its hedge position, the Group had a limited exposure to currency risk and to volatility of gains and losses associated with its foreign exchange derivatives business.

Management Discussion and Analysis

Items	2020	2019	Change	% of change
Asset Management[1]				
Segment revenue and other income	**1,316.3**	619.9	696.4	112.3%
Fee and commission income	**1,149.4**	607.5	541.9	89.2%
Interest income	**14.7**	6.8	7.8	115.2%
Investment income	**157.8**	4.7	153.1	3,270.3%
Other (losses)/income, net	**(5.5)**	1.0	(6.5)	N/A
Interest expenses	**(47.9)**	(47.1)	(0.7)	1.5%
Revenue and other income after interest	**1,268.4**	572.8	695.7	121.5%
Non-interest expenses[2]	**(891.2)**	(528.6)	(362.7)	68.6%
Share of profits of associates and joint ventures	**10.6**	1.3	9.3	709.7%
Profit before income tax	**387.8**	45.5	342.3	752.1%
Segment margin[3]	**29.5%**	7.3%	Increased by 22.1 percentage points	

Investment income of Asset Management increased notably year on year, mainly due to a growth in net gains from investments in bonds, funds and asset management schemes at fair value through profit or loss. The significant year-on-year increase of interest income was primarily attributable to an increase in interest income on the investment fund raised for asset management schemes.

Items	2020	2019	Change	% of change
Private Equity[1]				
Segment revenue and other income	**2,030.9**	1,448.0	582.9	40.3%
Fee and commission income	**1,472.8**	1,178.4	294.4	25.0%
Interest income	**17.7**	3.2	14.5	452.8%
Investment income	**488.6**	212.3	276.3	130.1%
Other income, net	**51.8**	54.1	(2.2)	(4.2%)
Interest expenses	**(65.1)**	(67.8)	2.7	(4.0%)
Revenue and other income after interest	**1,965.8**	1,380.2	585.6	42.4%
Non-interest expenses[2]	**(861.6)**	(666.9)	(194.7)	29.2%
Share of profits of associates and joint ventures	**29.7**	69.5	(39.8)	(57.3%)
Profit before income tax	**1,133.8**	782.8	351.0	44.8%
Segment margin[3]	**55.8%**	54.1%	Increased by 1.8 percentage points	

Investment income of Private Equity increased significantly year on year, mainly due to a substantial increase in net gains from investment in private equity investment funds. The notable growth of interest income was primarily attributable to an increase in interest income from other business.

Management Discussion and Analysis

Items	2020	2019	Change	% of change
Wealth Management				
Segment revenue and other income	**8,421.7**	5,572.8	2,848.9	51.1%
Fee and commission income	**4,711.1**	2,934.5	1,776.6	60.5%
Interest income	**3,160.8**	2,685.3	475.5	17.7%
Investment income	**515.8**	(68.6)	584.4	N/A
Other income, net	**34.0**	21.6	12.3	57.1%
Interest expenses	**(1,693.9)**	(1,656.1)	(37.8)	2.3%
Revenue and other income after interest	**6,727.7**	3,916.7	2,811.0	71.8%
Non-interest expenses(2)	**(4,838.9)**	(2,850.7)	(1,988.2)	69.7%
Share of losses of associates and joint ventures	**(52.2)**	(6.6)	(45.6)	693.3%
Profit before income tax	**1,836.6**	1,059.5	777.2	73.4%
Segment margin(3)	**21.8%**	19.0%	Increased by 2.8 percentage points	

The variation of investment income of Wealth Management from that in 2019 was primarily attributable to an increase in net gains from debt investments at fair value, as well as the enlarged business scale of OTC derivatives amid a stock market with an upward trajectory and rising trading demand in 2020.

Items	2020	2019	Change	% of change
Others[(4)]				
Segment revenue and other income	**1,664.0**	1,512.3	151.7	10.0%
Fee and commission income	**10.9**	35.7	(24.8)	(69.5%)
Interest income	**507.7**	442.5	65.2	14.7%
Investment income	**1,265.7**	973.9	291.8	30.0%
Other (losses)/income, net	**(120.3)**	60.2	(180.5)	N/A
Segment expenses	**(4,588.9)**	(3,595.7)	(993.2)	27.6%
Share of losses of associates and joint ventures	**(20.9)**	(3.9)	(17.1)	443.2%
Loss before income tax	**(2,945.8)**	(2,087.3)	(858.6)	41.1%

The variation of other losses of Others from other income in 2019 was primarily attributable to the changes in gains and losses from foreign exchange derivatives under the effect of exchange rate fluctuations. After taking into account its hedge position, the Group had a limited exposure to currency risk and to volatility of gains and losses associated with its foreign exchange derivatives business.

(1) As of December 31, 2020, based on the Group's strategic layout and needs of internal management, the former Investment Management was divided into and presented as Asset Management and Private Equity. The information of comparative period was restated accordingly.

(2) Non-interest expenses include fee and commission expenses, staff costs, depreciation and amortization expenses, tax and surcharges, other operating expenses and costs, and impairment losses under expected credit loss model.

(3) Segment margin = profit before income tax/segment revenue and other income.

(4) The segment margin of Others is not presented as this segment incurred loss before income tax in the relevant years.

(vi) Analysis of Items in Statement of Financial Position

1. Items of Assets

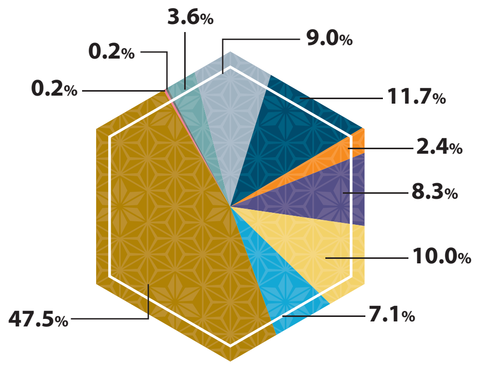
As of December 31, 2020, the Group's total assets amounted to RMB521,620.5 million, representing a year-on-year increase of RMB176,649.3 million or 51.2%. Excluding accounts payable to brokerage clients and to underwriting clients, the Group's adjusted total assets as of December 31, 2020 amounted to RMB450,965.3 million, representing a year-on-year increase of RMB158,809.4 million or 54.4%. A breakdown of the Group's assets is presented as follows:

Unit: RMB in million

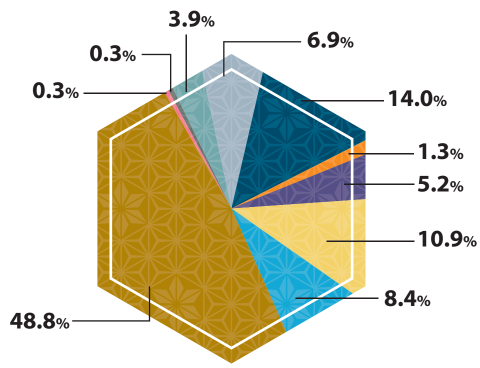
Items	December 31, 2020	December 31, 2019	Change	% of change
Property and equipment and intangible assets	**1,059.2**	1,014.6	44.6	4.4%
Interests in associates and joint ventures	**1,188.9**	1,168.5	20.4	1.7%
Financial assets at fair value through profit or loss	**247,605.7**	168,191.9	79,413.8	47.2%
Financial assets at fair value through other comprehensive income	**37,212.2**	28,985.8	8,226.4	28.4%
Receivable from margin clients and reverse REPOs	**52,315.5**	37,488.9	14,826.6	39.5%
Accounts receivable	**43,493.8**	17,876.6	25,617.2	143.3%
Derivative financial assets	**12,311.3**	4,502.2	7,809.1	173.4%
Cash held on behalf of clients	**60,950.7**	48,458.8	12,491.9	25.8%
Cash and bank balances	**47,161.1**	23,958.9	23,202.1	96.8%
Others	**18,322.2**	13,325.1	4,997.1	37.5%
Total	**521,620.5**	344,971.2	176,649.3	51.2%

The charts below set forth the composition of the Group's assets as of the dates indicated:

Composition of assets as of December 31, 2020



Composition of assets as of December 31, 2019



- Property and equipment and intangible assets
- Interests in associates and joint ventures
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Receivable from margin clients and reverse REPOs
- Accounts receivable
- Derivative financial assets
- Cash held on behalf of clients
- Cash and bank balances
- Others

INVESTMENTS

The Group's investments consisted of financial assets at fair value through other comprehensive income, interests in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As of December 31, 2020, the investments of the Group amounted to RMB298,318.0 million, representing a year-on-year increase of RMB95,469.6 million or 47.1%. A breakdown of the Group's investments is presented as follows:

Unit: RMB in million

Items	**December 31, 2020**	December 31, 2019	**Change**	**% of change**
Financial assets at fair value through other comprehensive income	**37,212.2**	28,985.8	8,226.4	28.4%
Interests in associates and joint ventures	**1,188.9**	1,168.5	20.4	1.7%
Financial assets at fair value through profit or loss	**247,605.7**	168,191.9	79,413.8	47.2%
Derivative financial assets	**12,311.3**	4,502.2	7,809.1	173.4%
Total	**298,318.0**	202,848.4	95,469.6	47.1%

Financial Assets at Fair Value through Other Comprehensive Income

As of December 31, 2020, the Group's financial assets at fair value through other comprehensive income amounted to RMB37,212.2 million, accounting for 7.1% of the Group's total assets. The financial assets at fair value through other comprehensive income increased by RMB8,226.4 million or 28.4% year on year, mainly due to an increase in scale of debt investments. A breakdown of the Group's financial assets at fair value through other comprehensive income is presented as follows:

Unit: RMB in million

Items	**December 31, 2020**	December 31, 2019	**Change**	**% of change**
Debt investments	**37,212.2**	28,985.8	8,226.4	28.4%

Interests in Associates and Joint Ventures

As of December 31, 2020, the Group's interests in associates and joint ventures amounted to RMB1,188.9 million, representing a year-on-year increase of RMB20.4 million or 1.7% and accounting for 0.2% of the Group's total assets. A breakdown of the Group's interests in associates and joint ventures is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Associates	610.5	624.4	(13.9)	(2.2%)
Joint ventures	578.4	544.1	34.2	6.3%
Total	**1,188.9**	1,168.5	20.4	1.7%

Financial Assets at Fair Value through Profit or Loss

As of December 31, 2020, the Group's financial assets at fair value through profit or loss amounted to RMB247,605.7 million, representing a year-on-year increase of RMB79,413.8 million or 47.2% and accounting for 47.5% of the Group's total assets. The investment categories are listed as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Equity investments				
– Hedge position held for OTC derivative transactions	**94,732.8**	62,114.4	32,618.4	52.5%
– Financial assets of consolidated structured entities	**6,779.1**	2,117.9	4,661.2	220.1%
– Equity investments held directly by the Group	**9,408.3**	5,457.2	3,951.1	72.4%
Subtotal	**110,920.2**	69,689.5	41,230.7	59.2%
Debt investments				
– Financial assets of consolidated structured entities	**3,788.8**	7,017.9	(3,229.1)	(46.0%)
– Debt investments held directly by the Group	**77,025.7**	69,112.9	7,912.8	11.4%
Subtotal	**80,814.5**	76,130.8	4,683.6	6.2%
Funds and other investments				
– Financial assets of consolidated structured entities	**12,676.8**	1,359.9	11,316.8	832.2%
– Funds and other investments held directly by the Group	**43,194.3**	21,011.6	22,182.7	105.6%
Subtotal	**55,871.0**	22,371.5	33,499.5	149.7%
Total	**247,605.7**	168,191.9	79,413.8	47.2%

The Group's financial assets at fair value through profit or loss represented a year-on-year increase of RMB79,413.8 million or 47.2% and mainly consisted of the following categories:

– RMB23,244.6 million in financial assets of consolidated structured entities in which the Group held interests, accounting for 9.4% of the total financial assets at fair value through profit or loss. The financial assets of these consolidated structured entities included RMB6,779.1 million of equity investments, primarily listed stocks; RMB3,788.8 million of debt investments, most of which were debt securities above investment grade and securitized products; and RMB12,676.8 million of funds and other investments, mainly private equity investment funds and money market funds;

– RMB94,732.8 million of investments in hedge equity position held for OTC derivative transactions by the Group, consisting of underlying assets under the OTC derivatives trading agreements into which the Group had entered with its clients, accounting for 38.3% of the total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risks associated with OTC derivative trading whereby the volatility in fair value of the underlying assets was mainly assumed by the clients and had no material impact on the Group's profit or loss;

– RMB9,408.3 million of equity investments held directly by the Group, accounting for 3.8% of the total financial assets at fair value through profit or loss, most of which were investments in the private equity investment funds;

– RMB77,025.7 million in debt investments held directly by the Group, accounting for 31.1% of the total financial assets at fair value through profit or loss, most of which were debt securities above investment grade and securitized products;

– RMB43,194.3 million in funds and other investments held directly by the Group, accounting for 17.4% of the total financial assets at fair value through profit or loss, most of which were money market funds, fixed-income trusts and ETFs with high liquidity and low risks.

Derivative Financial Assets

As of December 31, 2020, the Group's derivative financial assets amounted to RMB12,311.3 million, representing a year-on-year increase of RMB7,809.1 million or 173.4% and accounting for 2.4% of the Group's total assets, mainly due to a growth of derivative financial assets under equity contracts. The growth was mainly attributable to an increase in the scale of OTC derivative transactions based on trading demands of clients as well as the fluctuation in valuation of the OTC derivatives caused by changes of stock prices. A breakdown of the Group's derivative financial assets is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Interest rate contracts	**742.1**	558.9	183.2	32.8%
Currency contracts	**1,925.5**	209.9	1,715.6	817.4%
Equity contracts	**9,045.9**	3,195.1	5,850.8	183.1%
Credit contracts	**10.1**	2.3	7.9	344.3%
Other contracts	**587.6**	536.0	51.6	9.6%
Total	**12,311.3**	4,502.2	7,809.1	173.4%

RECEIVABLE FROM MARGIN CLIENTS AND REVERSE REPOs

As of December 31, 2020, the Group's receivable from margin clients and reverse REPOs totalled RMB52,315.5 million, representing a year-on-year increase of RMB14,826.6 million or 39.5%, mainly due to an increase in scale of margin financing and securities lending business with domestic individual clients.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

As of December 31, 2020, the Group's property and equipment and intangible assets totalled RMB1,059.2 million, representing a year-on-year increase of RMB44.6 million or 4.4%. A breakdown of the Group's property and equipment and intangible assets is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Property and equipment	**748.4**	729.5	18.9	2.6%
Intangible assets	**310.8**	285.1	25.7	9.0%
Total	**1,059.2**	1,014.6	44.6	4.4%

CASH HELD ON BEHALF OF CLIENTS

The Group's cash held on behalf of clients consisted of cash held on behalf of brokerage clients and underwriting clients. As of December 31, 2020, it amounted to RMB60,950.7 million, representing a year-on-year increase of RMB12,491.9 million or 25.8%, mainly due to an increase in deposits from brokerage clients.

CASH AND BANK BALANCES

As of December 31, 2020, the Group's cash and bank balances amounted to RMB47,161.1 million, representing a year-on-year increase of RMB23,202.1 million or 96.8%, mainly due to an increase in self-owned funds.

2. Items of Liabilities

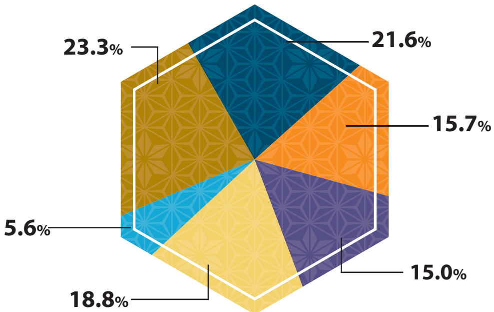
As of December 31, 2020, the Group's total liabilities amounted to RMB449,805.4 million, representing a year-on-year increase of RMB153,365.7 million or 51.7%. Excluding accounts payable to brokerage clients and to underwriting clients, the Group's adjusted total liabilities as of December 31, 2020 amounted to RMB379,150.2 million, representing a year-on-year increase of RMB135,525.8 million or 55.6%. A breakdown of the Group's liabilities is presented as follows:

Unit: RMB in million

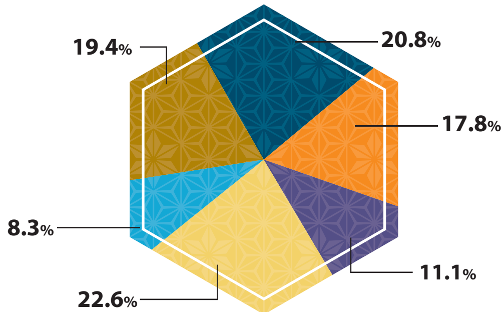
Items	December 31, 2020	December 31, 2019	Change	% of change
Accounts payable to brokerage clients and to underwriting clients	**70,655.2**	52,815.4	17,839.8	33.8%
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**67,574.1**	32,932.5	34,641.6	105.2%
Placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year	**84,395.4**	67,128.8	17,266.6	25.7%
REPOs	**25,101.1**	24,708.3	392.8	1.6%
Long-term debt securities issued	**104,614.5**	57,585.3	47,029.2	81.7%
Others	**97,465.1**	61,269.5	36,195.6	59.1%
Total	**449,805.4**	296,439.7	153,365.7	51.7%

The following charts set out the composition of the Group's liabilities as of the dates indicated:

Composition of liabilities as of December 31, 2020



Composition of liabilities as of December 31, 2019



- Accounts payable to brokerage clients and to underwriting clients
- Financial liabilities at fair value through profit or loss and derivative financial liabilities
- Placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year
- REPOs
- Long-term debt securities issued
- Others

Management Discussion and Analysis

As of December 31, 2020, the Group's accounts payable to brokerage clients amounted to RMB70,655.2 million, representing a year-on-year increase of RMB22,317.3 million or 46.2%, mainly due to an increase in the balance of client deposits. A breakdown of the Group's accounts payable to brokerage clients is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Individual clients	34,167.1	29,686.3	4,480.7	15.1%
Institutional/corporate clients	36,476.4	18,643.7	17,832.8	95.7%
Accrued interest	11.7	7.9	3.8	48.3%
Total	**70,655.2**	48,337.9	22,317.3	46.2%

As of December 31, 2020, the Group's financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB67,574.1 million, representing a year-on-year increase of RMB34,641.6 million or 105.2%, mainly due to an increase in business scale of the Group's overseas OTC derivatives amid surge in trading demands, resulting in the corresponding growth of liabilities in relation to the client trading.

As of December 31, 2020, the Group's placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year totalled RMB84,395.4 million, representing a year-on-year increase of RMB17,266.6 million or 25.7%, mainly due to the increased placements from financial institutions for developing the Group's balance sheet business. A breakdown of the Group's placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Beneficiary certificates	21,581.0	15,885.8	5,695.2	35.9%
Corporate bonds	10,018.4	19,469.8	(9,451.3)	(48.5%)
Subordinated bonds	5,029.6	1,041.4	3,988.3	383.0%
Medium-term notes	7,338.6	–	7,338.6	N/A
Structured notes	5,911.4	6,649.5	(738.2)	(11.1%)
Placements from financial institutions	34,516.4	24,082.4	10,434.0	43.3%
Total	**84,395.4**	67,128.8	17,266.6	25.7%

As of December 31, 2020, the Group's REPOs amounted to RMB25,101.1 million, representing a year-on-year increase of RMB392.8 million or 1.6%.

As of December 31, 2020, the Group's long-term debt securities issued amounted to RMB104,614.5 million, representing a year-on-year increase of RMB47,029.2 million or 81.7%. The Group's long-term debt securities issued in 2020 included 23 tranches of corporate bonds with an aggregate principal of RMB55,000.0 million, 2 tranches of subordinated bonds with an aggregate principal of RMB3,500.0 million, 2 tranches of long-term beneficiary certificates with an aggregate principal of RMB1,500.0 million and 2 tranches of USD-denominated medium-term notes with an aggregate principal of US$1,500.0 million. A breakdown of the Group's long-term debt securities issued is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Beneficiary certificates	**1,502.5**	1,004.1	498.4	49.6%
Subordinated bonds	**19,872.8**	21,366.7	(1,493.9)	(7.0%)
Corporate bonds	**64,386.9**	18,704.1	45,682.8	244.2%
Financial bonds	**2,530.9**	2,530.6	0.2	0.0%
Medium-term notes	**16,321.4**	13,979.7	2,341.7	16.8%
Total	**104,614.5**	57,585.3	47,029.2	81.7%

As of December 31, 2020, the Group's other liabilities amounted to RMB97,465.1 million, representing a year-on-year increase of RMB36,195.6 million or 59.1%, mainly due to the increase in trade payable for derivative transactions.

3. Items of Equity

As of December 31, 2020, the Group's total equity attributable to shareholders of the Company amounted to RMB71,634.9 million, representing a year-on-year increase of RMB23,341.1 million or 48.3%. The increase mainly consisted of RMB13,032.1 million from A Share Offering and Listing, RMB5,000.0 million from issuance of perpetual subordinated bonds and operational accumulations. A breakdown of the Group's equity is presented as follows:

Unit: RMB in million

Items	December 31, 2020	December 31, 2019	Change	% of change
Share capital	**4,827.3**	4,368.7	458.6	10.5%
Capital reserve	**39,533.3**	26,931.6	12,601.6	46.8%
Surplus reserve	**995.6**	736.6	259.0	35.2%
General reserves	**4,074.3**	3,201.2	873.1	27.3%
Investment revaluation reserve	**37.9**	191.0	(153.1)	(80.1%)
Foreign currency translation reserve	**(632.3)**	84.1	(716.4)	N/A
Retained profits	**17,798.9**	11,780.6	6,018.3	51.1%
Other equity instruments	**5,000.0**	1,000.0	4,000.0	400.0%
Total equity attributable to shareholders of the Company	**71,634.9**	48,293.8	23,341.1	48.3%

As of December 31, 2020, the Group's investment revaluation reserve amounted to RMB37.9 million, representing a year-on-year decrease of RMB153.1 million or 80.1%, mainly due to the losses arising from the changes in fair value of financial assets at fair value through other comprehensive income during the year.

(vii) Contingent Liabilities

The Group is exposed to the risk of economic benefit outflows due to litigations, arbitrations or regulatory investigations in the course of operations. The Group, after having assessed in accordance with the International Accounting Standard, believes that the probability for the occurrence of such risk is relatively low. The Group had no outstanding contingent matters which had a material impact on its consolidated financial position as of 31 December 2020.

(viii) Pledge of Assets of the Group

The Group has no pledge of assets as of December 31, 2020.

(ix) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the statutory corporate income tax rate applicable to our Company and our PRC subsidiaries is 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《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》) (Public Notice of the State Administration of Taxation [2012] No.57). During the year ended December 31, 2020, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

V. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF OUR GROUP

(i) Equity Investment

During the Reporting Period, the Group did not have significant equity investments.

(ii) Equity Financing

Reference is made to the announcements issued by the Company on February 28, April 14, May 11, May 15, September 1, September 17, September 25, October 12, October 16, October 19, October 21, October 22, October 26 and October 30, 2020, and the circular issued by the Company on March 30, 2020, in relation to, among others, the initial public offering of RMB ordinary shares (A Shares) and listing of the Company on the Shanghai Stock Exchange. In order to satisfy the capital needs of business development of the Company, on April 14, 2020, the Company held the 2020 second extraordinary general meeting, the 2020 first domestic shareholders' class meeting, the 2020 first H shareholders' class meeting, at which the proposals in relation to the A Share Offering and Listing were considered and approved.

On September 25, 2020, CSRC officially notified the Company in writing that the A Share Offering and Listing of the Company was approved. On November 2, 2020, the Company completed the A Share Offering and Listing on the Shanghai Stock Exchange. A total of 458,589,000 A Shares at nominal value of RMB1.00 per share were issued by the Company to qualified natural person or institutional investors (except for investors prohibited by laws and regulations and other regulatory bylaws governing the Company) at a price of RMB28.78 per share, with total nominal value of RMB458,589,000, and a total of 2,464,953,440 domestic shares held by the original domestic shareholders of the Company were converted into 2,464,953,440 A Shares. The total proceeds raised from this issuance were RMB13,198.1914 million, and after deducting the offering expenses, the net proceeds were RMB13,032.0615 million, with the net proceeds per share of approximately RMB28.42.

After the completion of the A Share Offering and Listing, the total number of issued Shares of the Company was 4,827,256,868 Shares (including 1,903,714,428 H Shares and 2,923,542,440 A Shares).

Save as disclosed above, the Group had no material equity financing during the Reporting Period.

(iii) Debt Financing

As of December 31, 2020, the Group's outstanding bonds are set out below:

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	3.58%	The Company has an option to redeem such bond on July 18, 2019. According to the Company's announcement dated June 28, 2019, the Company announced to waive the option to redeem such bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the duration of such bond, and hence was obligated to redeem such bond if required by the investors. On July 18, 2019, the Company has redeemed such bond as requested by investors who excised put options, and the remaining amount of such bond following the redemption was RMB2,876 million.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	18 CICC 02	RMB1,000 million	January 26, 2018	January 26, 2021	5.70%	
	18 CICC 04	RMB1,000 million	April 24, 2018	April 24, 2021	4.94%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	18 CICC 06	RMB1,000 million	June 28, 2018	June 28, 2021	5.30%	
	19 CICC 04	RMB1,500 million	November 21, 2019	November 21, 2025	3.52%	Our Company has an option to adjust the coupon rate on November 21, 2022 and an obligation to redeem such bond if required by the investors.
	20 CICC F1	RMB4,000 million	February 26, 2020	February 26, 2025	3.20%	Our Company has an option to adjust the coupon rate on February 26, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC G1	RMB1,500 million	April 3, 2020	April 3, 2026	2.89%	Our Company has an option to adjust the coupon rate on April 3, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC G2	RMB1,000 million	April 3, 2020	April 3, 2027	3.25%	Our Company has an option to adjust the coupon rate on April 3, 2025 and an obligation to redeem such bond if required by the investors.
	20 CICC G3	RMB3,300 million	May 6, 2020	May 6, 2026	2.37%	Our Company has an option to adjust the coupon rate on May 6, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC G4	RMB700 million	May 6, 2020	May 6, 2027	2.88%	Our Company has an option to adjust the coupon rate on May 6, 2025 and an obligation to redeem such bond if required by the investors.
	20 CICC F2	RMB3,000 million	May 28, 2020	May 28, 2025	2.95%	Our Company has an option to adjust the coupon rate on May 28, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC G5	RMB1,500 million	June 22, 2020	June 22, 2026	3.10%	Our Company has an option to adjust the coupon rate on June 22, 2023 and an obligation to redeem such bond if required by the investors.

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	20 CICC F3	RMB3,000 million	July 24, 2020	July 24, 2025	3.80%	Our Company has an option to adjust the coupon rate on July 24, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC 07	RMB5,000 million	September 10, 2020	September 10, 2025	3.78%	Our Company has an option to adjust the coupon rate on September 10, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC 09	RMB5,000 million	September 23, 2020	September 23, 2025	3.80%	Our Company has an option to adjust the coupon rate on September 23, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC 11	RMB2,500 million	October 19, 2020	October 19, 2023	3.50%	Our Company has an option to adjust the coupon rate on October 19, 2022 and an obligation to redeem such bond if required by the investors.
	20 CICC 12	RMB2,500 million	October 19, 2020	October 19, 2025	3.74%	Our Company has an option to adjust the coupon rate on October 19, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC 13	RMB2,000 million	October 28, 2020	October 28, 2023	3.48%	Our Company has an option to adjust the coupon rate on October 28, 2022 and an obligation to redeem such bond if required by the investors.
	20 CICC 14	RMB3,000 million	October 28, 2020	October 28, 2025	3.68%	Our Company has an option to adjust the coupon rate on October 28, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC F4	RMB2,500 million	December 14, 2020	December 14, 2023	3.85%	Our Company has an option to adjust the coupon rate on December 14, 2022 and an obligation to redeem such bond if required by the investors.
	20 CICC F5	RMB2,500 million	December 14, 2020	December 14, 2025	4.09%	Our Company has an option to adjust the coupon rate on December 14, 2023 and an obligation to redeem such bond if required by the investors.

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Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	17 CISC F2	RMB1,000 million	July 18, 2017	July 18, 2022	5.10%	
	18 CISC 01	RMB1,000 million	March 23, 2018	March 23, 2021	5.95%	
	18 CISC 03	RMB1,000 million	September 21, 2018	September 21, 2021	4.99%	
	19 CISC 01	RMB2,000 million	April 22, 2019	April 22, 2022	4.22%	
	19 CICC Wealth Management 01	RMB3,000 million	October 16, 2019	October 16, 2024	3.58%	Our Company has an option to redeem such bond on October 16, 2022. If the early redemption option is not exercised at the end of the third year, the Company has an option to adjust the coupon rate and an obligation to redeem such bond if required by the investors.
Corporate bonds	20 CICC Wealth Management G1	RMB2,000 million	January 16, 2020	January 16, 2025	3.44%	Our Company has an option to redeem such bond on January 16, 2023. If the early redemption option is not exercised at the end of the third year, the Company has an option to adjust the coupon rate and an obligation to redeem such bond if required by the investors.
	20 CICC Wealth Management F1	RMB3,000 million	April 9, 2020	April 9, 2025	3.17%	Our Company has an option to adjust the coupon rate on April 9, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC Wealth Management F2	RMB2,000 million	July 28, 2020	July 28, 2023	3.80%	
	20 CICC Wealth Management G2	RMB2,000 million	October 21, 2020	October 21, 2025	3.77%	Our Company has an option to adjust the coupon rate on October 21, 2023 and an obligation to redeem such bond if required by the investors.

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	20 CICC Wealth Management G3	RMB1,000 million	October 21, 2020	October 21, 2025	4.20%	
	20 CICC Wealth Management G5	RMB1,000 million	November 24, 2020	November 24, 2025	3.98%	Our Company has an option to adjust the coupon rate on November 24, 2023 and an obligation to redeem such bond if required by the investors.
	20 CICC Wealth Management G6	RMB1,000 million	December 15, 2020	December 15, 2025	3.85%	Our Company has an option to adjust the coupon rate on December 15, 2023 and an obligation to redeem such bond if required by the investors.
Financial bonds	19 CICC Financial Bond 01	RMB2,500 million	August 22, 2019	August 22, 2022	3.39%	
Subordinated bonds	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	17 CICC C2	RMB1,500 million	July 24, 2017	July 24, 2022	4.98%	
	17 CICC C3	RMB1,500 million	November 16, 2017	November 16, 2022	5.50%	
	18 CICC C1	RMB1,000 million	April 20, 2018	April 20, 2023	5.30%	
	18 CICC C2	RMB1,500 million	August 29, 2018	August 29, 2021	4.70%	
	19 CICC C1	RMB1,500 million	April 19, 2019	April 19, 2022	4.20%	
	19 CICC C3	RMB1,500 million	October 14, 2019	October 14, 2024	4.09%	

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Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	19 CICC C4	RMB1,500 million	November 11, 2019	November 11, 2024	4.12%	
	19 CICC C5	RMB2,000 million	December 5, 2019	December 5, 2024	4.20%	
	20 CICC C1	RMB1,500 million	February 17, 2020	February 17, 2025	3.85%	
	20 CICC Y1	RMB5,000 million	August 28, 2020	–	Bearing an interest rate of 4.64% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, the Company has a right to extend the term of such perpetual subordinated bonds for another five-year period.
Subordinated bonds	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	
	19 CISC C1	RMB3,000 million	April 25, 2019	April 25, 2022	4.50%	
	20 CICC Wealth Management C1	RMB2,000 million	April 17, 2020	April 17, 2025	3.80%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021.

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	The three-year USD-denominated US$600 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$600 million	April 25, 2018	April 25, 2021, or interest payment date nearest to April 25, 2021	3-month USD LIBOR rate +1.20%	
Notes payable	The three-year USD-denominated US$400 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$400 million	September 11, 2018	September 11, 2021, or interest payment date nearest to September 11, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US$700 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$700 million	May 3, 2019	May 3, 2022, or interest payment date nearest to May 3, 2022	3-month USD LIBOR rate +1.175%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The three-year USD-denominated US$300 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$300 million	May 3, 2019	May 3, 2022	3.375%	
	The three-year USD-denominated US$1 billion guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$1,000 million	February 18, 2020	February 18, 2023, or interest payment date nearest to February 18, 2023	3-month USD LIBOR rate +0.9%	
	The three-year USD-denominated US$500 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$500 million	August 10, 2020	August 10, 2023	1.75%	

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The 364-day USD-denominated US$123.2 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$123.2 million	September 28, 2020	September 27, 2021	1.05%	

In addition, in 2020, the Group completed 1,873 issuances of beneficiary certificates, with an aggregate principal amount of RMB65,663.92 million. As of December 31, 2020, the aggregate principal of the Group's outstanding beneficiary certificates amounted to RMB23,482.82 million. As of December 31, 2020, the balance of bank borrowings and overdrafts of the Group's Hong Kong subsidiaries amounted to approximately HK$400 million, US$1,013 million and RMB410 million.

In 2020, the Group completed the issuance of 26 tranches of corporate bonds, with an aggregate issuance size of RMB63,500 million.

VI. RISK MANAGEMENT

Overview

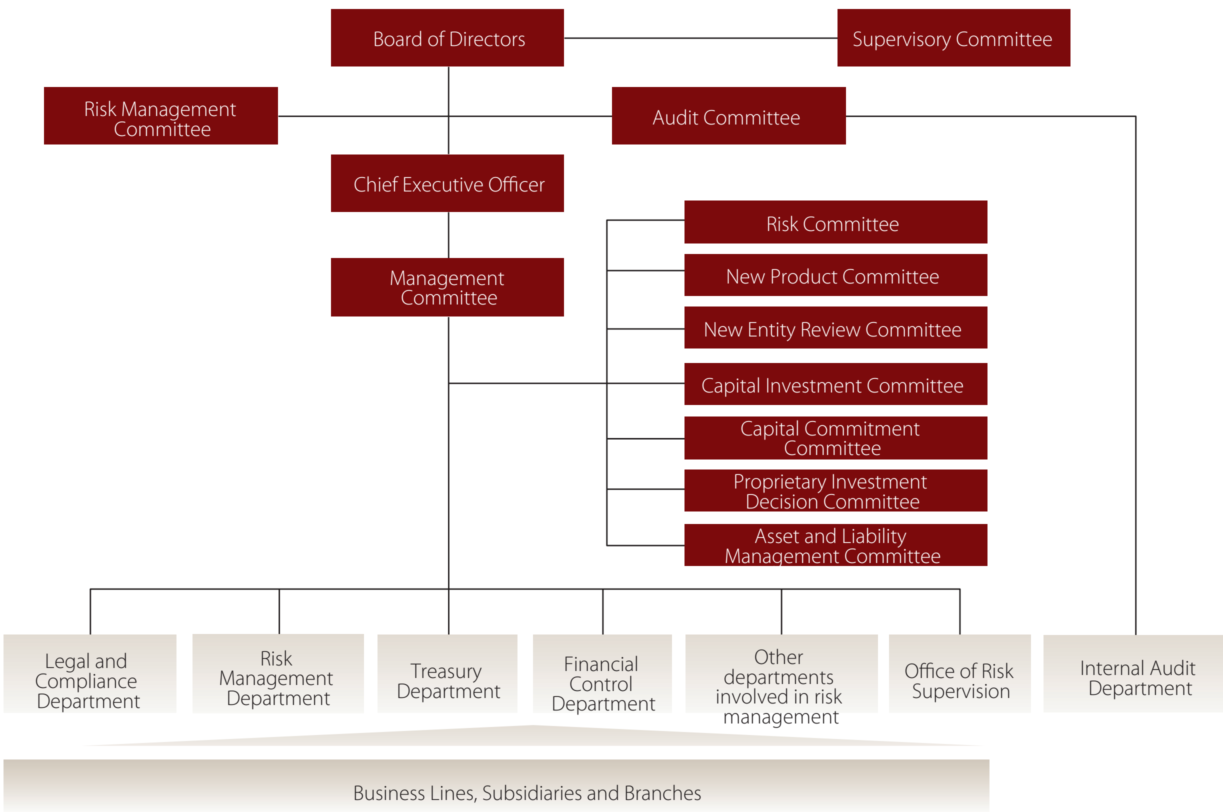
Our Group has always believed that risk management creates value. The risk management of our Group aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of our Group. Our Group has sound corporate governance, effective risk management measures and a strict internal control system.

Pursuant to the relevant laws and regulations and regulatory requirements, our Group has established a sound governance structure. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the "Company Law", the "Securities Law", the "Guidance for the Internal Control of Securities Companies"《證券公司內部控制指引》, the "Norms for the Comprehensive Risk Management of Securities Companies"《證券公司全面風險管理規範》and the Articles of Association and supervise and manage the business operations of our Group. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Group.

Risk Management Framework

The Group has established a multi-level risk management organizational structure which comprises the Board of Directors, the Supervisory Committee, senior management, independent departments performing risk management functions, business departments and branches, of which, (i) the Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for facilitating the enforcement of the firmwide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee; (ii) the Supervisory Committee assumes the supervision duty on the effectiveness of the overall risk management of our Company, and supervises and inspects the fulfillment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings; (iii) under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes the major responsibility of ensuring the effectiveness of the overall risk management of our Company; (iv) the Risk Committee established under the Management Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairmen of the Risk Committee. Other members include the Chief Financial Officer, heads of each of the business departments and heads of independent departments performing risk management functions. There are New Product Committee, New Entity Review Committee, Capital Investment Committee, Capital Commitment Committee, Proprietary Investment Decision Committee and Asset and Liability Management Committee under Management Committee, which perform their duties in respect of new business/new product approval, branch set-up and approval, approval of capital contribution from owned funds, risk control of issuance and underwriting in investment banking business, management of investment decision-making process of proprietary business, management of assets and liabilities of the Company and etc.; (v) independent departments performing risk management functions, including internal control departments such as Risk Management Department, Legal and Compliance Department, Treasury Department, Financial Control Department, Operations Department, Information Technology Department and Public Relations Department, coordinate to manage various risks based on their respective perspectives; and (vi) heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions.

The organizational structure of our Group's risk management is shown in the following chart:



Risk to Our Group's Business Activities and Management Measures

Risks related to business activities of our Group mainly include market risk, credit risk, liquidity risk, operational risk, IT risk, compliance risk, legal risk and reputational risk, etc. During the Reporting Period, our Group proactively responded to and managed risks through effective risk management measures, which generally prevented the occurrence of significant risk events and ensured the stable development of the business operation of our Group.

In 2020, due to the impact of the outbreak of COVID-19, the global economy was mired in recession, with significant fluctuation of the financial market and a remarkable increase in risks. China's economy showed strong resilience but was still subject to many instabilities and uncertainties due to adverse factors including the persistent flare-ups of the outbreak overseas and the prevalence of protectionism and unilateralism in some countries. Confronted with severe and complex market environment challenges, the Group persisted in implementing the risk management and control requirements of "full coverage, looking through, and full cycle", and continuously strengthened the integrated vertical risk management system covering its subsidiaries and branches. Through joint efforts on risk management control of three lines of defense, the Group actively identified, prudently evaluated, dynamically monitored, timely reported and proactively coped with risks. The Group deeply publicized the risk management culture, continuously enhanced risk management capabilities, coordinated its business plans, considered its risk appetite, reviewed and improved the multi-dimensional and multi-level risk limit system, optimized the management mechanism and processes from a forward-looking perspective, and continuously promoted the optimization and sustainable development of its business models. During the Reporting Period, the business operation of the Group was stable without material risk events and large losses, and the overall risks were controllable and tolerable.

During the Reporting Period, the Group continued to enhance risk management of the same business and the same customer. The Group formulated identification standards for the same business to implement relatively consistent risk management standards and measures for the same business and to identify, assess, measure, monitor and aggregate risks of the same business within the Group in a unified manner. The Group also formulated identification standards for the same customer to enhance standardized and regulated management of information of the same customer and to aggregate and monitor the business transactions in various business lines of the Group with the same customer, which will be implemented throughout all key links of business. At the same time, the Group managed relevant risks of customers identified as related parties in a unified manner.

Market Risk

Market risk refers to risks of changes in the fair value of financial assets held by our Group resulting from the fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc.

Our Group has adopted the following measures to manage market risk:

➢ Business departments of our Group, as the first line of defense, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;

➢ The Risk Management Department of our Group independently assesses, monitors and manages the overall market risk of our Group with the following measures. The market risk management mainly includes risk measurement, limit formulation and risk monitoring:

- Our Group measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for our Group to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. Our Group computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, our Group adopts stress test to complement the VaR analysis and measures whether the investment loss of our Group is within the scope of the risk tolerance when market risk factors such as equity prices, interest rates, exchange rates and commodity prices undergo extreme changes. In addition, in respect of sensitivity factors of different assets, our Group measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.

- Our Group has formulated a risk limit indicator framework. Risk limit is a means for controlling risks and also represents the risk appetite and risk tolerance of our Group. Our Group sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit, stress test limit and stop-loss limit, etc.

- Our Group monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submits them to the management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his/her authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given time frame. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his/her authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to the management.

Value at Risk (VaR)

Our Group sets the total VaR limit of our investment portfolio and VaR limits for different business lines. The Risk Management Department computes and monitors VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following table sets forth the computed VaRs and diversification effect of the Group by risk categories (equity prices, Interest rates, currency rates and commodity prices) as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

Management Discussion and Analysis

The Group

(RMB in million)	December 31, 2020	December 31, 2019	2020 (as of December 31) Average	Highest	Lowest	2019 (as of December 31) Average	Highest	Lowest
Equity prices[1]	**168.8**	30.9	**159.5**	**271.6**	**32.8**	27.3	63.3	8.3
Interest rates[2]	**35.6**	36.6	**43.6**	**53.1**	**29.8**	53.2	63.9	35.4
Currency rates[3]	**37.2**	33.9	**37.0**	**43.5**	**25.5**	32.0	43.0	10.5
Commodity prices[4]	**1.3**	3.8	**1.4**	**5.4**	**0.3**	1.4	6.3	0.0
Diversification effect	**(63.1)**	(47.4)	**(71.8)**			(44.2)		
Total portfolio	**179.8**	57.9	**169.6**	**267.2**	**62.4**	69.7	98.1	50.7

Notes:

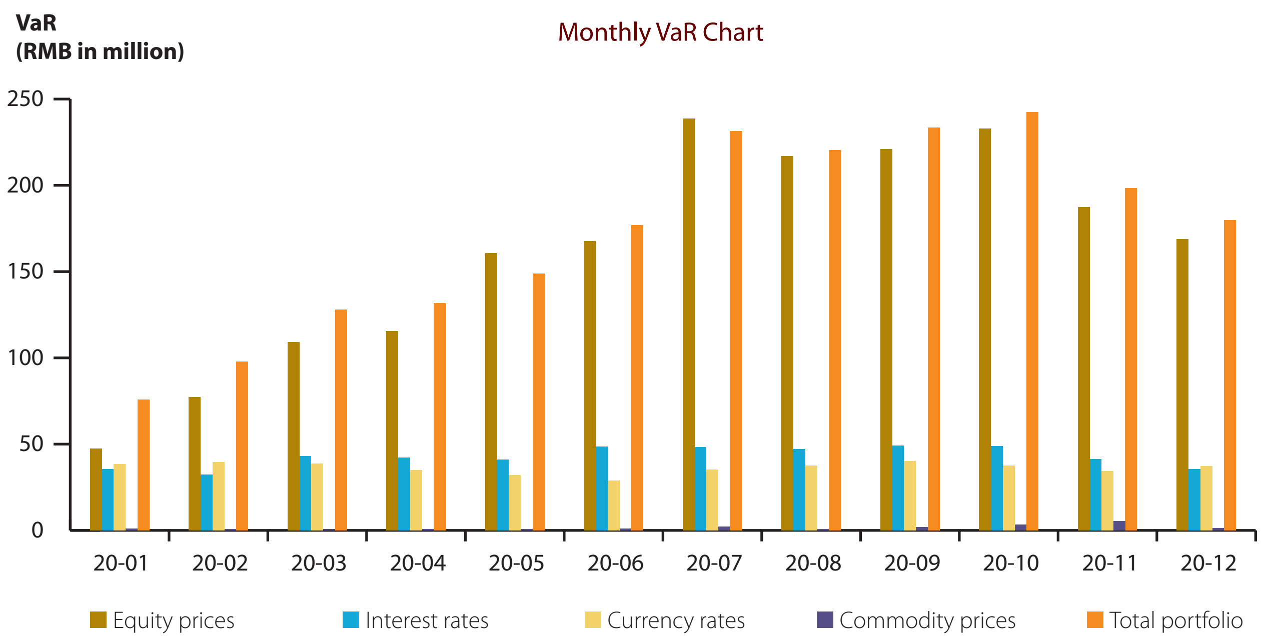
(1) including equities and the price-sensitive portion of derivative products

(2) including fixed income products and the interest-rate sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

(4) including commodity and the price-sensitive portion of derivative products

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month over the past year:



During the Reporting Period, our Group conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

During the Reporting Period, our Group closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, our Group hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, financing parties and securities issuers.

Bond Investments Business

Our Group emphasizes the diversification level of the fixed income credit products and the credit products invested are those predominantly with relatively high credit ratings. Our Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

During the Reporting Period, when bond defaults were rising, FICC closely collaborated with the Risk Management Department and identified, assessed, monitored and managed credit risk related to bond investments. As a result, the Group avoided material losses during the Reporting Period through effective risk management measures.

	As of December 31, 2020 (RMB in million)		
The Group	**Position**	**DV01**	**Spread DV01**
Outside mainland China (by international rating agencies)(1)			
– AAA	**0.0**	**0.00**	**0.00**
– AA- to AA+	**195.3**	**0.11**	**0.11**
– A- to A+	**2,243.0**	**0.34**	**0.37**
– below A-	**14,392.2**	**2.19**	**2.21**
Sub-total	**16,830.5**	**2.63**	**2.70**
Mainland China (by domestic rating agencies)(1)			
– AAA	**66,517.9**	**9.95**	**8.33**
– AA- to AA+	**7,373.5**	**0.99**	**0.99**
– A- to A+	**1,850.3**	**0.23**	**0.23**
– below A-	**502.4**	**0.04**	**0.04**
Sub-total	**76,244.1**	**11.21**	**9.58**
– Non-rated(2)	**9,040.5**	**3.00**	**–**
– Non-rated(3)	**15,911.6**	**0.16**	**0.16**
Total	**118,026.7**	**17.01**	**12.44**

Management Discussion and Analysis

Notes: The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit spread sensitive products for each parallel movement of one basis point in the credit spread.

(1) The Group refers the credit ratings of its debt securities to the credit ratings of the debt securities or the debt securities' issuers from Bloomberg comprehensive ratings or the local major rating agencies.

(2) These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.

(3) These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.

Capital Business

For the credit risks of margin financing and securities lending business, stock-based lending business and other capital businesses, our Group has established a comprehensive and robust risk control system, including the customers' creditworthiness assessment, collateral management, underlying securities management, risk limit management, margin ratio monitoring, mandatory liquidation, etc. Our Group attaches considerable importance to customers' on-boarding and has established and implemented a strict customer selection and credit assessment mechanism, under which the branches are responsible for preliminary assessment of the customers' credit profile by collecting customers' basic information, financial status, securities investment experience, credit record and risk tolerance. The information of the customers that has passed the preliminary assessment will be submitted to the relevant business departments at the headquarters for further review, which, if qualified, will then be submitted to the Risk Management Department for formal approval, which will conduct an independent assessment of the customers' qualifications, and determine their credit ratings and credit limits.

During the Reporting Period, no significant losses were incurred in the Group's margin financing and securities lending business and stock-based lending business. Our Group primarily controlled the risks of margin financing and securities lending business and stock-based lending business by the following measures:

Margin Financing and Securities Lending Business

During the Reporting Period, our Group strictly controlled the concentrations of single customer and single underlying security, closely monitored and assessed accounts with higher collateral concentration and riskier investment portfolio, timely communicated with the customers and promptly took corresponding measures to mitigate such risks; our Group attached considerable importance to collateral management and dynamically adjusted the scope and haircuts of the collaterals; we prudently reviewed and approved business extension by considering the following factors, i.e., the concentration and risk condition of the investment portfolio, and the collateral ratio of the existing deal; our Group also conducted regular and irregular stress testing and closely monitored customers with high risks.

Stock-based Lending Business

During the Reporting Period, our Group exercised strict control over the onboarding and approval of the stock-based lending deals, and has taken effective risk control measures, including, but not limited to, strengthening deal risk assessment, evaluating the risks by the customers' creditworthiness and fundamentals of the pledged securities (including the pledge ratio of the large shareholder, pledge ratio of all shareholders, liquidity and trading suspension records, shareholder structure, capital status of the controlling shareholder, potential delisting risk and negative news), carefully determining the loan-to-value ratio, as well as exercising strict control over the financing amount of the customers who are subject to shareholding reduction restriction; our Group strictly controlled single security concentration, established a security blacklist mechanism, and managed the overall exposure of a single security within the Group. In addition, our Group strengthened the on-site due diligence investigation, assessment and analysis of the pledged securities and clients with large financing demand, and raised the approval requirements to ensure risks were managed at a controllable level.

Meanwhile, our Group closely monitored the risks of the outstanding contracts, conducted regular and irregular stress testing, and classified deals into different risk status and kept track of the deals with potential high risks; we maintained close monitoring and regular assessment of the customers' credit risk with large financing amount, and maintained dynamic monitoring of the pledged securities, continuously tracked the fundamentals and security price fluctuations of large deals, and if any abnormal circumstances identified on the pledged security, our Group will ensure the risk precautions are in place, and corresponding measures are taken promptly.

Margin Financing and Securities Lending Business

The following table sets forth the balance of margin financing and securities lending, market value of collaterals, and collateral ratio data of the margin financing and securities lending business of the Group:

Unit: RMB in million

Items	As of December 31, 2020	As of December 31, 2019
Amounts of margin financing and securities lending	**44,064.5**	24,131.5
Market value of collaterals	**119,919.0**	69,650.7
Collateral ratio	**272.1%**	288.6%

Note: The collateral ratio is calculated as the ratio of the client's total account assets balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from our Group (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

As of December 31, 2020, the collateral ratio of the margin financing and securities lending business of the Group was 272.1%. Assuming that the market value of all securities as collaterals of the Group's margin financing and securities lending business declined by 10% and 20% respectively, and the liabilities of securities lending business increased by 10% and 20% respectively, the collateral ratio of the Group's margin financing and securities lending business as of December 31, 2020, would have been 240.8% and 210.0% respectively.

Stock-based Lending Business

The following table sets forth the lending amount, market value of collaterals, and collateral ratio data of the stock-based lending business of the Group:

Unit: RMB in million

Items	As of December 31, 2020	As of December 31, 2019
Amounts of stock-based lending	**9,685.5**	7,712.5
Market value of collaterals	**32,560.1**	22,958.9
Collateral ratio	**336.2%**	297.7%

Note: The collateral ratio refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to our Group.

Liquidity Risk

Liquidity risk refers to the risks arising from our Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting normal business operations.

Our Group implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. Our Group has adopted the following measures to manage liquidity risk:

- ➢ Closely monitoring balance sheets of our Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;
- ➢ Setting liquidity risk limits based on our Group's overall situation and regulatory requirement;
- ➢ Conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyze and assess our liquidity risk exposure;
- ➢ Maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

In order to withstand the potential liquidity risk and satisfy the short-term liquidity needs, our Group constantly holds sufficient unsecured and high-quality liquid assets as its liquidity reserves. The liquidity reserves are held by the Treasury Department and are managed independently from business departments. Our Group manages the liquidity reserves of all branches and subsidiaries vertically to ensure the allocation efficiency of the liquidity reserves. Meanwhile, due to the liquidity transfer restrictions between entities and regions, the liquidity reserves are held in various currencies and maintained within the Company and its major operating subsidiaries, ensuring that the liquidity requirements of different entities are met in a timely manner. The size and composition of the liquidity reserves are actively managed by our Group based on the consideration of factors including, but not limited to, funding maturity profile, balance sheet size and composition, business and operational capital requirements, stress test results, and regulatory requirements. Our Group strictly limits the liquidity reserves to high-quality liquid assets (including cash and cash equivalents, interest rate bonds and money market funds) and sets risk limits.

Our Group constantly broadens and diversifies its funding channels to optimize the liability structure. The funding instruments of our Group include corporate bonds, medium term note program, syndication loan, short-term commercial papers, beneficiary certificates, income right transfer, inter-bank borrowing, REPOs, etc. Our Group maintains good relationship with major commercial banks and has sufficient bank credit to meet the funding requirement for business development. As of the Latest Practicable Date, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the credit rating of our Company was AAA and the rating outlook was stable. As of the Latest Practicable Date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB, the short-term rating was A-2 and the rating outlook is stable. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook was stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook was stable.

During the Reporting Period, there was no substantial change in terms of substance and type of liquidity risks exposed to our Group. Our Group's liquidity risk management was sound, the liquidity reserves were sufficient, and the liquidity risk was under control.

During the Reporting Period, the regulatory liquidity risk management indicator of our Company continued to comply with the regulatory requirements. As of December 31, 2020, the liquidity coverage ratio and the net stable funding ratio of our Company were 248.6% and 125.0%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events. Operational risk can occur in all business operations and daily operations of the Company, which may eventually lead to other risks such as legal risk, compliance risk and reputational risk.

Our Group has adopted the following measures to manage operational risk:

➢ Cultivating the operational risk idea of all staffs and improving employees' awareness to operational risks;

➢ Establishing a transparent organizational structure with a proper decision-making mechanism and defining the responsibilities of the management and control of business processes;

➢ Promoting risk management in key areas and processes, and optimizing and improving systems, processes and mechanisms;

➢ Carrying out risk assessment and follow-up review of new businesses and products, and strengthening the ex ante management of operational risks, management of operational risks in the act and ex post facto management of operational risks;

➢ Continuously improving the operational risk loss data collection (LDC), risk and control self-assessment (RCSA), and key risk indicators (KRI) to identify, assess, monitor, and respond to operational risks;

➢ Optimizing the communication, reporting and processing mechanism for operational risk information to prevent and control risks in a more active and forward-looking manner;

➢ Promoting the construction of business continuity management systems to enhance the going concern ability.

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Group. Our Group continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Group further improved the operation efficiency and reduced operational risk.

IT Risk

IT risk refers to the operational, legal and reputational risks arising from natural factors, human factors, technology vulnerabilities and management deficiencies in the application of information technology in CICC.

The Group has adopted the following measures to control and prevent IT risks:

➢ Establishing an effective IT governance framework to keep information technology consistent with business goals;

➢ Clarifying at the policy level the division of responsibilities of the three lines of defense in IT risk management, defining and regulating management strategies and methods through formulating the information technology risk management policy;

- Conducting IT risk assessment, fully identifying and analyzing the risks, analysing the possibility and potential impact of the risks, and implementing risk prevention measures; establishing an IT key risk indicator system and monitoring mechanism; cultivating IT risk culture and improve employees' awareness of IT risk prevention and control;

- Ensuring the reliability, integrity, availability and maintainability of information system through the management process of initialization, approval and control of IT projects;

- Establishing information security management system, formulating and implementing information security plan, monitoring information security threats;

- Establishing a data governance organizational framework to ensure unified management, sustainable controllability and storage safety of data;

- Tracking, responding to, analyzing and dealing with problems of information system and emergencies of information technology through establishing an effective process to manage problems;

- Through establishing an IT emergency management system, formulating an emergency plan, carrying out emergency drills, and continuously improving IT emergency management process, to ensure that the system can support the Company's business operations in a continuous and steady manner.

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, industry self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior.

Our Group has mainly adopted the following measures to manage and prevent compliance risk:

- Our Group formulates and updates our compliance policies and procedures in accordance with changes in laws, regulations and industry norms;

- Our Group conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;

- Our Group controls the circulation of sensitive information by monitoring information flows and establishing dynamic information barrier walls, with the aim to prevent risks of insider trading and manage conflicts of interest;

- Our Group undertakes compliance reviews in accordance with applicable laws and regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;

- Our Group adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;

- Our Group has established an internal accountability system in respect of employees' violations of laws and regulations and internal policies to impose applicable punishments on offenders.

  During the Reporting Period, there was no substantial change in nature and extent of compliance risks exposed to our Group.

Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our Group's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes.

Our Group manages, controls and prevents legal risks mainly through the following measures:

- ➢ Our Group continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;

- ➢ Our Group formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;

- ➢ Our Group conducts legal training to enhance our employees' legal awareness;

- ➢ The application, maintenance and protection of our trademarks, protection of our goodwill and trade secrets and taking actions against behaviors that harms our reputation or interests;

- ➢ Our Group takes active measures to mitigate legal risks when disputes and litigation arise.

During the Reporting Period, there was no material change in the nature and extent of legal risks of our Group or in our ability to respond to legal risks.

Money Laundering Risk

Money laundering risk means the risk of money laundering, terrorist financing and proliferation financing that may occur in the course of conducting business of the Group.

The Group mainly takes the following measures to manage and prevent money laundering risks:

- ➢ Formulating and updating anti-money laundering policies in accordance with laws, regulations and regulatory requirements;

- ➢ Integrating risk control measures into relevant business operation processes, in consideration of anti-money laundering obligations including customer identification, preservation of customer identity information and transaction records, transaction monitoring, reporting on large transactions and suspicious transactions, list monitoring, asset freezing;

- Continuously carrying out anti-money laundering publicity and training to promote the full transmission of money laundering risk management culture;

- Establishing and improving the anti-money laundering information system, data quality control mechanism and internal control and information sharing mechanism;

- Carrying out anti-money laundering inspection and internal audit work, and properly conducting anti-money laundering human resource assurance, anti-money laundering performance appraisal, rewards and punishments and emergency management work.

Reputational Risk

Reputational risk refers to the risk of negative comments on our Group caused by our Group's operational activities, business management and other actions as well as external events. Reputational risk can occur in all business areas and activities, and our Group assesses and manages reputational risk across all areas such as operation management, business activities and employee behaviors.

Our Group has mainly adopted the following measures to manage and prevent reputational risk:

- All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow "Know your Customers (KYC)" principle, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;

- Reinforcing the firmwide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training; and any employee who causes a significant reputational loss to our Group due to any misconduct or improper behavior will be subject to disciplinary actions;

- The Public Relations Department manages the overall reputational risk of our Group by public opinion monitoring, media communications, media management, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to our Group, so as to lead correct and objective public opinion and further prevent the spread of inaccurate and false information in public environment.

Directors' Report

Directors' Report

I. PRINCIPAL BUSINESS OF OUR COMPANY

The principal businesses of our Company are Investment Banking, Equities, FICC, Asset Management, Private Equity, Wealth Management and relevant financial services. The business operations and prospects of our Company and risks possibly faced by our Company in our business activities are respectively set out in "Management Discussion and Analysis – III. Analysis of Principal Business" and "Management Discussion and Analysis – VI. Risk Management" of this report. Particulars of significant events affecting our Company are set out in "Other Significant Events" of this report. The key financial indicators of our Company are set out in "Summary of Accounting Data and Financial Indicators" and "Independent Auditor's Report and Notes to the Consolidated Financial Statements" of this report.

II. PROFIT DISTRIBUTION PLAN

1. According to the Company Law, the Securities Law and other laws and regulations and the Articles of Association, the 2020 profit distribution plan of the Company is proposed as follows:

   At the beginning of 2020, the Company's undistributed profits amounted to RMB2,946,487,882. In addition, the Company realized net profits of RMB2,590,179,997 for 2020. After deducting the profits allocated to holders of other equity instruments of RMB57,000,000 in 2020, and before appropriating the statutory surplus reserves, general risk reserves and trading risk reserves, the profits available for distribution of the Company at the end of 2020 amounted to RMB5,479,667,879.

   In accordance with the provisions under the relevant laws and regulations and the Articles of Association, the Company will distribute its net profit for 2020 in the following order:

   (1) RMB259,018,000, or 10% of the net profit of the Company in 2020, is to be appropriated to the statutory surplus reserve (the accumulated amount of the statutory surplus reserves of the Company will account for 20.6% of issued Shares of the Company after this contribution);

   (2) RMB265,572,291, or 10% of the net profit, 2.5% of the custodian fee income for mutual funds and 10% of collective asset management fee income of the Company in 2020, is to be appropriated to the general risk reserves;

   (3) RMB259,018,000, or 10% of the net profit of the Company in 2020, is to be appropriated to the trading risk reserves.

   The total contribution of the three items above is RMB783,608,291.

   After deducting the three items above, the profits available for distribution of the Company at the end of 2020 is RMB4,696,059,588.

2. Taking into account the capital need of the Company's current business and future development as well as the interests of shareholders, the profit distribution plan of the Company for 2020 is as follows:

   (1) The Company will adopt the method of cash dividend payment for its 2020 profit distribution. The total proposed cash dividends to be distributed is RMB868,906,236.24 (tax-inclusive). In case of any changes in the total number of issued Shares of the Company on the record date resulting from placing of Shares, Share repurchase or other reasons, the amount of cash dividend per Share will be adjusted within the total amount of RMB868,906,236.24 (tax-inclusive). On the basis of 4,827,256,868 Shares in issuance of the Company as at the Latest Practicable Date, the cash dividends of RMB1.80 (tax-inclusive) per 10 Shares will be distributed.

   (2) Cash dividends will be denominated and declared in RMB, and paid in RMB and in HKD to holders of A Shares and holders of H Shares, respectively. The actual amount distributed in HKD will be converted based on the average central parity of the exchange rate of RMB against Hong Kong dollars as announced by PBOC for the five working days prior to the date of the 2020 annual general meeting of the Company.

   The above profit distribution plan has been considered and approved by the Board of Directors on March 30, 2021, and shall be submitted to the annual general meeting of the Company for consideration. The Company will, in due course, announce the date of the 2020 annual general meeting and will give notice on the closure of its register of members to determine Shareholders eligible to attend and vote at the 2020 annual general meeting. Subject to approval of the resolution relating to the 2020 profit distribution plan by the annual general meeting, the cash dividends are expected to be paid within two months from the date of the annual general meeting.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

In order to satisfy the capital needs for business development of the Company, the Company has successfully completed the listing of A Shares on the Shanghai Stock Exchange on November 2, 2020. A total of 458,589,000 A Shares were issued by the Company at a price of RMB28.78 per Share, and a total of 2,464,953,440 domestic Shares held by the shareholders of original domestic shares of the Company were converted into 2,464,953,440 A Shares. The total proceeds raised from this issuance were RMB13,198.1914 million, and after deducting the offering expenses, the net proceeds were RMB13,032.0615 million, with the net proceeds per Share of approximately RMB28.42.

As of December 31, 2020, 100% of the net proceeds of the Group were used to increase the Company's capital, replenish the working capital of the Company and support the development of domestic and overseas business of the Company.

After the A Share Offering and Listing, the total number of Shares of the Company increased to 4,827,256,868 Shares (including 2,923,542,440 A Shares and 1,903,714,428 H Shares). For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" in this report.

IV. ISSUANCE OF BONDS

In 2020, the Group completed the issuance of 26 tranches of corporate bonds with total amount of RMB63,500 million. The funds raised were used to replenish the working capital and repay direct debt financing instruments that were due or redeemed. For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (iii) Debt Financing" in this report.

V. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with our Company. The Directors or Supervisors may be re-elected upon expiry of their term of office, upon the approval by the shareholders' general meeting (but the independent non-executive Directors shall not remain in office for over six years even if re-elected).

In addition, none of the Directors or Supervisors have entered into service contracts with our Company or any of its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

VI. PERMITTED INDEMNITY

Our Company has maintained liability insurance policies for its Directors, Supervisors and senior management. All policies are underwritten by domestic and overseas renowned insurance companies, and our Company regularly reviews the policies.

VII. DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which our Company or its subsidiaries was a party and in which a Director or Supervisor of our Company had a material interest, directly or indirectly, has been entered into during the Reporting Period.

VIII. DIRECTORS' INTERESTS IN BUSINESSES THAT COMPETE WITH THE BUSINESSES OF OUR COMPANY

Save as disclosed in the "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" of this report, none of the Directors has any disclosable interests in any business competing against the businesses of our Company.

IX. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of December 31, 2020, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of our Company. Neither our Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 to acquire such rights from any other body corporates.

X. MANAGEMENT CONTRACTS

Save for employment contracts with employees, our Company did not enter into any contracts nor had any existing contracts in respect of all or any significant part of management and administration of business of our Company during the Reporting Period.

XI. OTHER DISCLOSURES

(i) Pre-emptive Rights

Our Company currently has no arrangements in respect of pre-emptive rights according to the provisions under the PRC laws and the Articles of Association.

(ii) Reasons for and Impact from Changes of Accounting Policies, Accounting Estimates or Correction of Major Accounting Errors

There has been no change of major accounting policies or accounting estimates or major accounting errors in 2020.

(iii) Tax Relief and Exemption Information for Holders of H Shares

The holders of H Shares of our Company shall pay relevant tax and/or enjoy tax relief and exemption in accordance with the following provisions:

According to the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法》and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No.897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividends derived by Mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

(iv) Reserves and Distributable Reserves

For the movement of distributable profit, please refer to the "Consolidated Statement of Changes in Equity" and the "Notes to the Consolidated Financial Statements" of this report.

(v) Major Clients and Suppliers

We have a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). We develop and maintain long-term cooperation with clients and are dedicated to providing them with a comprehensive suite of products and services. We have won our clients' loyalty through our deep engagement and our thorough knowledge and understanding of their businesses. Our clients always entrust us to handle their strategically important and structurally sophisticated transactions.

The Group's customer base is diversified. In 2020, revenue and other income from transactions with the top five customers accounted for less than 10% of the Group's total revenue and other income.

By virtue of the nature of our business, we have no major suppliers. In 2020, the total purchases from the top five suppliers accounted for less than 10% of the Group's total purchases.

(vi) Donation

In 2020, the Group donated over RMB54 million to support public welfare and poverty alleviation programs through CICC and CICC Charity Foundation, including more than RMB18 million of funds and medical supplies to prevent and fight against COVID-19 pandemic in response to the call of the government to support anti-pandemic activities.

By order of the Board
Chairman of Board
Shen Rujun

Other Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

II. MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have any material custody, contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

III. RELATED PARTY/CONNECTED TRANSACTIONS

The Group conducts related party/connected transactions in strict compliance with the Listing Rules, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Policy on Information Disclosure Management of China International Capital Corporation Limited and the Policy on Management of Related Party Transactions of China International Capital Corporation Limited. The Group's related party/connected transactions are conducted based on the principles of equity, openness and fairness, and the related party/connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group did not conduct any non-exempt related party/connected transactions or daily related party transactions/continuing connected transactions in accordance with the Listing Rules or the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

For the year ended December 31, 2020, no related party transactions as set out in "Notes to the Consolidated Financial Statements-55 Related Party Relationships and Transactions" constitute related party/connected transactions or daily related party transactions/continuing connected transactions required to be disclosed under the Listing Rules.

IV. MATERIAL ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

The Group did not have material acquisitions, disposals, swaps and asset reorganizations relating to its subsidiaries, associates, joint operations or joint ventures during the Reporting Period.

V. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period and up to the Latest Practicable Date, our Group had complied with the laws and regulations and regulatory requirements of the places where our Group operates in all material respects. None of our Group and the Directors, Supervisors and senior management of our Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible.

VI. SUBSEQUENT EVENTS

For detailed information of the Group's issuance and redemption of debt securities in 2021 and up to the date of approving the Group's financial statements, please refer to "Notes to the Consolidated Financial Statements – 63 SUBSEQUENT EVENTS".

VII. TALENT MANAGEMENT MECHANISM

We enhance the organizational assessment mechanism and internal employee assessment system to improve organizational agility, and leverage digital strategies to systematically promote the implementation of assessment models and assessment methods for agile organizations. We also strengthen the construction of incentive mechanism and pay attention to the long-term consistency between the interests of employees and those of the Company. Meanwhile, we further strengthen the construction of corporate culture, continue to enrich and refine corporate cultural content, explore the relationship among culture, organization, and talents to promote the implementation of culture.

Changes in Shares and Information of Substantial Shareholders

As of December 31, 2020, the share capital structure of our Company is as follows:

Name of Shareholders	Number and class of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin *(Note 1)*	1,938,890,480 A Shares	40.17%	66.32%
HKSCC Nominees Limited *(Note 2)*	1,483,859,404 H Shares	30.74%	77.95%
Haier Group (Qingdao) Financial Holdings Ltd.	398,500,000 A Shares	8.26%	13.63%
Alibaba Group Holding Limited *(Note 3)*	202,844,235 H Shares	4.20%	10.66%
	13,757,670 A Shares	0.28%	0.47%
Tencent Holdings Limited *(Note 4)*	216,249,059 H Shares	4.48%	11.36%
I&G	127,562,960 A Shares	2.64%	4.36%
GUOXIN Investment Co., Ltd.	15,477,380 A Shares	0.32%	0.53%
China Structural Reform Fund Co., Ltd.	15,477,380 A Shares	0.32%	0.53%
Abu Dhabi Investment Authority	13,757,670 A Shares	0.28%	0.47%
Other public shareholders of A Shares	400,118,900 A Shares	8.29%	13.69%
Other public shareholders of H Shares	761,730 H Shares	0.02%	0.04%

Notes:

(1) Huijin directly holds 1,936,155,680 A Shares of the Company, and indirectly holds 2,734,800 A Shares of the Company through its wholly-owned subsidiaries Jianyin Investment, JIC Investment and China Investment Consulting.

(2) HKSCC Nominees Limited is the nominal holder of shares held by the unregistered shareholders of H Shares of the Company. The number of shares held by and the shareholding ratio of HKSCC Nominees Limited have deducted the shares held by Tencent Mobility Limited and Des Voeux Investment Company Limited which are registered under the name of HKSCC Nominees Limited.

(3) Alibaba Group Holding Limited holds 202,844,235 H Shares and 13,757,670 A Shares of the Company through its wholly-owned subsidiaries Des Voeux Investment Company Limited and Alibaba (China) Network Technology Co., Ltd. respectively.

(4) Tencent Holdings Limited holds 216,249,059 H Shares of the Company through its wholly-owned subsidiary Tencent Mobility Limited.

I. CHANGES IN SHARE CAPITAL

On November 2, 2020, the Company's A Shares (Stock Code: 601995.SH) were listed and commenced trading on the Main Board of the Shanghai Stock Exchange. Upon the A Share Offering and Listing, the total share capital of the Company increased to 4,827,256,868 ordinary shares, including 1,903,714,428 H Shares and 2,923,542,440 A Shares (including 2,464,953,440 A Shares converted from original domestic Shares and 458,589,000 new A Shares).

As at the end of the Reporting Period, the total issued Shares of our Company was 4,827,256,868 Shares, of which, 2,923,542,440 were A Shares and 1,903,714,428 were H Shares. Please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" of this report for details.

II. SHAREHOLDERS

As of December 31, 2020, our Company had 145,328 holders of A Shares and 412 registered holders of H Shares.

As of December 31, 2020, Huijin was interested in approximately 40.17% of the total share capital of our Company directly and indirectly.

Huijin is a state-owned investment company established in accordance with the PRC Company Law. Headquartered in Beijing, Huijin was established in December 2003 and mandated to exercise the rights and the obligations as a contributor in major state-owned financial enterprises on behalf of the PRC Government. In September 2007, the Ministry of Finance issued special treasury bonds and acquired all the shares of Huijin from the PBOC. The acquired shares were injected into China Investment Corporation ("CIC") as part of its initial capital contribution. However, Huijin's principal shareholder rights are exercised by the State Council. The members of the Board of Directors and Supervisory Committee of Huijin are appointed by and are accountable to the State Council. In accordance with authorization by the State Council, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as a contributor on behalf of the PRC Government in accordance with applicable laws, so as to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity and does not intervene in the day-to-day business operations of the enterprises in which it invests.

Changes in Shares and Information of Substantial Shareholders

III. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of our Company and Its Associated Corporations

As of December 31, 2020, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/ Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huang Zhaohui	H Shares	Others *(Note 1)*	7,002,199/ Long positions	0.145%	0.368%
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.002%	0.005%

Note:

(1) Mr. Huang Zhaohui indirectly holds interests through subscription of fund and asset management scheme.

Substantial Shareholders' Interests and Short Positions

As of December 31, 2020, to the knowledge of our Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of our Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Huijin *(Note 1)*	A Shares	Beneficial owner	1,936,155,680/ Long positions	40.109%	66.226%
		Interest of controlled corporation	2,734,800/ Long positions	0.057%	0.094%
Haier Group Corporation *(Note 2)*	A Shares	Interest of controlled corporation	398,500,000/ Long positions	8.255%	13.631%
Alibaba Group Holding Limited *(Note 3)*	H Shares	Interest of controlled corporation	202,844,235/ Long positions	4.202%	10.655%
	A Shares	Interest of controlled corporation	13,757,670/ Long positions	0.285%	0.471%
Tencent Holdings *(Note 4)*	H Shares	Interest of controlled corporation	216,249,059/ Long positions	4.480%	11.359%

Notes:

(1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly-owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 A Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.

(2) As of December 31, 2020, each of Haier Electric International Co., Ltd. (as the sole member of Haier Group (Qingdao) Financial Holdings Ltd.), Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) (holding 48.8% interest in Haier Electric International Co., Ltd.), Haier Group Corporation (holding 51.2% interest in Haier Electric International Co., Ltd.) and Qingdao Haichuangke Investment Management Co., Ltd. (as general partner of Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) and a member holding its 10% interest) is deemed to be interested in the A Shares held by Haier Group (Qingdao) Financial Holdings Ltd. under the SFO.

(3) As of December 31, 2020, Des Voeux Investment Company Limited held 202,844,235 H Shares of the Company. Des Voeux Investment Company Limited is wholly-owned by Alibaba Group Treasury Limited, which is wholly-owned by Alibaba Group Holding Limited. Therefore, Alibaba Group Treasury Limited and Alibaba Group Holding Limited are deemed to be interested in 202,844,235 H Shares held by Des Voeux Investment Company Limited under the SFO. In addition, Alibaba (China) Network Technology Co., Ltd. held 13,757,670 A Shares of the Company. Alibaba (China) Network Technology Co., Ltd. is wholly-owned by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in 13,757,670 A Shares held by Alibaba (China) Network Technology Co., Ltd. under the SFO.

(4) As of December 31, 2020, Tencent Mobility Limited, directly interested in 216,249,059 H Shares, is a corporation controlled by Tencent Holdings, which is therefore deemed to be interested in the H Shares held by Tencent Mobility Limited.

IV. SUFFICIENT PUBLIC FLOAT

As at the Latest Practicable Date and based on the information available to our Company and to the knowledge of the Directors, our Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

V. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF OUR COMPANY

According to the Company's announcement dated May 18, 2020 on the Shanghai Stock Exchange, the Company decided to exercise the option as the perpetual subordinated bond issuer to redeem all registered "15 CICC Y1" Bond on the registration date. The total amount redeemed was RMB1,057,000,000 of principal and interest. Such redemption was completed on May 29, 2020.

Save as disclosed above and except for the Company's initial public offering of 458,589,000 A Shares at RMB28.78 per share on the Shanghai Stock Exchange on November 2, 2020, during the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's securities.

Directors, Supervisors, Senior Management and Employees

I. BASIC INFORMATION ON THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information on the Directors, Supervisors and senior management of the Company is as follows:

Name	Position	Gender	Age	Appointment date
DIRECTORS				
Shen Rujun (沈如軍)	Chairman of the Board	Male	57	August 2019
	Non-executive Director			August 2019
Huang Zhaohui (黃朝暉)	Executive Director	Male	57	February 2020
	Chief Executive Officer			December 2019
	Chairman of the Management Committee			December 2019
Tan Lixia (譚麗霞)	Non-executive Director	Female	50	February 2020
Duan Wenwu (段文務)	Non-executive Director	Male	51	February 2020
Liu Li (劉力)	Independent Non-executive Director	Male	65	June 2016
Siu Wai Keung (蕭偉強)	Independent Non-executive Director	Male	66	May 2015
Ben Shenglin (賁聖林)	Independent Non-executive Director	Male	55	May 2015
Peter Hugh Nolan (彼得•諾蘭)	Independent Non-executive Director	Male	71	February 2020
SUPERVISORS				
Gao Tao (高濤)	Chairman of the Supervisory Committee	Male	56	June 2017
	Employee Representative Supervisor			June 2017
Jin Lizuo (金立佐)	Supervisor	Male	63	May 2015
Cui Zheng (崔錚)	Supervisor	Male	40	February 2020

Name	Position	Gender	Age	Appointment date
SENIOR MANAGEMENT				
Huang Zhaohui (黃朝暉)	See "Directors" above			
Chu Gang (楚鋼)	Chief Operating Officer	Male	57	April 2015
	Member of the Management Committee			April 2015
Wong King Fung (黃勁峯)	Chief Financial Officer	Male	52	February 2017
	Member of the Management Committee			February 2017
Hu Changsheng (胡長生)	Member of the Management Committee	Male	55	June 2017
Huang Haizhou (黃海洲)	Member of the Management Committee	Male	58	April 2015
Wu Bo (吳波)	Member of the Management Committee	Male	43	April 2018
Wang Sheng (王晟)	Member of the Management Committee	Male	43	March 2020
Zhang Fengwei (張逢偉)	Chief Risk Officer	Male	53	June 2017
Chen Gang (陳剛)	Chief Compliance Officer	Male	48	August 2016
Xu Yicheng (徐翌成)	Assistant President	Male	46	March 2020
Sun Nan (孫男)	Secretary to the Board of Directors	Male	41	May 2020
Ma Kui (馬葵)	Financial Controller	Female	49	May 2015

Please refer to "Notes to the Consolidated Financial Statements – 14. Directors' and Supervisors' Remuneration" of this report for the remuneration of the Directors and Supervisors.

Directors, Supervisors,
Senior Management and Employees

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. Shen Rujun (沈如軍), aged 57, has been appointed as the Chairman of our Company since August 2019, and serves as the Executive Director and Executive Vice President of China Investment Corporation as well as the Vice Chairman, Executive Director and President of Huijin Company. Mr. Shen successively served as the Deputy Section Chief, Section Chief, and Deputy Director of the Accounting Division, as well as Deputy Director (in charge of the work) and Director of the Planning Division of Jiangsu Branch of Industrial and Commercial Bank of China Limited (hereinafter referred to as "ICBC"), a company listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 01398), from December 1984 to December 1998. He served as the Vice General Manager of the Planning and Finance Department of ICBC from December 1998 to November 2003; Vice President of ICBC Beijing Branch from November 2003 to July 2008; General Manager of the Finance and Accounting Department of ICBC from July 2008 to November 2013; and President of ICBC Shandong Branch from November 2013 to March 2015. Mr. Shen served as the Vice President of Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications"), a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from March 2015 to June 2018; and Vice President and Executive Director of Bank of Communications from June 2018 to October 2018. Mr. Shen obtained his doctoral degree from School of Technology and Economics of Hohai University in 2001.

Mr. Huang Zhaohui (黃朝暉), aged 57, has been appointed as a Director of the Company since February 2020, the Chief Executive Officer and Chairman of the Management Committee of our Company since December 2019. He joined the Group in February 1998 and held several positions, including the Head, Deputy Head and Co-Head of the Investment Banking Department. He also served as a member of the Management Committee of the Company from April 2015 to December 2019. Prior to joining our Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and director of the secretariat of the general administration office from July 1988 to January 1998. He currently serves as a director of CICC Wealth Management, CICC HK Securities and Jinteng Technology. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.

Ms. Tan Lixia (譚麗霞), aged 50, a Chartered Global Management Accountant, has been appointed as a Director of the Company since February 2020. Ms. Tan joined Haier from August 1992, and successively served as the director of Department of Overseas Market Development of Haier Group and Chief Financial Officer of Haier Group. Ms. Tan currently serves as the Executive Vice President and Head of Wanchain Platform of Haier Group, Chairman of Haier Group (Qingdao) Financing Holding Co., Ltd., Vice Chairman of Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690) and the Hong Kong Stock Exchange (Stock Code: 06690), a non-executive director of Bank of Qingdao Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002948) and the Hong Kong Stock Exchange (Stock Code: 03866), Chairman of Qingdao Haier Biomedical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 688139) and Chairman of INKON Life Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 300143). Ms. Tan once served as a non-executive director of Haier Electronics Group Co., Ltd. Ms. Tan currently serves as a standing member of the 12th session of All-China Women's Federation, Vice President of China Women Entrepreneurs Association, the Chairman of Shandong Women Entrepreneurs Association and the Vice Chairman of the 13th session of Qingdao Women's Federation. Ms. Tan graduated from Central University of Finance and Economics majoring in public finance in June 1992, and obtained an EMBA degree from the China Europe International Business School in July 2009.

Mr. Duan Wenwu (段文務), aged 51, a senior accountant, has been appointed as a Director of the Company since February 2020. Mr. Duan has served as the Chairman of I&G (NEEQ: 834777) from May 2020, General Manager of I&G from April 2019, and Chairman of SDIC Financial Leasing Co., Ltd. from March 2015. Mr. Duan served as the Deputy Manager and Financial Chief of Yunnan Dachaoshan Hydropower Co., Ltd. Dachao Industrial Company from July 1998 to December 1998, and successively served as Deputy Manager, Manager of the Finance Department, Deputy Chief Accountant, Chief Accountant and Deputy Manager of Yunnan Dachaoshan Hydropower Co., Ltd. (later renamed as SDIC Yunnan Dachaoshan Hydropower Co., Ltd.) from December 1998 to May 2008. Mr. Duan served as an assistant to the director of Finance and Accounting Department of State Development & Investment Corporation (later renamed as State Development & Investment Corp., Ltd.) from May 2008 to November 2008, Deputy General Manager of SDIC Finance Co., Ltd. from November 2008 to August 2010, Deputy Director of Finance and Accounting Department of State Development & Investment Corporation from August 2010 to August 2014, Director and Deputy General Manager of China National Complete Plant Import and Export Group Corporation Limited from March 2013 to August 2014, Director of Finance and Accounting Department and Director of the Finance Department of State Development & Investment Corporation from August 2014 to August 2016 and from August 2016 to May 2017, respectively, Chairman of Rongshi International Holding Company Limited from December 2016 to June 2020, General Manager of SDIC Essence Co., Ltd. (later renamed as SDIC Capital Co., Ltd.), a company listed on the Shanghai Stock Exchange (Stock Code: 600061), from May 2017 to December 2017, General Manager of SDIC Capital Co., Ltd. from December 2017 to March 2018, Director of Essence Securities Co., Ltd. from December 2017 to January 2019, and Chairman of SDIC Finance Co., Ltd. from March 2018 to April 2019. Mr. Duan obtained a bachelor's degree in economics from Xiamen University in July 1990, and a master's degree in business administration from Jiangxi University of Finance and Economics in January 2003.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Li (劉力), aged 65, has been appointed as a Director of our Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. Mr. Liu has served as an independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1829), since January 2011, and an independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 000617), since June 2017. Mr. Liu also served as an independent non executive director of Bank of Communications, a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 3328), from September 2014 to November 2020, and an independent director of Success Electronics Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002289), from January 2016 to October 2020. Mr. Liu obtained a master's degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

Mr. Siu Wai Keung (蕭偉強), aged 66, (former name: Francis Siu Wai Keung), has been appointed as a Director of our Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Huazhen LLP Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Huazhen LLP Beijing Office and North China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu currently serves as an independent non-executive director of CITIC Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 267), since May 2011, an independent non-executive director of China Communications Services Corporation Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 552), since June 2012, an independent director of Beijing Gao Hua Securities Company Limited since June 2015, and an independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu also served as an independent non executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), from December 2010 to October 2020, and an independent non-executive director of CGN Power Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 1816) and the Shenzhen Stock Exchange (Stock Code: 003816), from March 2014 to August 2020. Mr. Siu has been a fellow member of the ICAEW and the HKICPA since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

Mr. Ben Shenglin (賁聖林), aged 55, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and general manager of working capital business in China from September 1994 to January 2005. He served at HSBC from February 2005 to March 2010, successively as China country head and managing director of financial institutions, and China country head of commercial banking. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, a supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016, and a supervisor of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and Hong Kong Stock Exchange (Stock Code: 939), since June 2020. Mr. Ben has also served as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), from September 2014 to February 2020, an independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 168), from June 2014 to June 2020. Mr. Ben joined Zhejiang University since May 2014 and currently serves as a full-time professor and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, the dean of the International Business School since October 2018, and the co-director of Zhejiang University- Ant FinTech Research Center since November 2019. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and the co-director thereof since July 2018, the dean of Zhejiang Institute of Innovations since April 2018, a counsellor of the Zhejiang People's Government since August 2014, a member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and Vice Commissioner of Economic Policy Committee since January 2018, the Joint Chairman of Zhejiang Association of Internet Finance since September 2015, a member of the Guangdong Financial Experts Advisory Committee since November 2017, a member of the International Cooperation Committee of the All-China Federation of Industry and Commerce since December 2018 and an expert specially invited by the FinTech Cooperation Committee of the Asian Financial Cooperation Association since July 2019. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in industrial enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

Directors, Supervisors, Senior Management and Employees

Mr. Peter Hugh Nolan, aged 71, recipient of the Commander of the Most Excellent Order of the British Empire, has been appointed as a Director of the Company since February 2020. He has served as an independent non-executive director of China Everbright Group since January 2019 and the director of China Centre, Jesus College at University of Cambridge since 2017. He has also served as the Director of the China Executive Leadership Programme (CELP) since 2005. Professor Nolan was a lecturer of Faculty of Economics and Politics at University of Cambridge from 1979 to 1997 and Sinyi Professor of Chinese Management at Cambridge Judge Business School at University of Cambridge from 1997 to 2012. He was the founding director and Chong Hua Professor of Chinese Development in the Centre of Development Studies at University of Cambridge from 2012 to 2016 and Chong Hua Professor of Chinese Development (Emeritus) since 2016. Professor Nolan also served as an independent non-executive director of Bank of Communications (a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328)) from November 2010 to November 2017. Professor Nolan obtained his Doctoral degree in Economics from University of London in 1981.

Supervisors

Mr. Gao Tao (高濤), aged 56, has been elected as the employee representative Supervisor and appointed as the Chairman of the Supervisory Committee of the Company since June 2017. He has been the chairman of the board of directors of CICC Wealth Management (formerly known as "CISC") since October 2015. From June 1991 to May 2005, he held several positions in China Construction Bank including vice director and general manager of the department of human resources of Anhui Branch, and the president of Huainan Branch. From May 2005 to September 2005, he served as a member of the Securities Restructuring Committee of China Jianyin Investment Co., Ltd. From September 2005 to September 2006, he held several positions in CISC including general manager of the department of human resources and vice president. From September 2006 to September 2012, he held several positions in Hong Yuan Securities Co., Ltd., including vice general manager, board secretary and vice chairman. From September 2012 to August 2015, he served as vice president of China Jianyin Investment Co., Ltd. Mr. Gao graduated with a bachelor's degree from Anhui Agricultural University (formerly known as "Anhui Agricultural College") in July 1986, and an executive master of business administration degree from Renmin University of China in January 2009.

Mr. Jin Lizuo (金立佐), aged 63, has been appointed as a Supervisor of our Company since May 2015. He participated in the establishment of our Company from 1994 to 1995. Mr. Jin serves as an independent non-executive director of Beijing Enterprises Environment Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 154), since September 2004 and a non-executive director of NetBrain Technologies Inc. since August 2012. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from the University of Oxford, the United Kingdom, in November 1993. He is the founding president of the Chinese Economic Association (CEA) UK.

Mr. Cui Zheng (崔錚), aged 40, has been appointed as a Supervisor of the Company since February 2020. He has been serving as head of Legal Compliance Division of the General Management Department of Huijin since February 2020. Mr. Cui joined Huijin in July 2011, successively served as the manager of the General Department, the manager and senior deputy manager of the General Management Department/Banking Institution Department II, head of Legal Compliance Division of the General Management Department/Banking Institution Department II, etc. From July 2003 to July 2011, Mr. Cui successively served as a business director, business executive and senior business executive of Corporate Strategy Department (Legal Department) of China Telecommunications Corporation (中國電信集團公司). Mr. Cui received a bachelor's degree in law and a bachelor's degree in economics from Peking University in July 2003, a master's degree in law from Peking University in July 2009 and a master's degree in business administration from Peking University in July 2010.

Directors, Supervisors, Senior Management and Employees

Senior Management

Mr. Huang Zhaohui (黃朝暉), an executive Director, the Chief Executive Officer and Chairman of the Management Committee of our Company. See "- Directors" in this section for his profile.

Mr. Chu Gang (楚鋼), aged 57, has been appointed as the Chief Operating Officer and member of the Management Committee of our Company since April 2015. He joined the Group in May 2009 and held several positions, including Managing Director of the Research Department, Deputy Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including Emerging Market Risk Manager, US Local Government Bonds Proprietary Trader, Head of Latin America Stock Derivatives Trading and Managing Director of Alternative Investment Funds from September 1993 to August 2008. He currently serves as Director of a number of subsidiaries of our Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

Mr. Wong King Fung (黃勁峯), aged 52, has been appointed as the Chief Financial Officer and member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as Managing Director in the Firm Management Department. Mr. Wong has over 20 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016; during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and Managing Director. From November 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to November 2006, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and Executive Director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as Auditing and Accounting Trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently Director of CICC Hong Kong. Mr. Wong obtained a Bachelor's Degree in Mechanical Engineering from University of Bristol in June 1990.

Directors, Supervisors, Senior Management and Employees

Mr. Hu Changsheng (胡長生), aged 55, has been appointed as member of the Management Committee since June 2017, and the Chairman of CICC Fund Management Co., Ltd. since December 2020. From December 1998 to December 2005, he has successively served as the Deputy Director of the General Division of the Policy Research Office, member (at cadre level) of the Planning and Development Committee, Consultant of the Institution Supervision Division, and Commissioner of the Shenzhen Commissioner's Office under the CSRC. From December 2005 to January 2008, he has served as the Deputy Director and then Director of the capital market department of Huijin. From January 2008 to November 2011, he has acted as the Senior Business Head and Director of Capital Market Division of the non-bank department of Huijin. From December 2005 to April 2010, he successively held the position as Director, Vice Chairman of the board of directors and Acting President of China Galaxy Securities Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 06881) and Shanghai Stock Exchange (Stock Code: 601881). From January 2007 to September 2010, he served as Director of China Galaxy Financial Holdings Company Limited. From November 2007 to January 2010, he acted as a Director of China Everbright Industry Group Ltd. He also served as the Vice Chairman of the board of directors of China Securities Co., Ltd. from March 2011 to November 2012. He was the Chairman of CISC Changchun Venture Capital Fund Management Co., Ltd. from November 2012 to August 2015. He also served as the Vice Chairman of the Executive Committee of CICC Wealth Management Securities from March 2012 to November 2019. He acted as the Chairman of CISC Luckystone Investment Management Co., Ltd. from November 2011 to April 2020. He served as the the Director and the Vice Chairman of CICC Wealth Management Securities from November 2011 to November 2020, and the President of CICC Wealth Management Securities from December 2011 to November 2020 and the Chairman of the Executive Committee of CICC Wealth Management Securities from November 2019 to December 2020. Mr. Hu graduated with a doctor's degree in economics from the Graduate Division of Beijing Public Finance Science Research Institute of Ministry of Finance in June 1997.

Mr. Huang Haizhou (黃海洲), aged 58, has been appointed as member of the Management Committee and the Head of the Equities Department of our Company since April 2015 and May 2013 respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as Research Fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, Economist and then Senior Economist at the International Monetary Fund from July 1998 to August 2005, and Chief Economist and Head of Greater China Research of Barclays Capital from September 2005 to December 2007. He served as a member of the first session of the Hong Kong Financial Services Development Council from March 2013 to March 2018. He currently serves as Director of a number of subsidiaries of our Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree from the business school of Indiana University, the United States, in July 1994.

Mr. Wu Bo (吴波), aged 43, has been appointed as member of the Management Committee of the Company since April 2018, and the Head of Wealth Management Department of the Company since February 2017. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department, member of the Operations Team of the Investment Banking Department and Secretary to the Board of Directors. He has been the President of CICC Wealth Management Securities since November 2020, and Chairman of the Executive Committee of CICC Wealth Management Securities since December 2020. Prior to joining the Group, from July 1999 to June 2002, Mr. Wu served as Auditor of Arthur Andersen Huaqiang Certified Public Accountants and Senior Auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained a bachelor's degree in economics from Peking University in July 1998 and an EMBA degree from Guanghua School of Management, Peking University and Kellogg School of Management (Northwestern University) in July 2018.

Mr. Wang Sheng (王晟), aged 43, has been appointed as member of the Management Committee since March 2020. Mr. Wang Sheng is currently Head of the Investment Banking Department and Managing Director of our Company. From March 2018 to March 2020, he served as the Assistant President of the Company. Mr. Wang Sheng joined CICC in 2002. He successively participated in the reforms and restructurings of a number of industries, including telecommunications, finance, energy and pharmaceuticals, and led numerous landmark capital market transactions. Mr. Wang Sheng has been covering a number of leading domestic and foreign enterprises all the year round, and has been holding key management positions at the Investment Banking Department of CICC since 2010. Mr. Wang Sheng graduated from the School of Economics and Management of Tsinghua University, and obtained a Bachelor's and a Master's degree in 2000 and 2002 respectively.

Directors, Supervisors, Senior Management and Employees

Mr. Zhang Fengwei (張逢偉), aged 53, has been appointed as the Chief Risk Officer and the Head of the Risk Management Department of our Company since June 2017. He joined the Group in April 2004 and held several positions, including Senior Associate of the Operations Department, Vice President, Managing Director and Deputy Head of the Risk Management Department. From March 2011 to February 2015, he served as the Chief Risk Officer of Zheshangjinhui Trust Co., Ltd., an associated company of the Group. Prior to joining our Group, he served as a Programmer and Network Engineer of STONE Group from July 1991 to March 1996, and Assistant Vice President of Bank One N.A. Beijing Branch from April 1996 to March 2004. Mr. Zhang obtained a bachelor's degree in Applied Mathematics from Tsinghua University in July 1991 and a master's degree in Economics from Peking University in July 1997.

Mr. Chen Gang (陳剛), aged 48, has been appointed as the Chief Compliance Officer of our Company since August 2016. He joined the Group in April 2006 and held several positions, including the Legal Department Coordinator of our US office as well as the Chief Compliance Officer of CICC Investment Management (USA), Inc., and Compliance Counsel in our Beijing and Hong Kong offices until January 2014. Prior to joining the Group, he served as a Research Associate of the Development Research Center of the State Council from August 1996 to January 2001, and Senior Associate of the Broad & Bright Law Firm from September 2004 to April 2006. He served as a Managing Director in charge of legal and compliance matters of HOPU Investment Management Co., Ltd. from January 2014 to April 2016. He rejoined the Group in May 2016 and served as Managing Director of our Compliance Department. Mr. Chen is a registered attorney of the New York State and has obtained the PRC legal professional qualification. Mr. Chen obtained his bachelor of science degree in applied chemistry and master of business administration degree from Peking University in July 1996 and July 2001 respectively. He also obtained a Juris Doctor degree from the University of Pennsylvania Law School in May 2004.

Mr. Xu Yicheng (徐翌成), aged 46, has been appointed as Assistant President of our Company since March 2020. Mr. Xu Yicheng is now the Head of Asset Management Segment of the Company. He joined the Investment Banking Department of the Company in January 2000, and became Managing Director in January 2008. He took several positions in our Company including Secretary to the Board of Directors, Head of Strategic Development Department and Head of Firm Office. As one of China's first batch of mergers and acquisitions (M&A) professionals, he founded and led the Company's M&A business since 2005. Mr. Xu was responsible for and closed a large number of landmark M&A transactions with a total value of more than USD150 billion, and led the team to top the China M&A leaderboard for five consecutive years (2006-2010). In recent years, Mr. Xu assisted in formulating the Company's medium and long-term strategic planning, including wealth management business strategy, asset management business strategy and other significant strategies, and took the lead in accomplishing important capital operations such as the acquisition of CISC and the introduction of Tencent as a strategic investor. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University in 1997 and a master's degree in finance from the Graduate School of the PBOC in 2000.

Mr. Sun Nan (孫男), aged 41, has been appointed as Secaretary to the Board of Directors of our Company since May 2020. Mr. Sun Nan currently serves as the Head of Strategic Development Department and Firm Office of the Company. He joined the Investment Banking Department of our Company in July 2003, and served as the Head of Global M&A Business of Investment Banking, the Head of Sponsor Business of Investment Banking, the member of the Investment Banking Business Committee, the member of operations team of the Investment Banking Department, the Head of Strategic Research Department, etc. Mr. Sun has extensive experience in capital operation, research and other areas. Mr. Sun obtained a bachelor's degree in economics from Tsinghua University in 2001 and a master's degree in management from Tsinghua University in 2003.

Ms. Ma Kui (馬葵), aged 49, has been appointed as the Financial Controller, Head of Entity and Process Department of our Company since May 2015 and September 2011 respectively. She joined the Group in April 1998 and held several positions including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng. Ms. Ma has been the Director of CICC Jiacheng, a subsidiary of our Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as Director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996 respectively.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Change in Directors and Composition of the Special Committees of the Board

With the approval of the Company's first extraordinary general meeting in 2020 held on February 28, 2020, the second session of the Board of the Company was established. Mr. Shen Rujun, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu were appointed as the non-executive Directors of the Company; Mr. Huang Zhaohui was appointed as the executive Director of the Company; Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin and Mr. Peter Hugh Nolan were appointed as the independent non-executive Directors of the Company. At the same time, Mr. Bi Mingjian ceased to serve as an executive Director of the Company; Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson ceased to serve as non-executive Directors of the Company; and Mr. Edwin Roca Lim ceased to serve as an independent non-executive Director of the Company. The term of office of the second session of the Board of Directors is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 and the circular dated January 3, 2020, which is in relation to, among other things, election of new session of the Board of Directors as published by the Company.

On February 28, 2020, the Board of Directors elected Mr. Shen Rujun as the Chairman of the second session of the Board of Directors of the Company. He will serve as the Chairman of Board of Directors for the same term of office as his service as the Director. On the same day, after consideration and approval by the Board of Directors, the chairmen and members of the special committees of the second session of the Board of Directors are as follows:

1. The members of the Strategy Committee are Mr. Shen Rujun, Mr. Huang Zhaohui, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia, Mr. Duan Wenwu, and the chairman is Mr. Shen Rujun;

2. The members of the Remuneration Committee are Ms. Tan Lixia, Mr. Siu Wai Keung, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Peter Hugh Nolan;

3. The members of the Nomination and Corporate Governance Committee are Mr. Shen Rujun, Mr. Huang Hao, Mr. Liu Li, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Liu Li;

4. The members of the Audit Committee are Mr. Huang Hao, Ms. Xiong Lianhua, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Siu Wai Keung;

5. The members of the Risk Management Committee are Mr. Huang Zhaohui, Ms. Xiong Lianhua, Mr. Duan Wenwu, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Ben Shenglin.

The terms of office of the members of the special committees of the second session of the Board of Directors are the same as those of their service as Directors. The aforesaid details of the change were disclosed in the announcement dated February 28, 2020 relating to, among other things, the election of the Chairman and members of the special committees of the Board of Directors as published by the Company.

Since the date of the Company's A Share Offering and Listing on November 2, 2020, the Board of Directors has established the Related-Party Transaction Control Committee to perform the duties of related party/connected transaction control and daily management of the Company. The members of the Related-Party Transaction Control Committee are Mr. Liu Li, Mr. Siu Wai Keung, Mr. Peter Hugh Nolan, and the chairman is Mr. Siu Wai Keung.

Mr. Huang Hao has resigned from the office of the non-executive Director of the Company and the member of each of the Strategy Committee, the Nomination and Corporate Governance Committee and the Audit Committee of the Board due to work rearrangement, with effect from December 8, 2020.

Ms. Xiong Lianhua has resigned from the office of the non-executive Director of the Company and the member of each of the Strategy Committee, the Risk Management Committee and the Audit Committee of the Board due to work rearrangement, with effect from January 14, 2021.

(ii) Change in Supervisors

With the approval of the Company's 2020 First Extraordinary General Meeting held on February 28, 2020, the second session of the Supervisory Committee of the Company was established. Mr. Jin Lizuo and Mr. Cui Zheng were appointed as the non-employee representative Supervisors of the Company, who jointly composed the second session of the Supervisory Committee of the Company together with Mr. Gao Tao, the employee representative Supervisor elected at the 2019 First Employees' Representative Meeting of the Company. At the same time, Mr. Liu Haoling ceased to serve as a Supervisor of the Company. The term of office of the second session of the Supervisory Committee is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 and the circular dated January 3, 2020, which is in relation to, among other things, election of new session of the Supervisory Committee as published by the Company.

On February 28, 2020, the Supervisory Committee elected Mr. Gao Tao as the Chairman of the second session of the Supervisory Committee of the Company. He will serve as the Chairman of the Supervisory Committee for the same term of office as his service as employee representative Supervisor. Details of the foregoing change were disclosed in the announcement dated February 28, 2020, which is in relation to, among other things, the election of the Chairman of the Supervisory Committee as published by the Company.

(iii) Change in Senior Management

The Board of Directors considered and approved to appoint Mr. Wang Sheng as a member of the Management Committee of the Company, responsible for the investment banking business, with effect from March 30, 2020. On the same day, Mr. Wang Sheng ceased to serve as the Assistant President of the Company.

The Board of Directors considered and approved to appoint Mr. Xu Yicheng as the Assistant President of the Company, responsible for the asset management business, with effect from March 30, 2020.

The Board of Directors considered and approved to appoint Mr. Sun Nan as the Secretary to the Board of Directors and Joint Company Secretary of the Company, with effect from May 8, 2020. On the same day, Mr. Xu Yicheng ceased to serve as the Secretary to the Board of Directors and Joint Company Secretary of the Company.

Due to personal career planning, Ms. Liang Hong resigned from her position as a member of the Management Committee of the Company, with effect from April 27, 2020.

Due to personal career planning, Mr. Cheng Qiang resigned from his position as a member of the Management Committee of the Company, with effect form May 13, 2020.

On account of the age, Mr. Ding Wei and Mr. Lu Xu resigned from the positions as a member of the Management Committee and the Chief Information Officer of the Company, respectively, with effect from July 27, 2020.

On account of the age, Ms. Yang Xinping resigned from her position as the Assistant President of the Company, with effect from January 12, 2021.

Save from the above-mentioned changes, there has been no other change in Directors, Supervisors and senior management of our Company as of the Latest Practicable Date.

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Remuneration Committee is responsible for developing and implementing a performance evaluation system that is adaptive to the changing market, a competitive remuneration policy, and reward and punishment measures that are linked to the operation and performance of our Company, according to the characteristics of the financial and securities industries, the main scopes, duties and importance of the positions of Directors and members of senior management, and the remuneration levels of the relevant positions in comparable companies. The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the corporate goals and objectives formulated by the Board of Directors and makes recommendations to the Board of Directors on our Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee reviews the performance of duties of the Directors and senior management, carries out annual performance appraisals and makes recommendations to the Board of Directors on the remuneration packages of Directors and senior management (including non-monetary benefits, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)). The Remuneration Committee shall consider factors such as characteristics of the financial and securities industries, salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, individual performance, employment conditions elsewhere in our Company when considering remuneration packages.

The remuneration of the Directors and Supervisors is subject to approval by the Shareholders at general meetings whereas the remuneration of members of senior management is subject to approval by the Board of Directors.

The remuneration (net of tax) our Directors and Supervisors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) in 2020 was RMB15.5 million.

Please refer to "Notes to the Consolidated Financial Statements – 14. Directors' and Supervisors' Remuneration" of this report for further details.

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to five highest paid individuals of our Company in 2020 was RMB86.1 million.

Please refer to "Notes to the Consolidated Financial Statements – 15. Individuals with Highest Emoluments" of this report for further details.

For the year ended December 31, 2020, the annual remuneration of the members of the senior management of the Company by band is set out below:

Band of remuneration	Number of individuals
RMB1,000,001 to RMB5,000,000	3
RMB5,000,001 to RMB10,000,000	7
RMB10,000,001 to RMB15,000,000	3
RMB15,000,001 to RMB20,000,000	4

V. EMPLOYEES AND REMUNERATION

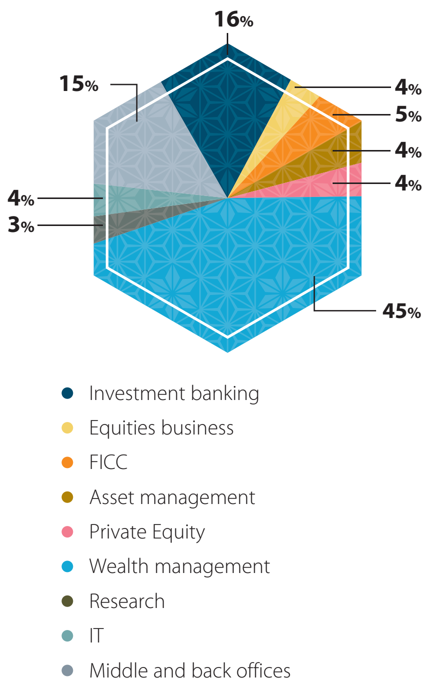
Number and Composition of Employees

As at December 31, 2020, we had 9,372 employees, among whom 8,678 employees were based in the Mainland China and 694 employees were based in Hong Kong SAR, Singapore, the United States and the United Kingdom, representing 93% and 7%, respectively, of the total number of our employees. Approximately 94% and 49% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 28% of our employees and 45% of our managing directors had overseas education or working experience. The breakdown details are as follows:

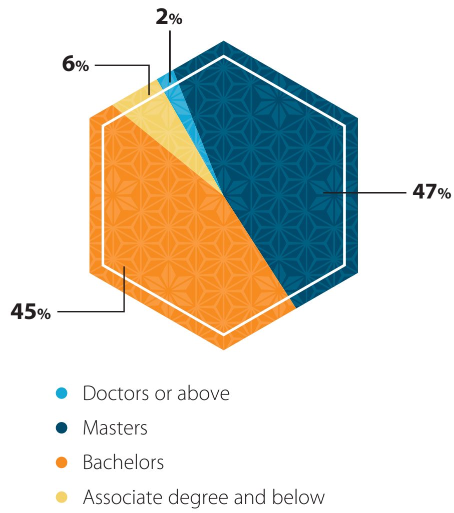
Items		The Group		Our Company	
		Number of employees	Percentage of total (%)	Number of employees	Percentage of total (%)
Business Functions	Investment banking	1,526	16	1,379	31
	Equities business	359	4	252	6
	FICC	432	5	240	5
	Asset management	386	4	225	5
	Private Equity	415	4	0	0
	Wealth management	4,242	45	936	21
	Research	233	3	206	5
	IT	410	4	376	8
	Middle and back offices	1,369	15	842	19
	Total	9,372	100	4,456	100
Educational Background	Doctors or above	150	2	91	2
	Masters	4,428	47	3,060	69
	Bachelors	4,256	45	1,211	27
	Associate degree and below	538	6	94	2
	Total	9,372	100	4,456	100

Directors, Supervisors, Senior Management and Employees

Profession Structure of Employees



Educational Background of Employees



We consider that an outstanding and motivated talent pool is the foundation for our sustainable growth, and we have made significant investment in human resources development. We recruit and cultivate talented professionals through a range of human resources management tools, including a strict recruitment and selection process, a competitive remuneration structure, an efficient performance evaluation system and long-term employee development schemes.

Remuneration of Employees

Consistent with market practice, the remuneration structure of our employees consists of basic salary, which is determined according to the particular position, requirements of qualifications, working experience and market demand, and a bonus which is determined according to the employee's performance. We provide employees based in China with benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds, and we also provide supplementary medical insurance for employees. A small portion of our supporting employees are contracted through third-party employment agencies and we pay salaries and statutory social welfare contributions for these employees. We provide employees of overseas offices with benefits in compliance with local laws and regulations. Our Company encourages the employees to hold directly or indirectly, on a voluntary basis, the Shares of our Company on the premise that the requirements of applicable laws, regulations and other relevant regulatory authorities have been complied with.

Training Plans

Our Company has adopted a comprehensive performance evaluation system to converge career development with our Company's development. We also provide various types of training programs for employees, including new employee orientation, professional skills training, qualification training, management skills training and an executive development training program to improve their skills. In addition, our Company also organized a number of thematic trainings for specific target audience during the Reporting Period to promote the culture of risk awareness, enhance employees' understanding of and compliance with applicable laws, regulations, regulatory guidelines and internal policies.

Relationship with Employees

During the Reporting Period and up to the Latest Practicable Date, we had not experienced any labor strikes or other material labor disputes of our employees that affected our operations. We have maintained good relationship with our employees.

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

As a leading investment bank rooted in China and connected with the world, and a company registered in China and listed on the Shanghai Stock Exchange as well as the Hong Kong Stock Exchange, the Company operates in strict accordance with the laws, regulations and normative documents issued in Mainland China and Hong Kong. The Company is aware of the importance of good corporate governance, and has established a sound and complete corporate governance structure composed of the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and the management of the Company in accordance with the requirements of the Company Law, the Securities Law, the Rules on Supervision over Securities Companies, the Code of Corporate Governance for Securities Companies and other laws, regulations and normative documents, contributing to the establishment of a complete corporate governance system of deliberation, decision-making, authorization and implementation with clear authority and responsibility, standardized operation, mutual coordination and checks and balances among the organ of power, the organ of decision-making, the organ of supervision and the management.

In accordance with the relevant laws, regulations and normative documents, the company has formulated the Articles of Association of China International Capital Corporation, the Rules of Procedures of the Meeting of Shareholders' General Meeting, the Rules of Procedures of the Meeting of Board of Directors, the Rules of Procedures of the Meeting of Supervisory Committee, the Rules of Procedures of Management Committee (Trial) and other corporate governance policies. The scope of authority and responsibility and work procedures of the Shareholder's General Meeting, the Board of Directors, the Supervisory Committee and the management of the Company are further clarified, which provides institutional guarantee for the standardized operation of the Company. The Company believes that adhering to a high level of corporate governance distinguishes us from other companies and helps us establish a healthy and stable relationship with shareholders. The Shareholder's General Meetings, meetings of the Board of Directors and meetings of the Supervisory Committee of the Company are held in accordance with the Articles of Association and relevant rules of procedures.

During the Reporting Period, our Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

The organization chart of our Company is set out in "Company Profile – II. Introduction to our Company – Corporate Organization and Structure" in this report.

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of Shareholders' General Meetings and Shareholders

The shareholders' general meeting is the body exercising the highest authority of our Company and shall exercise the duties and powers in accordance with the laws, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. Our Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all shareholders are treated equally and can exercise their rights fully. During the Reporting Period, our Company convened five shareholders' general meetings (including the shareholders' class meetings) in total.

(ii) Overview of Shareholders' General Meetings

During the Reporting Period, our Company convened five shareholders' general meetings (including the shareholders' class meetings), the details and resolutions of which are as follows:

1. On February 28, 2020, the 2020 First Extraordinary General Meeting of the Company were held and the following resolutions were considered and approved: the Proposal regarding the Amendments to the Articles of Association; the Proposal regarding the Election of New Session of the Board of Directors; the Proposal regarding the Election of New Session of the Supervisory Committee, and the Proposal regarding the Amendments to the Rules of Procedures of the Shareholders' General Meeting.

2. On April 14, 2020, the 2020 Second Extraordinary General Meeting of the Company was held and the following resolutions were considered and approved: the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Use of Proceeds from the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Amendments to the Articles of Association; the Proposal regarding the Dilution of Immediate Returns Resulting from the Initial Public Offering of RMB Ordinary Shares (A Shares) and the Remedial Measures; the Proposal regarding the Price Stabilization Plan of A Shares within the three years following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Undertakings on the Information Disclosure in the Prospectus in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Plan for Shareholders' Return within Three Years Following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Report on the Use of Previously Raised Proceeds; the Proposal regarding the Directors' Remuneration Package; the Proposal regarding the Supervisors' Remuneration Package; the Proposal regarding the Purchase of Liability Insurance for the A Shares Prospectus; the Proposal regarding the Amendments to the Rules of Procedures of the Shareholders' General Meeting; the Proposal regarding the Amendments to the Rules of Procedures of the Meeting of Board of Directors; and the Proposal regarding the Amendments to the Rules of Procedures of the Meeting of Supervisory Committee.

3. On April 14, 2020, the 2020 First Domestic Shareholders' Class Meeting of the Company was convened, at which the following resolutions were considered and approved: the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Use of Proceeds from the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Dilution of Immediate Returns Resulting from the Initial Public Offering of RMB Ordinary Shares (A Shares) and the Remedial Measures; the Proposal regarding the Price Stabilization Plan of A Shares within the Three Years Following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Undertakings on the Information Disclosure in the Prospectus in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding the Report on the Use of Previously Raised Proceeds.

4. On April 14, 2020, the 2020 First H Shareholders' Class Meeting of the Company was convened, at which the following resolutions were considered and approved: the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Use of Proceeds from the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Dilution of Immediate Returns Resulting from the Initial Public Offering of RMB Ordinary Shares (A Shares) and the Remedial Measures; the Proposal regarding the Price Stabilization Plan of A Shares within the Three Years Following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Undertakings on the Information Disclosure in the Prospectus in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding the Report on the Use of Previously Raised Proceeds.

5. On May 15, 2020, the 2019 AGM of the Company were held and the following resolutions were considered and approved: the Proposal regarding the 2019 Work Report of the Board of Directors; the Proposal regarding the 2019 Work Report of the Supervisory Committee; the Proposal regarding the 2019 Annual Report; the Proposal regarding the 2019 Profit Distribution Plan; the Proposal regarding Re-appointment of the accounting firm; and the Proposal regarding the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors.

(iii) Attendance of the Directors at the Shareholders' General Meetings

During the Reporting Period, five shareholders' general meetings (including the shareholders' class meetings) were held and the attendance of the Directors at the shareholders' general meetings is as follows:

Name of Directors *Note*	Required attendance at shareholders' general meetings	Actual attendance at shareholders' general meetings
Shen Rujun	5	5
Huang Zhaohui	4	4
Huang Hao	4	4
Xiong Lianhua	4	4
Tan Lixia	4	4
Duan Wenwu	4	4
Liu Li	5	5
Siu Wai Keung	5	5
Ben Shenglin	5	5
Peter Hugh Nolan	4	4
Bi Mingjian	1	1
Zhao Haiying	1	1
David Bonderman	1	0
Liu Haifeng David	1	1
Shi Jun	1	0
Cha Mou Daid Johnson	1	0
Edwin Roca Lim	1	0

Note: With the approval of the Company's 2020 First Extraordinary General Meeting, the second session of the Board of the Company was established. Among them, Mr. Huang Zhaohui, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu started to serve as the Directors of the Company since February 28, 2020. Mr. Bi Mingjian, Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun, Mr. Cha Mou Daid Johnson and Mr. Edwin Roca Lim ceased to serve as the Directors of the Company since February 28, 2020. The appointment of Mr. Peter Hugh Nolan as the independent non-executive Director takes effect from March 1, 2020. Mr. Huang Hao has resigned from the office of non-executive Director of the Company since December 8, 2020. Ms. Xiong Lianhua has resigned from the office of non-executive Director of the Company since January 14, 2021.

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(i) Duties of the Board of Directors and the Management

The Board exercises the powers and duties set out in the Articles of Association, and shall be accountable to the shareholders' general meeting. The duties of the Board include but are not limited to being responsible for convening the shareholders' general meetings and reporting its work thereto; implementing resolutions adopted at the shareholders' general meetings; deciding the business plans and investment programs of our Company; formulating profit distribution plans and loss recovery plans of our Company; making decisions on the establishment of our Company's internal management bodies; appointing or dismissing the senior management of our Company and deciding on matters concerning the remuneration of the senior management; and other functions and powers prescribed by the relevant laws, regulations, securities regulatory rules or the Articles of Association and authorized by the shareholders' general meeting. The management of our Company is responsible for carrying out the resolutions or decisions of the Board and other duties specified in the Articles of Association.

(ii) Composition of the Board of Directors

Our Company strictly complies with the requirements under the Articles of Association and relevant rules in respect of the appointment of the Directors. The Board meetings were convened in accordance with the Articles of Association and the Rules of Procedures of the Board of Directors of CICC.

As at the end of the Reporting Period, the Board of our Company comprises nine Directors, including one executive Director (Mr. Huang Zhaohui), four non-executive Directors (Mr. Shen Rujun, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu) and four independent non-executive Directors (Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin and Mr. Peter Hugh Nolan). None of the Directors, Supervisors and senior management is related to other Directors, Supervisors and members of the senior management of our Company. For the details in the changes of Directors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

Directors are elected by the shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of the term where the term of re-election shall not exceed six years for independent non-executive Directors. Our Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Our Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority shareholders.

The biographies of all Directors are set out in "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" in this report.

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened 9 meetings, and the details and resolutions of which are as follows:

1. On January 20, 2020, the Company convened the 41st meeting of the first session of the Board, at which the Board heard the Report on the 2019 Performance Review, and considered and approved the following proposals: the Proposal regarding the 2019 Firm-wide Compensation; and the Proposal regarding Authorization for the Remuneration Committee of the Board of Directors to Determine the 2019 Compensation of Senior Management;

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2. On February 28, 2020, the first meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding Election of Chairman; the Proposal regarding the Establishment and Composition of Special Committees of the Board of Directors; the Proposal regarding Change of Authorized Representatives under Rule 3.05 of the Listing Rules; the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Confirmation of the Authorized Persons of the Board of Directors for Issues in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Use of Proceeds from the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Amendments to the Articles of Association; the Proposal regarding the Dilution of Immediate Returns Resulting from the Initial Public Offering of RMB Ordinary Shares (A Shares) and the Remedial Measures; the Proposal regarding the Price Stabilization Plan of the Company's A Shares within the Three Years Following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Undertakings on the Information Disclosure in the Prospectus in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Plan for Shareholders' Return within Three Years following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Report on the Use of Previously Raised Proceeds; the Proposal regarding the Directors' Remuneration Package; the Proposal regarding the Purchase of Liability Insurance for the A Shares Prospectus; the Proposal regarding the Amendments to the Rules of Procedures of the Shareholders' General Meeting; the Proposal regarding the Amendments to the Rules of Procedures of the Meeting of Board of Directors; and the Proposal regarding the Request to Convene the 2020 Second Extraordinary General Meeting, the 2020 First Domestic Shareholders' Class Meeting and the 2020 First H Shareholders' Class Meeting.

3. On March 30, 2020, the second meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Operating Plan; the Proposal regarding the 2019 Work Report of the Board of Directors; the Proposal regarding the 2019 Annual Report and the 2019 Annual Results Announcement; the Proposal regarding the 2019 Profit Distribution Plan; the Proposal regarding Re-appointment of the Accounting Firms; the Proposal regarding the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors; the Proposal regarding the Plan on Authorization of the Board of Directors to the Chief Executive Officer; the Proposal regarding Appointment of Wang Sheng as the Member of the Management Committee; the Proposal regarding Appointment of Xu Yicheng as the Assistant President; the Proposal regarding Change of the Secretary to the Board of Directors and Joint Company Secretary; the Proposal regarding the Internal Audit Charter; the Proposal regarding the 2019 Annual Compliance Report; the Proposal regarding the 2019 Internal Control Assessment Report; the Proposal regarding the 2019 Risk Assessment Report; the Proposal regarding the Amendment to the Risk Appetite Statement; the Proposal regarding the Prospectus for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Financial and Accounting Documents related to the Application for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Confirming Related-Party Transactions during the Reporting Period; the Proposal regarding Basic Policies of the Company Applicable after the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding the Request to Convene the 2019 Annual General Meeting.

4. On May 15, 2020, the third meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding Capital Injection to China International Capital Corporation (Hong Kong) Limited; the Proposal regarding Adjustment of Internal Organization of the Company; the Proposal regarding Relevant Authorization for the Operation of Collective Asset Management Plan after Rectification of the Company; and the Proposal regarding the Annual Work Overall Effect and Efficiency Evaluation Report of Information Technology Management in 2019.

5. On July 20, 2020, the fourth meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding the Amendment to the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Amendment to Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding Request to Convene the 2020 Third Extraordinary General Meeting, the 2020 Second Domestic Shareholders' Class Meeting and the 2020 Second H Shareholders' Class Meeting.

6. On August 15, 2020, the fifth meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding Cancellation of the Amendments to the Plan and Authorization for the A Shares Offering; and the Proposal regarding Cancellation of the 2020 Third Extraordinary General Meeting, the 2020 Second Domestic Shareholders' Class Meeting and the 2020 Second H Shareholders' Class Meeting.

7. On August 17, 2020, the sixth meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Interim Reports and the 2020 Interim Results Announcement; the Proposal regarding the 2020 Semi-Annual Internal Control Assessment Report; the Proposal regarding the Supplementing Financial and Accounting Documents related to the Application for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Confirming Related-Party Transactions during the Reporting Period; the Proposal regarding the Formulation of the Rules of Procedures of Management Committee (Trial); the Proposal regarding the Establishment of the Second Private Fund Management Subsidiary; and the Proposal regarding the Amendment to the Risk Appetite Statement. The Board also heard the 2020 Interim Compliance Management Report and 2020 Interim Risk Assessment Report.

8. On August 28, 2020, the seventh meeting of the second session of the Board of the Company was convened, at which the following proposal was considered and approved: the Proposal regarding Approval of the Rectification Plan for Asset Management Products and Related Authorizations.

9. On October 29, 2020, the eighth meeting of the second session of the Board of the Company was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Third Quarterly Reports; the Proposal regarding the Adjustment of the Internal Organization of CICC - Establishment of CICC Global Institute; the Proposal regarding the Capital Injection to CICC Pucheng Investment Co., Ltd.; the Proposal regarding Capital Injection to China International Capital Corporation (Hong Kong Securities) Limited by China International Capital Corporation (Hong Kong) Limited; the Proposal regarding the Amendments to the Risk Management Policy; and the Proposal regarding the Appointment of the Securities Affairs Representative. The Board also heard the Report regarding the Construction of Houhai Building of China CICC Wealth Management Securities Company Limited.

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(iv) Attendance of Directors at Board meetings

During the Reporting Period, the Board of Directors convened 9 meetings and the attendance of Directors at the Board meetings is as follows:

Name of Directors *Note*	Required attendance at Board meetings	Actual attendance at Board meetings
Shen Rujun	9	9
Huang Zhaohui	8	8
Huang Hao	8	8
Xiong Lianhua	8	8
Tan Lixia	8	8
Duan Wenwu	8	8
Liu Li	9	9
Siu Wai Keung	9	9
Ben Shenglin	9	9
Peter Hugh Nolan	7	7
Bi Mingjian	1	1
Zhao Haiying	1	1
David Bonderman	1	1
Liu Haifeng David	1	1
Shi Jun	1	1
Cha Mou Daid Johnson	1	1
Edwin Roca Lim	1	1

Note: With the approval of the Company's 2020 First Extraordinary General Meeting, the second session of the Board of the Company was established. Among them, Mr. Huang Zhaohui, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu started to serve as the Directors of the Company since February 28, 2020. Mr. Bi Mingjian, Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun, Mr. Cha Mou Daid Johnson and Mr. Edwin Roca Lim ceased to serve as the Directors of the Company since February 28, 2020. The appointment of Mr. Peter Hugh Nolan as the independent non-executive Director takes effect from March 1, 2020. Mr. Huang Hao has resigned from the office of non-executive Director of the Company since December 8, 2020. Ms. Xiong Lianhua has resigned from the office of non-executive Director of the Company since January 14, 2021.

(v) Training for Directors

Our Company recognizes the importance of training and continuous professional development of the Directors to ensure that the Directors are kept abreast of the latest developments of our Company and their responsibilities under the relevant laws and regulations as well as our Company's business and governance policies, so as to assist them in performing their duties as Directors. In 2020, our Company arranged trainings for all the Directors related to the duties and responsibilities as a director of an A+H listed issuer in a variety of ways such as providing online training and written and video training materials. The trainings covered a broad range of topics including relevant regulations on initial public offering and listing of A Shares, information disclosure, insider trading, corporate governance and the code of conduct of directors, supervisors and senior management under the Listing rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the introduction on the revised Securities Law, etc.

IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

In accordance with the relevant PRC laws and regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, our Company has established six Board Committees, namely, the Strategy Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee, the Risk Management Committee and the Related-Party Transaction Control Committee, to each of which certain responsibilities are delegated, so as to assist the Board in performing its duties from various aspects. As at the end of the Reporting Period, the composition of each Board Committee is listed as follows:

Name of Committees	Members of Committee Note 1
Strategy Committee	Shen Rujun (Chairman), Huang Zhaohui, Xiong Lianhua, Tan Lixia and Duan Wenwu
Remuneration Committee	Peter Hugh Nolan (Chairman), Tan Lixia, Siu Wai Keung and Ben Shenglin
Nomination and Corporate Governance Committee	Liu Li (Chairman), Shen Rujun, Ben Shenglin and Peter Hugh Nolan Note 2
Audit Committee	Siu Wai Keung (Chairman), Xiong Lianhua, Liu Li and Ben Shenglin
Risk Management Committee	Ben Shenglin (Chairman), Huang Zhaohui, Xiong Lianhua, Duan Wenwu, Liu Li and Siu Wai Keung
Related-Party Transaction Control Committee Note 3	Siu Wai Keung (Chairman), Liu Li and Peter Hugh Nolan

Notes:

(1) On February 28, 2020, the Board of Directors reviewed and approved the proposal regarding the composition of the chairmen and members of the Special Committees of the Second Session of the Board of Directors. The term of office of the members of the Special Committees of the Board of Directors is the same as that of the Directors, which is three years from the date of consideration and approval at the 2020 First Extraordinary General Meeting of the proposal regarding the election of new session of the Board of Directors and the date of the formation of the second session of the Board of Directors.

(2) The appointment of Mr. Peter Hugh Nolan as the independent non-executive Director of the Company, the chairman of the Remuneration Committee of the Board, and a member of the Nomination and Corporate Governance Committee of the Board takes effect from March 1, 2020.

(3) In order to ensure that the Company's governance structure meets the relevant regulatory requirements upon the A Share Offering and Listing, the Company has established the Related-Party Transaction Control Committee, which took effect on November 2, 2020, the date of the A Share Offering and Listing.

Corporate Governance Report

(i) Strategy Committee

1. Functions of the Committee

The primary duties of the Strategy Committee include, but are not limited to, the following: (i) conducting research on our Company's short-, medium- and long-term development strategies or other relevant issues; (ii) providing suggestions for our Company's long-term development strategies, major investments, reforms and other major decisions; and (iii) performing other duties stipulated in laws, regulations and the Listing Rules and authorized by the Board.

2. Work Summaries and Meetings of the Committee

In 2020, the Strategy Committee has convened 3 meetings. Details of the meetings of the Strategy Committee are set out below:

On February 28, 2020, the 2020 first meeting of the Strategy Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) and the Proposal regarding the Amendments to the Terms of Reference of the Strategy Committee.

On July 20, 2020, the 2020 second meeting of the Strategy Committee of the Board was convened, at which the following proposal was considered and approved: the Proposal regarding the Amendment to the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares).

On October 29, 2020, the 2020 third meeting of the Strategy Committee of the Board was convened, at which the Strategy Committee heard the Report on the Medium and Long-Term Strategy.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Shen Rujun	3	3
Huang Zhaohui	3	3
Huang Hao Note 1	3	3
Xiong Lianhua Note 2	3	3
Tan Lixia	3	3
Duan Wenwu	3	3

Notes:

(1) Mr. Huang Hao has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee of the Board, the member of the Nomination and Corporate Governance Committee and the member of the Audit Committee, with effect from December 8, 2020.

(2) Ms. Xiong Lianhua has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee, the member of the Risk Management Committee and the member of the Audit Committee of the Board, with effect from January 14, 2021.

(ii) Remuneration Committee

1. Functions of the Committee

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) deliberating on the appraisal and remuneration management system for Directors and members of senior management and giving opinions; (ii) conducting appraisal of Directors and members of senior management and making recommendations; and (iii) performing other duties stipulated in laws, regulations and the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Remuneration Committee of the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

2. Work Summaries and Meetings of the Committee

In 2020, the Remuneration Committee has convened 5 meetings. Details of the meetings of the Remuneration Committee are set out below:

On January 20, 2020, the 2020 first meeting of the Remuneration Committee of the Board was convened, at which the following proposal was considered and approved: the Proposal regarding the 2019 Firm-wide Compensation.

On February 11, 2020, the 2020 second meeting of the Remuneration Committee of the Board was convened, at which the Remuneration Committee heard the Report on the 2019 Performance Review of the Senior Management

On February 26, 2020, the 2020 third meeting of the Remuneration Committee of the Board was convened, at which the Remuneration Committee heard the Report on the 2019 Compensation Market Trends and the Report on the 2019 Divisional Compensation Allocation Analysis and considered and approved the Proposal regarding the 2019 Compensation of the Senior Management, and the Proposal regarding Authorization for the Chairman of the Board of Directors and the Chairman of the Remuneration Committee of the Board of Directors to sign the Evaluation Report regarding the Compliance Officer of the Board of Directors (2019).

On March 26, 2020, the 2020 fourth meeting of the Remuneration Committee of the Board was convened, at which the following proposal was considered and approved: the Proposal regarding the Amendments to the Terms of Reference of the Remuneration Committee.

On August 13, 2020, the 2020 fifth meeting of the Remuneration Committee of the Board was convened, at which the Remuneration Committee heard the Report on the 2020 Interim Performance Review of the Senior Management.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Peter Hugh Nolan Note 1	2	2
Tan Lixia Note 2	2	2
Siu Wai Keung	5	5
Ben Shenglin	5	5
Edwin Roca Lim Note 3	3	3
Cha Mou Daid Johnson Note 4	3	3

Notes:

(1) Mr. Peter Hugh Nolan has served as the independent non-executive Director of the Company, the chairman of the Remuneration Committee of the Board, and a member of the Nomination and Corporate Governance Committee of the Board since March 1, 2020.

(2) Ms. Tan Lixia has served the non-executive Director of the Company, a member of the Strategy Committee and a member of the Remuneration Committee of the Board since February 28, 2020

(3) Mr. Edwin Roca Lim ceased to serve as the independent non-executive Director of the Company and the Chairman of the Remuneration Committee since February 28, 2020.

(4) Mr. Cha Mou Daid Johnson ceased to serve as the non-executive Director of the Company and the member of the Remuneration Committee since February 28, 2020.

(iii) Nomination and Corporate Governance Committee

1. Functions of the Committee

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to, the following: (i) deliberating on selection and appointment standards and procedures of Directors and members of senior management and giving opinions, searching for qualified candidates of Directors and members of senior management and reviewing the qualification criteria of the candidates for Directors and members of senior management and making recommendations; (ii) developing policies and practices in relation to corporate governance, and promoting the formulation and enhancement of the corporate governance standards; (iii) conducting appraisal of corporate governance structure and governance standards and making recommendations; (iv) reviewing and monitoring the training and continuous professional development of directors and senior management; (v) reviewing and monitoring the Company's policies and practices with regard to compliance with legal and regulatory requirements; (vi) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; (vii) reviewing the Company's compliance with the Corporate Governance Code of Appendix 14 to the Listing Rules and information disclosure in the Corporate Governance Report; and (viii) performing other duties stipulated in laws, regulations and the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Nomination and Corporate Governance Committee under the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

With respect to nomination for new Directors and re-election of Directors, our Company follows a considered and transparent nomination policy. Under the nomination policy for Directors, the Nomination and Corporate Governance Committee shall nominate suitable candidates to the Board for consideration and make recommendations to the Shareholders regarding election and re-election of Directors. The nomination of Directors shall be made in accordance with the nomination policy for Directors and all appointments of Directors will be merit-based with due regard for the objective criteria (including gender, age, cultural and educational background, relevant or professional experience, ethnicity, skills, knowledge, etc.) as set out under the Board of Directors Diversity Policy. The ultimate decision will be made based on meritocracy and contribution that the selected candidates can bring to the Company and the Board.

The factors used as reference by the Nomination and Corporate Governance Committee in assessing the suitability of a proposed candidate include, but are not limited to, integrity and character; accomplishment and experience in the financial services industry; professional qualifications, skills and knowledge that are relevant to our Company's business and corporate strategy; commitment in respect of available time; diversity; independent criteria as required under the Listing Rules for candidates for independent non-executive Directors, etc. These factors are not meant to be exhaustive and decisive. The Nomination and Corporate Governance Committee has the discretion to nominate any person, as it considers appropriate.

In short, proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of their standing for election as a Director. The Nomination and Corporate Governance Committee will review such information of the potential candidates and may request candidates to provide additional information and documents if it considers necessary. A meeting of Nomination and Corporate Governance Committee will be called for the members to discuss the credentials of the proposed candidates and assess their qualifications based on the factors set out above. The Nomination and Corporate Governance Committee may also invite nominations of suitable candidates (if any) from the Board members for consideration by the Nomination and Corporate Governance Committee prior to its meeting. For filling a casual vacancy, the Nomination and Corporate Governance Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination and Corporate Governance Committee shall make nominations to the Board for its consideration and recommendation.

2. Work Summaries and Meetings of the Committee

In 2020, the Nomination and Corporate Governance Committee has convened 2 meetings. Details of the meetings of the Nomination and Corporate Governance Committee are set out below:

On March 26, 2020, the 2020 first meeting of the Nomination and Corporate Governance Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the Appointment of Wang Sheng as the Member of the Management Committee; the Proposal regarding the Appointment of Xu Yicheng as the Assistant President; the Proposal regarding the Change of the Secretary to the Board of Directors and Joint Company Secretary; and the Proposal regarding the Amendments to the Terms of Reference of the Nomination and Corporate Governance Committee.

On October 29, 2020, the 2020 second meeting of the Nomination and Corporate Governance Committee of the Board was convened, at which the Nomination and Corporate Governance Committee heard the Report on the Composition of the Board of Directors and the Diversity of Board Members.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Liu Li	2	2
Shen Rujun	2	2
Huang Hao [Note 1]	2	2
Ben Shenglin	2	2
Peter Hugh Nolan	2	2

Note:

(1) Mr. Huang Hao has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee of the Board, the member of the Nomination and Corporate Governance Committee and the member of the Audit Committee, with effect from December 8, 2020.

(iv) Audit Committee

1. Functions of the Committee

The primary duties of the Audit Committee include, but are not limited to, the following: (i) supervising annual audit work, making judgment on the truthfulness, accuracy and completeness of audited financial information and submitting the same to our Board for consideration; (ii) proposing engagement or replacement of external audit firm and supervising the practice of external audit firm; (iii) being responsible for communication between internal and external auditors; and (iv) performing other duties stipulated in laws, regulations and the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Audit Committee of the Board of Directors of the Company available on the websites of our Company and the Hong Kong Stock Exchange.

2. Work Summaries and Meetings of the Committee

In 2020, the Audit Committee has convened 4 meetings. Details of the meetings of the Audit Committee are set out below:

On March 26, 2020, the 2020 first meeting of the Audit Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2019 Annual Report and the 2019 Annual Results Announcement; the Proposal regarding the 2019 Audit Report; the Proposal regarding the Financial and Accounting Documents related to the Application for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Re-appointment of the Accounting Firms; the Proposal regarding Amendments to the Terms of Reference of the Audit Committee; the Proposal regarding the 2019 Internal Control Assessment Report; the Proposal regarding the 2019 Report on the Effectiveness Evaluation of the Internal Control, Comprehensive Risk Management and Compliance Management; the Proposal regarding the 2019 Work Report of the Internal Audit Department; and the Proposal regarding the Internal Audit Charter. The Audit Committee also heard the Work Report from January to February 2020 of the Internal Audit Department.

On May 15, 2020, the 2020 second meeting of the Audit Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the Results Announcement for the Three Months Ended March 31, 2020; and the Proposal regarding the Review Schedule for 2020 Interim Financial Statements. The Audit Committee also heard the Work Report from March to April 2020 of the Internal Audit Department.

On August 14, 2020, the 2020 third meeting of the Audit Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Interim Reports and 2020 Interim Results Announcement; the Proposal regarding the 2020 Semi-Annual Internal Control Assessment Report; the Proposal regarding the Supplementing Financial and Accounting Documents related to the Application for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding the 2019 Anti Money Laundering Audit Report. The Audit Committee also heard the Work Report from May to July 2020 of the Internal Audit Department.

On October 27, 2020, the 2020 fourth meeting of the Audit Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Third Quarterly Reports; the Proposal regarding the 2020 Audit Plan; and the Proposal regarding the 2021 Work Plan of the Internal Audit Department. The Audit Committee also heard the Progress of Reviewing the Effectiveness of the 2020 Internal Control, Comprehensive Risk Management, Compliance Management and Information Technology Management, and the Work Report from August to September 2020 of the Internal Audit Department.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Siu Wai Keung	4	4
Huang Hao [Note1]	4	4
Xiong Lianhua [Note 2]	4	4
Liu Li	4	4
Ben Shenglin	4	4

Notes:

(1) Mr. Huang Hao has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee of the Board, the member of the Nomination and Corporate Governance Committee and the member of the Audit Committee, with effect from December 8, 2020.

(2) Ms. Xiong Lianhua has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee, the member of the Risk Management Committee and the member of the Audit Committee of the Board, with effect from January 14, 2021.

(v) Risk Management Committee

1. Functions of the Committee

The primary duties of the Risk Management Committee include, but are not limited to, the following: (i) considering and making recommendations on the overall goals and policies for compliance management and risk management; (ii) considering and making recommendations on the establishment and duties of compliance management and risk management organizations; (iii) evaluating and making recommendations on the risks of important decisions and solutions for significant risks requiring consideration of the Board; (iv) reviewing and making recommendations on compliance reports and risk assessment reports requiring consideration of the Board; and (v) performing other duties stipulated in laws, regulations and the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Risk Management Committee of the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

2. Work Summaries and Meetings of the Committee

In 2020, the Risk Management Committee has convened 4 meetings. Details of the meetings of the Risk Management Committee are set out below:

On March 26, 2020, the 2020 first meeting of the Risk Management Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2019 Annual Compliance Report; the Proposal regarding the 2019 Risk Assessment Report; the Proposal regarding the Amendment to the Risk Appetite Statement; and the Proposal regarding the Amendments to the Terms of Reference of the Risk Management Committee.

On May 15, 2020, the 2020 second meeting of the Risk Management Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 First Quarter Compliance Management Report; and the Proposal regarding the 2020 First Quarter Risk Assessment Report.

On August 14, 2020, the 2020 third meeting of the Risk Management Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Interim Compliance Management Report; the Proposal regarding the 2020 Interim Risk Assessment Report; and the Proposal regarding the Amendment to the Risk Appetite Statement.

On October 27, 2020, the 2020 fourth meeting of the Risk Management Committee of the Board was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Third Quarter Compliance Management Report; the Proposal regarding the 2020 Third Quarter Risk Assessment Report; and the Proposal regarding Amendments to the Risk Management Policy.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Ben Shenglin	4	4
Huang Zhaohui	4	4
Xiong Lianhua [Note 1]	4	4
Duan Wenwu	4	4
Liu Li	4	4
Siu Wai Keung	4	4

Note::

(1) Ms. Xiong Lianhua has resigned from the office of the non-executive Director of the Company, the member of the Strategy Committee, the member of the Risk Management Committee and the member of the Audit Committee of the Board, with effect from January 14, 2021.

(vi) Related-Party Transaction Control Committee

1. Functions of the Committee

The primary duties of the Related-Party Transaction Control Committee include, but are not limited to, the following: (i) to design and revise the Policy on Management of Related Party Transactions of the Company, and to supervise its implementation; (ii) to obtain the list of related (connected) persons of the Company and report to the Board of Directors and the Supervisory Committee; (iii) to review related (connected) transactions to be approved by the Company's Board of Directors or shareholders' general meeting, form written opinions, submit them to the Board of Directors for consideration, and report to the Supervisory Committee; and (iv) to perform other duties stipulated in the relevant laws, regulations and provisions of the securities regulators and stock exchanges in the places where the Company's shares are listed and as authorized by the Board of Directors.

2. Work Summaries and Meetings of the Committee

The Related-Party Transaction Control Committee was established from the date of the A Share Offering and Listing (November 2, 2020). During the Reporting Period, the Related-Party Transaction Control Committee did not convene any meeting.

V. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Shen Rujun and Mr. Huang Zhaohui serve as the Chairman of the Board and the Chief Executive Officer of the Company, respectively, and their powers and duties are clearly divided and specified in the Articles of Association. The Chairman of the Board is also the legal representative of the Company. The roles of the Chairman of the Board and the Chief Executive Officer are separate and are taken by different persons. A clear division of the management of the Board and the day-to-day management of the Company ensures a balance of power and authority, guarantees the independence of their duties and avoids excessive concentration of power in any individual.

The Chairman is responsible for overseeing the overall operations of the Group and formulating business and corporate development strategies, providing leadership for the Board, ensuring that the Board works effectively and performs its duties. The Chairman also ensures that good corporate governance practices and procedures are established and complied with and that the Board acts in the best interests of the Company and all Shareholders.

The Chief Executive Officer is in charge of the operation and management of the Group, organizing the implementation of the resolutions of the Board and reporting to the Board.

For the details in the change of Directors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

VI. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Powers and Duties of the Supervisory Committee

The Supervisory Committee is the supervisory body of our Company and is accountable to the shareholders' general meeting. The powers and duties of the Supervisory Committee include but are not limited to: reviewing financial reports and profits distribution plans to be submitted by the Board at the shareholders' general meeting; examining the financial affairs of our Company; supervising the performance of duties by the Directors and senior management; and other duties and powers prescribed by relevant regulations and the Articles of Association or authorized by shareholders' general meetings. The Supervisory Committee is also entitled to engage professional institutions such as accounting firms and law firms to assist its work when necessary.

The Supervisory Committee strictly complied with the relevant laws and regulations and the Articles of Association, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site Board meetings, shareholders' general meetings and most of the regular meetings of the management and on-site meetings of the special committees of the Board of the Company held during the Reporting Period.

(ii) Composition of the Supervisory Committee

Our Company strictly complied with the Articles of Association and relevant rules in respect of the appointment of the Supervisors. The meetings of the Supervisory Committee shall be held in accordance with the Articles of Association and the Rules of Procedures of the Supervisory Committee of CICC. As at the end of the Reporting Period, our Company's Supervisory Committee comprised three Supervisors, including one employee representative Supervisor (Mr. Gao Tao) and two non-employee representative Supervisors (Mr. Jin Lizuo and Mr. Cui Zheng). For the details in the changes of Supervisors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

Biographies of all the Supervisors are set out in "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" in this report.

(iii) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened 6 formal meetings, the details of which are as follows:

On February 28, 2020, the first meeting of the second session of the Supervisory Committee was convened, at which the following proposals were considered and approved: the Proposal regarding the Election of Chairman of the Supervisory Committee; the Proposal regarding the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Use of Proceeds from the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Amendments to the Articles of Association; the Proposal regarding the Undertakings on the Information Disclosure in the Prospectus in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Plan for Shareholders' Return within Three Years Following the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Report on the Use of Previously Raised Proceeds; the Proposal regarding the Supervisors' Remuneration Package; and the Proposal regarding the Amendments to the Rules of Procedures of the Meeting of Supervisory Committee.

On March 30, 2020, the second meeting of the second session of the Supervisory Committee was convened, at which the following proposals were considered and approved: the Proposal regarding the 2019 Work Report of the Supervisory Committee; the Proposal regarding the 2019 Annual Report and the 2019 Annual Results Announcement; the Proposal regarding the 2019 Profit Distribution Plan; the Proposal regarding the 2019 Annual Compliance Report; the Proposal regarding the 2019 Internal Control Assessment Report; the Proposal regarding the 2019 Risk Assessment Report; the Proposal regarding the Prospectus for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); the Proposal regarding the Financial and Accounting Documents related to the Application for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares).

On July 20, 2020, the third meeting of the second session of the Supervisory Committee was convened, at which the following proposals were considered and approved: the Proposal regarding the Amendment to the Plan for the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares); and the Proposal regarding the Amendment to Authorization to the Board of Directors and its Authorized Persons to Deal with Matters in connection with the Initial Public Offering and Listing of RMB Ordinary Shares (A Shares).

On August 15, 2020, the fourth meeting of the second session of the Supervisory Committee was convened, at which the following proposal was considered and approved: the Proposal regarding Cancellation of the Amendments to the Plan and Authorization for the A Share Offering.

On August 17, 2020, the fifth meeting of the second session of the Supervisory Committee was convened, at which the following proposals were considered and approved: the Proposal regarding the 2020 Interim Reports and the 2020 Interim Results Announcement; the Proposal regarding the 2020 Semi-Annual Internal Control Assessment Report; and the Proposal regarding Supplementing Financial and Accounting Documents related to the Application for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares). The Supervisory Committee also heard the 2020 Interim Compliance Management Report and the 2020 Interim Risk Assessment Report.

On October 29, 2020, the sixth meeting of the second session of the Supervisory Committee was convened, at which the Supervisory Committee considered and approved the Proposal regarding the 2020 Third Quarterly Reports; and heard the 2020 Third Quarterly Compliance Management Report and the 2020 Third Quarterly Risk Assessment Report.

(iv) Attendance of Supervisors at the Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened 6 meetings, the Supervisors' attendance of which is as follows:

Name of Supervisor	Required attendance at meetings	Actual attendance at meetings
Gao Tao	6	6
Jin Lizuo	6	6
Cui Zheng	6	6

VII. OTHER RELEVANT MATTERS

(i) Rights of Shareholders

Our Company convenes and holds shareholders' general meetings according to the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC to guarantee all Shareholders enjoy equal rights and can exercise their rights fully and transparently. The Directors, Supervisors and the senior management of the Company shall attend the shareholders' general meeting and answer the questions raised by the Shareholders.

(ii) Compliance with the Model Code for Securities Transactions

Our Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions. Our Company has made specific enquiries to all Directors and Supervisors concerning their compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in our Company's code of conduct regarding Directors' securities transactions during the Reporting Period.

(iii) Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the independent auditor included in the independent auditor's report. Each responsibility statement shall be interpreted separately.

All Directors acknowledge and confirm their responsibilities of preparing the financial statements which truly reflect the business and operating results of our Company for each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of our Company.

(iv) Appointment and Remuneration of Auditing Firm

The shareholders of the Company have approved at the 2018 annual general meeting the non-renewal of the appointment of KPMG Huazhen LLP and KPMG (together "KPMG") as the domestic accounting firm and international accounting firm of the Company respectively, and the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic accounting firm and international accounting firm respectively, for the year of 2019.

The Company has renewed the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm, and Deloitte Touche Tohmatsu as the overseas accounting firm for 2020.

Change in the accounting firm appointed during the Reporting Period: No.

Remuneration for accounting firms: Our Company has agreed on the payment of RMB7.829 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as fees for the auditing of the statutory financial statements, the reviewing of the interim financial statements and performing the agreed-upon procedures over quarterly financial statements for 2020. In 2020, our Company has paid RMB2.866 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, for related non-audit service fees arising from the tax compliance, debt securities issuance, etc.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2020 consolidated financial statements of our Company.

(vi) Joint Company Secretaries

As approved by the Board of Directors, Mr. Sun Nan has started to serve as the Secretary to the Board of Directors and a Joint Company Secretary of the Company with effect from May 8, 2020, and Mr. Xu Yicheng has ceased to hold these positions since then.

Mr. Sun Nan, the Secretary to the Board and the Joint Company Secretary of our Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed. In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, Mr. Zhou Jiaxing, a managing director of the legal and compliance department of our Company, has previously been appointed, and will continue to be the other Joint Company Secretary, to assist Mr. Sun Nan in discharging the duties of a company secretary.

Both Mr. Sun Nan and Mr. Zhou Jiaxing have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2020.

(vii) Communication with Shareholders

The shareholders' general meeting is the body exercising the authority of our Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the shareholders' general meeting of the Company. The rights of the Shareholders are clearly specified in the Articles of Association. Our Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can exercise their rights fully.

The shareholders' general meeting provides opportunities of constructive communications between our Company and our Shareholders. Shareholders are encouraged to attend the shareholders' general meetings in person, or if they fail to attend such meetings, they can appoint proxies to attend and vote at the meetings for and on their behalves. Our Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively carry out various types of investor relation activities to keep in contact with the Shareholders and timely meet their reasonable demands.

Our Company's website (www.cicc.com) provides the Shareholders with Group information, such as major business activities and the latest developments of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of our Company. To serve as a channel promoting effective communication with the Shareholders, our Company also publishes announcements, circulars, notices of the shareholders' general meeting, financial data and other information of our Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on our Company's website. Shareholders are encouraged to make enquiries by phone or email or write directly to the office address of our Company, which will be dealt with appropriately in a timely manner. Please refer to "Company Profile – I. Company Overview" of this report for the contact details.

Our Company welcomes all Shareholders to attend shareholders' general meetings and makes appropriate arrangement for the shareholders' general meetings to encourage Shareholders' participation. Our Company's Directors, Supervisors and senior management will attend the shareholders' general meetings, and shall also ensure that the external auditors will attend annual general meetings to answer the relevant questions raised by the Shareholders.

The Shareholders may propose to convene an extraordinary general meeting or shareholders' class meeting or put forward proposals pursuant to the Articles of Association. The Shareholders may attend and vote at the shareholders' general meetings in person or by proxy. The resolutions and the attendance records signed by the attending Shareholders and instruments of proxy shall be kept at our Company's principal address. The Shareholders may inspect the copy of the resolutions of the meetings during our Company's business hours free of charge. The Articles of Association is set out on the websites of our Company and the Hong Kong Stock Exchange.

Our Company shall arrange the Directors, Supervisors and senior management to answer the questions raised by the Shareholders during the 2020 annual general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

(viii) Investor Relations

Our Company emphasizes on the importance of protecting the interests of investors and endeavors to provide comprehensive and effective investor relations services. Our Company has actively performed the duties of a listed company. We have established an investor relations service and management system, formed an investor relations service team led by the Secretary to the Board of Directors, set up a hotline and mail box for investor relations services and set up an investor relations sector on the official website of our Company, to ensure the true, effective and timely communication of corporate information to investors, endeavoring to safeguard the interests of Shareholders and ensure their rights to information.

In 2020, our Company actively received visits from domestic and overseas institutional investors and analysts, organized various forms of investor and analyst exchanges, communicated with investors and analysts for more than 304 person times, and participated in more than 141 times of the group/one-to-one telephone/video conference with investors and analysts, effectively enhancing the investor's understanding of our Group's strategic layout and growth prospects.

On February 28, 2020, the 2020 First Extraordinary General Meeting of the Company was held; on April 14, 2020, the 2020 Second Extraordinary General Meeting of the Company, the 2020 first domestic shareholders and H shareholders' class meeting were held; on May 15, 2020, the Annual General Meeting of the Company was held. The Company's directors, supervisors and management attended each of the general meeting and answered investors' questions on the spot. Along with the disclosure of annual results, we held the 2019 annual results presentation and the press conference through webcast in Beijing and Hong Kong, attracting over 260 investors and research analysts, with more than 900 media reports subsequent to the conference and over 40,000 views of our HTML5-Version Annual Report via the WeChat. After the annual results presentation, the management conducted an online roadshow to have deeper communication with institutional investors about the Company's strategy and business performance. Along with the A-share IPO, the management conducted roadshows in Beijing, Shanghai and Guangdong, laying the foundation for a successful issuance.

(ix) Board of Directors Diversity Policy

The Nomination and Corporate Governance Committee has adopted a Board of Directors Diversity Policy concerning the diversity of Board members pursuant to Rule 13.92 of the Listing Rules and Provision A.5.6 of the Corporate Governance Code. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the composition of the Board, diversity of the Board members has been considered from a number of aspects, including but not limited to gender, age, cultural, educational background, professional experience and other factors. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria with due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, the ultimate decision will be made based on meritocracy and contribution that the selected candidates can bring to the Board. The composition of the Board will be disclosed in the Corporate Governance Report annually. For further details about the Board of Directors Diversity Policy, please refer to Appendix I to the Terms of Reference of the Nomination and Corporate Governance Committee of the Board of Directors of our Company, which has been published on the websites of our Company and the Hong Kong Stock Exchange.

The Nomination and Corporate Governance Committee annually reviews and monitors the implementation of the Board of Directors Diversity Policy to ensure its effectiveness. The Nomination and Corporate Governance Committee heard and discussed about the Report on the Composition of the Board and the Diversity of the Board Members of the Company on October 29, 2020 and no revision was needed out of the diversity considerations.

(x) Amendments to the Articles of Association

(1) In accordance with the authorization approved by the 2020 First Extraordinary General Meeting held on February 28, 2020, the Company has adjusted the current procedures for notice of shareholders' general meetings and other contents under the Articles of Association and added relevant contents including equity administration of securities companies and duties of the Chief Information Officer to the Articles of Association. Such amendments have come into effect as of March 31, 2020.

(2) In accordance with the authorization approved by the 2019 Second Extraordinary General Meeting held on December 30, 2019, the Company has updated the clauses concerning the business scope of subsidiaries in the Articles of Association and added a new article relating to establishing the organization of the Communist Party of China as Article 9 in the Articles of Association. Such amendments have come into effect as of May 22, 2020.

(3) The issuance of the Company's A Shares was completed on October 30, 2020, and the A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on November 2, 2020. To satisfy relevant needs for corporate governance and normative operations after A Share Offering and Listing of the Company, the Company has amended relevant clauses of the Articles of Association in accordance with the authorization approved by the 2020 Second Extraordinary General Meeting held on April 14, 2020. Such amendments took effect on November 2, 2020, the date of A Share Offering and Listing.

(xi) Internal Control

1. Establishment of the Internal Control System

Our Company has been emphasizing on building a corporate internal control system since its establishment. Our Company's corporate internal control system has been gradually taking shape and enhanced in compliance with the PRC requirements of the "Guidelines for Internal Control of Securities Companies" and the "Basic Norms of Internal Control for Enterprises", and has taken the development of internal control throughout the operational development of our Company.

As of the end of the Reporting Period, our Company has established an internal control system suitable for its business nature, scale and complexity, and has achieved results in ensuring the legality and compliance of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information, and improving operational efficiency and effectiveness.

2. Major Characteristics of the Internal Control System

Our Company has established a reasonable, effective and balanced internal control system, with clear division of work among the Board of Directors, the Supervisory Committee, the Management, functional departments, business departments and their branches within the structure of the entire internal control system and their duties and responsibilities are as follows:

- The Board of Directors is responsible for the sound establishment and effective implementation of internal control. The Board has established the Audit Committee which is responsible for reviewing the internal control of our Company, supervising the effective implementation of internal control and conducting self-evaluation on internal control, coordinating internal control audits and other relevant matters.

- The Supervisory Committee supervises the establishment and implementation of internal control by the Board.

- The management is responsible for organizing and steering the daily operation of the internal control of our Company.

- Each of the business departments and their branches formulates and implements its business policy, internal process and control. Our Company requires all employees who participate in business operations to comply with the policies and processes in the ordinary course of business. Each of the business departments conducts self-evaluation and assessment on the specific internal control procedures and measures for its scope of business, and is responsible for reporting deficiencies of the internal control procedures to the management of our Company.

- The Internal Audit Department is independent of the business departments of our Company and reports directly to the Audit Committee of the Board. The Internal Audit Department department conducts reviews, appraisals, makes reports and recommendations, independently and objectively, on the overall internal control environment, the design and implementation of the internal control measures and risk assessment measures in various business departments of our Company on a regular basis, in order to prevent risks, enhance the internal control standards and utilize resources properly and effectively.

- The functional departments participating in the internal control system include the Risk Management Department, Legal and Compliance Department and other middle and back office departments, which actively manage market risk, credit risk, operational risk, liquidity risk, compliance risk and legal risk faced by our Company's businesses and identify risks in the implementation of internal control and make recommendations to improve internal control deficiencies.

3. Procedures for Evaluating the Effectiveness of the Internal Monitoring System and Rectifying Material Internal Control Deficiencies

Our Company has established an Internal Audit Department which is independent of other departments in our Company and reports directly to the Audit Committee of the Board. The Internal Audit Department conducts reviews, appraisals, and provides reports and recommendations independently on risk management, design and implementation of internal control for various business lines. For issues discovered during internal audits, the Internal Audit Department will formulate improvement measures jointly with various departments and assist the Management in following up on the issues discovered in the audits and the rectification progress on a regular basis. As for the on-going connected transactions of the Company, the Company implements a complete series of internal control measures to ensure legal compliance, while the Internal Audit Department also conducts regular reviews of relevant internal control measures over the on-going connected transactions.

During 2020, the Internal Audit Department has conducted internal audits on the design and implementation of internal control of the investment banking business, brokerage business, financial product sale business, FICC business, asset management business, wealth management business, margin financing and securities lending business, stock-based lending business, OTC derivative trading business, private equity investment funds business, custody business and fund services business of CICC, businesses of the US, UK and Singapore subsidiaries, and the brokerage business, credit business and financial product sale business of CICC Wealth Management Securities. It has also conducted resignation audit and off-post audits on employees of CICC and CICC Wealth Management in Mainland China according to relevant regulatory requirements. Meanwhile, the Internal Audit Department has also conducted audits on the application control and general control of relevant IT systems relating to the above Mainland China and overseas businesses. According to the relevant audit results of the Internal Audit Department, no material abnormalities or material deficiencies in the internal control system have been discovered.

By reviewing the work and audit results of the Internal Audit Department on a regular basis, the Audit Committee appraises the effectiveness of risk management and internal control system on a regular basis on behalf of the Board.

4. Procedures for Processing and Releasing Inside Information

With approval from the Board and pursuant to the requirements of domestic and foreign laws and regulations, Listing Rules and Articles of Association as well as the practical conditions of our Company, the "Policy on Information Disclosure Management of China International Capital Corporation Limited" has been formulated by our Company to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, our Company must, as soon as any inside information comes to its knowledge or a false market may be established, disclose the information to the public to the reasonable and practicable extent.

During the Reporting Period, our Company has truthfully, accurately, legally and timely disclosed information in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the Policy on Information Disclosure Management of our Company without any false statements, misleading statements or material omissions, to ensure that all investors receive the disclosed information fairly, timely and effectively.

5. Appraisal of Internal Control

The Board and the management of our Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of our Company are: guaranteeing the legality of operations of our Company and the execution of internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and our Company, ensuring the reliability, completeness and timeliness of business records, financial information and other information of our Company and improving the operational efficiency and effectiveness of our Company.

As internal control has inherent restrictions, we can only reasonably guarantee that the above objectives may be achieved. Furthermore, the effectiveness of internal control may also change according to our Company's internal and external environment and operating conditions. Our Company has set up an inspection and supervision mechanism through which our Company can take measures to rectify deficiencies in internal control once identified.

The Board concluded that, pursuant to the requirements of relevant laws, regulations and regulatory rules of the *Guidelines for Internal Control for Securities Companies* and with reference to the requirements of the *Basic Norms of Internal Control for Enterprises* and the provisions of its ancillary guidelines, an appraisal on internal control of the Group was conducted as at the reference date (as of December 31, 2020) of the "2020 Internal Control Assessment Report of China International Capital Corporation Limited", and the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which helps to achieve our objectives of internal control and is free of material defect and significant defect.

Deloitte Touche Tohmatsu Certified Public Accountants LLP performed audits on the effectiveness of internal control over financial statements of the Company as at December 31, 2020 in accordance with the *Guidelines on Internal Control Audit for Enterprises* and relevant requirements of the Practice Standards for Certified Public Accountants of China. Based on the above understanding, testing and evaluation of internal control during the audit, Deloitte Touche Tohmatsu Certified Public Accountants LLP believed that the Company has maintained effective internal control over financial statements in all material aspects in accordance with the *Basic Norms of Internal Control for Enterprises* and relevant requirements as at December 31, 2020.

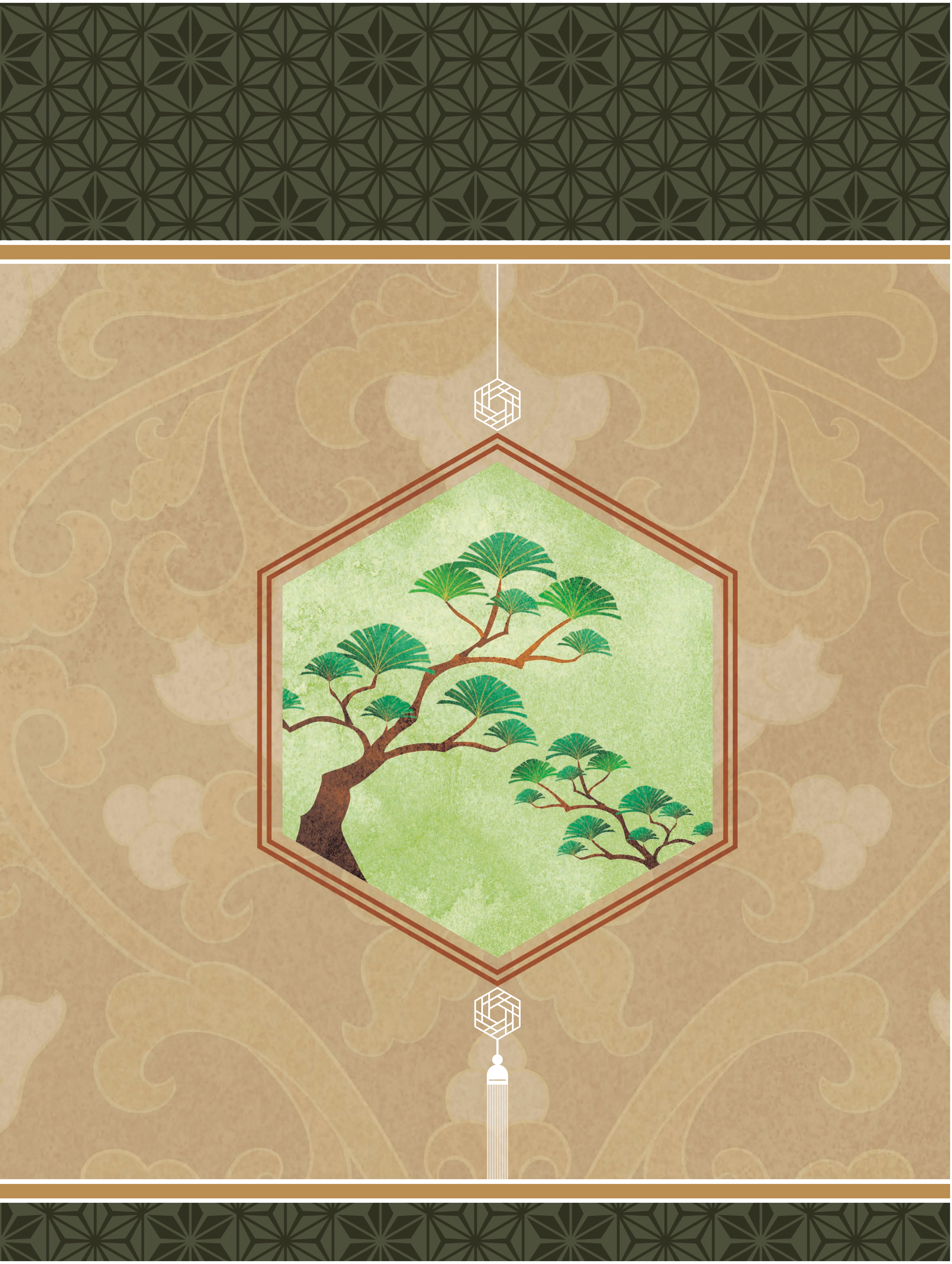
(xii) Dividend Policy

The Board of Directors of the Company is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on factors including the Company's results of operations, cash flows, financial condition, capital adequacy ratio, dividends the Company receives from its subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by the Company and other factors that the Board of Directors deems relevant.

On April 14, 2020, the Company's 2020 Second Extraordinary General Meeting considered and approved the Proposal regarding the Amendments to the Articles of Association. In order to meet the relevant requirements of corporate governance and standardized operation after the company's A Share offering and listing, the Company, in accordance with the Guidelines for Articles of Association of Listed Companies, the Guidelines No.3 on the Supervision and Administration of Listed Companies-Distribution of Cash Dividends of Listed Companies, and the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies and other relevant laws and regulations, amended the Articles of Association on profit distribution. After the amendment, Article 251 of the Articles of Association of the Company stipulates the specific policies for the Company's profit distribution as follows:

"(I) Profit shall be distributed in the following manner: the Company may use cash, shares or a combination of cash and shares or other methods permitted by law or regulation to distribute profit; (II) Conditions for and proportions of cash dividends distribution: if the Company has no events such as major investment plans or significant cash expenditures, and the Company's risk control indicators can meet regulatory requirements and the normal operating capital requirements of the Company can be satisfied after the distribution of cash dividends, within any three (3) consecutive years, the cumulative profit distributed by the Company in cash shall not be less than 30% of the annual average distributable profit realized in such three (3) years; (III) Interval of profit distribution: in principle, the Company makes a profit distribution once a year, and the Board of Directors can propose the Company to carry out the interim profit distribution according to the profit situation and the situation of capital requirements and related conditions; (IV) Conditions for issuing share dividends: when the Company is operating well and the Board of Directors believes that the Company's share price does not match the size of the Company's share capital and that the issuance of share dividends is in the interest of the shareholders of the Company as a whole, and comprehensively taking into account the Company's growth, dilution of net assets per share and other factors, it can propose share dividends distribution plan under the conditions of meeting the aforesaid cash dividends distribution."

Environmental, Social and Governance Report



Environmental, Social and Governance Report

1. ABOUT THIS SECTION

a) Reporting Standard and Scope

This Environmental, Social and Governance ("ESG") Section is prepared in accordance with the requirements of the ESG Reporting Guide, Appendix 27 (2015) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Hong Kong Exchanges and Clearing Limited ("HKEx").

This section offers an overview of the Group's policies, sustainability initiatives and performance highlights for the period from 1 January to 31 December 2020 (the "reporting year"). The scope of this ESG Section covers the Group's operations in Mainland China, Hong Kong SAR, Singapore, UK, US, Germany and Japan.

Information relating to corporate governance and financial metrics can be found in the relevant sections of this annual report. To aid readers in navigating the related content, a detailed HKEx ESG content index is included at the end of this section.

b) Materiality Assessment

In preparation for this ESG section, we completed a stakeholder engagement exercise with the aim of understanding stakeholder views on the Group's sustainability initiatives, performance and future strategies. This year, the Group distributed an online survey to all CICC and CICC Wealth Management staff members to gather their views and suggestions on various sustainability issues. Employees were also asked to rank the importance of ESG topics as well as express their views and expectations on the Group's sustainability performance.

HKEx recommends that issuers disclose information on sustainability topics which are "material" to the company's operations. Materiality is defined by HKEx as "the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported". To identify material sustainability issues for disclosure, the Group undertook a three-step materiality assessment.

Step 1: Identification

A comprehensive peer benchmarking was conducted. The independent consultant reviewed the ESG disclosures of local and international peer companies to identify the material issues faced by the industry.

CICC and CICC Wealth Management's employees were invited to complete an online survey to rank the importance of ESG issues faced by the Group.

Step 2: Prioritisation

Results from step 1 were consolidated to identify a prioritised list of potential material ESG issues.

Step 3: Validation

The findings from steps 1 and 2 were consolidated into a list of prospective material issues. The Group's management confirmed a finalised list of material issues with consideration of relevance in relation to business operations. A total of 18 Key Performance Indicators ("KPIs")[1] were confirmed for disclosure. Please refer to the HKEX ESG Guide Content Index for the confirmed 18 KPIs.

2. GOVERNANCE STRUCTURE FOR SUSTAINABILITY

a) Anti-corruption and Anti-money laundering

The Group attaches great importance to integrity and incorruptible management. In accordance with the *Regulation on the Integrity Practice of Securities and Futures Institutions and Their Employees, the Implementation Rules for Integrity Practice of Securities Institution and Their Employees* and other laws, regulations and self-regulatory rules, the Group has formulated the *Policy on Integrity Practice Management of Employees of China International Capital Corporation Limited*, which clarifies the internal control mechanism, organizational structure and overall requirements of the incorruptible employment management, and makes specific regulations on the integrity of the Group's employees.

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1 Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Listing Rules issued by the HKEx is organised into two ESG subject areas – Environmental and Social. There are various Aspects under the two subject areas and each Aspect sets out key performance indicators ("KPIs") for listed companies to disclose so as to demonstrate their performance.

Environmental, Social and Governance Report

The Group upholds high standards of ethical behaviour in conducting business. Our Employee Code of Conduct ("Code") stipulates the requirements for our employees to conduct their duties in a moral, honest and fair manner. Our Code prohibits employees from engaging in corruption, bribery, money laundering, and deceitful or fraudulent behaviour. Whistle-blowing channels are also provided for our employees at all levels to report violations or suspected violations and raise concerns of any improper behaviours.

Moreover, our "Anti-commercial Bribery Policy", "Procurement Policy", "Anti-Money Laundering Policy" and counter-terrorist financing policies are in place to further minimize the risk of the aforementioned fraudulent behavior and other unethical conduct.

In our "Anti-Commercial Bribery Policy", we set out our commitment in eliminating bribe-offering, bribery-taking, and duty encroachment or corruption. Additionally, the policy also stipulates procedures on ex-ante approval, whistle-blowing, corporate investigation and accountability mechanisms for excessive gifts and entertainment.

Under our "Procurement Policy", our employees are required to follow guidance related to product and service provider selections, price comparisons, and contract signings. The policy also provides the reporting mechanism for fraudulent behavior and establishes a complete and fully monitored procurement system to prevent corruption and other non-compliance issues that may arise during the procurement process.

The Company actively fulfills the responsibilities of anti-money laundering and anti-terrorist financing of financial institutions, and strictly abides by the "Anti-Money Laundering Law of the People's Republic of China" and "Administrative Guidelines for Money Laundering and Terrorist Financing Risks of Legal Person Financial Institutions (Trial)" (YinFanXiFa [2018] No. 19) and relevant laws, regulations and regulatory requirements, continue to perform various anti-money laundering obligations, follow the principle of "know your customer" to carry out customer identification, categorization and dynamic management of money laundering risks, suspicious transaction monitoring and other related work. Our "Anti-Money Laundering Policy" clearly defines money laundering behavior, clarifies the anti-money laundering responsibilities of our employees, and makes provisions on the basic working rules of four aspects including: client identity identification, data custody, large amount and suspicious transaction reports, and cash and third-party deposits and withdrawals. We empower our Compliance Department to revise and interpret our Anti-Money Laundering Policy in order to maintain consistency with international and domestic regulatory trends. Our counter-terrorist financing policies provide guidance to employees on the identification of high-risk transactions and specify follow up procedures including client on-boarding and data management. The policies also specify the duties and accountabilities of senior management and front-office staff to minimise the risk of the Group being used as a platform for financing terrorist activities.

In 2020, based on the Company's actual situation, the Legal and Compliance Department took the lead in formulating the "Money Laundering and Terrorist Financing Risk Emergency Management Measures of CICC" and the "Non-brokerage Business Anti-Money Laundering Measures of CICC", and amended a total of 17 anti-money laundering policies of the Company, including the "Anti-Money Laundering Management Procedures", the "Customer Identification Management Measures", the "Money Laundering and Terrorist Financing Risk Assessment and Customer Classification Management Measures", and the "Large Transaction and Suspicious Transaction Reporting Management Measures", to further improve the Company's money laundering risk management system, refine work requirements and work procedures. Besides, we coordinated several branches on the revision and update of 7 branch level policies including the "Management Measures for Large-Value and Suspicious Transaction Reporting" and the "Customer Identification Management Measures".

b) Product Responsibility and Consumer Data Protection

We have a series of guidelines and procedures in place to protect confidential customer data. Our "Information Security Management System" and "Information System Data Management System" strictly control back-end data access permissions to prevent improper access to customer information.

CICC Wealth Management's "Brokerage Business Practices" describes the process for account information transfers, filings and access. The account information is saved at a dedicated location, managed by qualified professionals, and only authorised personnel have the right to access this information. Furthermore, CICC Wealth Management's "Measures for the Administration of Access Permission to Centralised Over-the-counter Trading System" stipulates the principles of access permissions, the scope of personnel to which such permission can be granted, and the application, granting, and approval of access permissions. Bulk downloading of customer information is managed by our data minimisation principles. In cases where our employees need to download customer information for preparing reports, they are required to apply for such rights and permissions. The heads of the branch office and headquarters shall approve and authorise designated personnel to oversee this process. In addition, we require regulatory authorities, public security organs and other authorities to hold legal instruments and complete registration before copying customer information.

During the Reporting Period, there were no reported cases of non-compliance with relevant laws and regulations relating to customer health and safety, advertising, labelling and privacy matters in relation to products and services provided and methods of redress.

Environmental, Social and Governance Report

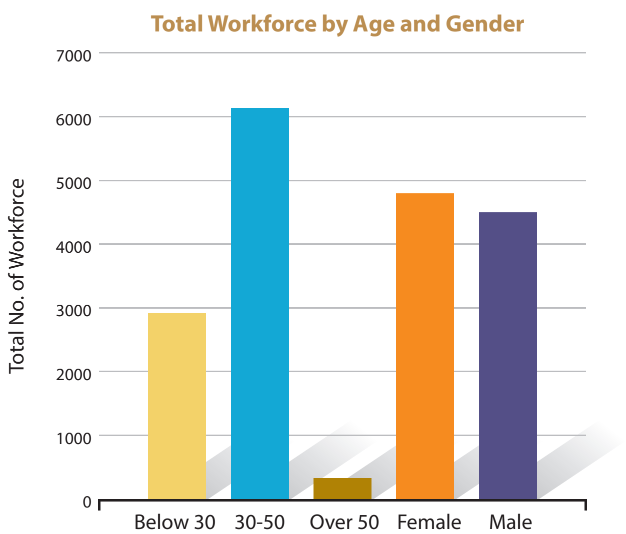
3. OUR HUMAN CAPITAL

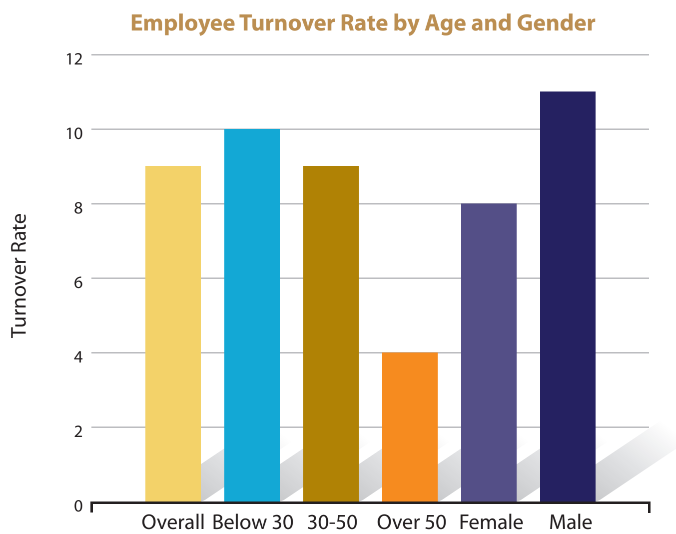
a) Working Conditions

At CICC, we recognise the importance of providing a safe, harmonious and inclusive work environment for employees. During staff recruitment, we make hiring decisions without any prejudice or discrimination based on age, gender, pregnancy, marital status, family status, disability, sexual orientation, religion and race. Our employees are also rewarded with remuneration packages and welfare benefits based on factors such as professional competence and work performance. Going beyond the statutory requirements of purchasing "Five Social Insurance and One Housing Fund"[2], we provide our employees with additional complementary insurance plans such as critical illness insurance and accident and disability insurance. To maintain a transparent and fair approach to staff management, we outline expectations for professional conduct in the Staff Manual and ensure that all employees are familiarised with the document. Employee performance is assessed by following a stringent performance appraisal system.

We work to enhance our employees' well-being through a wide range of activities such as celebrating employees' birthdays with cakes. To promote a healthy lifestyle, we regularly arrange numerous sports training sessions and competitions such as tennis, ping-pong, football and basketball. If an unfortunate situation which requires hospitalisation befalls one of our employees, we will organise visits and provide the necessary support.

All business divisions within the Group are in compliance with all applicable laws and regulations related to employment practices and prohibit the employment of child or forced labour. For the reporting year, there have been no confirmed cases of non-compliance with national and regional economic and labour laws and regulations. CICC Hong Kong manages its tax affairs in compliance with all Hong Kong tax laws and pays all Hong Kong taxes, duties and levies for which it is liable, and expects the same of all employees, both in Hong Kong and in other countries in which they have tax liabilities.





2 Which includes Endowment Insurance, Medical Insurance, Unemployment Insurance, Occupational Health and Safety Insurance, Maternity Insurance and Housing Fund.

b) Staff Development and Training

Supporting staff competence is key to maintain competitiveness in a constantly changing business environment. Our "CICC Training Management Regulations" describe training objectives, plans and programmes as well as specific requirements for the division of labour and responsibility, training cost management and resource management. CICC Wealth Management's "Interim Measures on Staff Training Management" provides guidance on establishing and continuously improving the training system, formulating the annual plan and budgeting, coordinating and planning specific training programmes and courses, organising and building the company's internal trainer team, and collecting training information and resources.

Our "CICC Institute" provides training courses covering various topics such as business development and strategy, leadership skills, and corporate culture and history. Our training courses are grouped under six major categories:

1) Senior Management Training includes executive in-house training, and Executive Development Programme courses for the company's Executive Director/Managing Director. The curriculum focuses on corporate strategy and leadership.

2) Key Middle-Level Management Personnel Training focuses on communication skills, leadership skills and management skills for the company's new VPs as representatives of middle-level management.

3) Junior Staff Training through the CICC Open Class is held once every two months; all employees are eligible to participate. The curriculum covers numerous topics including front-line business knowledge, compliance and regulations, human resources and office skills.

4) New Staff Induction Training is an annual one-week programme required for all new recruits. The content covers a comprehensive introduction of the company and its relevant departments. Upon completion of the training at the company level, the departments will conduct work-related skills training covering Investment Banking, Equities, Research, FICC, Asset Management and Mutual Funds.

5) Department Training covers internal training on business knowledge according to business needs. Amongst all, the internal training of the investment banking department and the industry research training of the research department stand out. The training covers all business line related personnel. In addition to internal programmes, departments will send relevant personnel to participate in training provided by regulators, associations and industry.

6) Compliance and Regulatory Personnel Qualification Examination and Follow-up Training include training and examination to expand staff knowledge on legal compliance. We apply for futures qualification examination 5 or more times per year. We also provide follow-up training for securities, fund, futures and insurance practitioners.

Environmental, Social and Governance Report

CASE STUDY

Promoting Knowledge Exchange for Professionalism Advancement

Recognising the importance of continuous professionalism development, the Group supports its employees by promoting knowledge exchanges sessions. In September 2020, CICC Institute organised a sharing session of a book "Team of Teams" for employees. During the knowledge sharing session, CICC senior management exchanged insights with employees through interactive discussions. In November 2020, CICC Institute invited a financial services industry leader to share insights of a publication "True Professionalism" he translated. Through these knowledge exchange opportunities, we continue to stimulate employees to further seeking innovation, professionalism and growth.

Furthermore, we also encourage employees to attain professional qualifications. The company reimburses employees for the examination, registration and membership fees required to maintain the validity of the qualification.

c) Occupational Health & Safety

As a caring company, ensuring staff occupational health and safety is a foremost task. The Group strictly abides by the Labour Law of the People's Republic of China, the Fire Control Law of the People's Republic of China and other laws and regulations. We actively organise lectures and training on related topics, and provide our staff with medical insurance, annual physical examinations, psychological counselling and influenza vaccinations. In 2020, CICC Wealth Management encouraged preventative healthcare by arranging medical check-ups for over 3,000 employees. To help our employees maintain their fitness, and to facilitate the use of fitness facilities, CICC provides significant membership discounts every year for employees to join fitness clubs. Responding to the COVID-19 pandemic, CICC has procured additional medical insurance for employees and their family members. We have also introduced an online platform to provide medical advice and doctor consultations for our employees and their families.

4. OUR ENVIRONMENT

The Group is in strict compliance with the *Energy Conservation Law of the People's Republic of China*, the *Environmental Protection Law of the People's Republic of China* and other laws, regulations and national policies, and is dedicated to minimising the environmental footprint generated from our operations. We aim to enhance energy efficiency, conserve resources, manage waste and promote environmental awareness throughout our business operations.

a) Carbon Neutrality

At the General Debate of the 75th Session of the United Nations General Assembly held on September 22, 2020, President Xi Jinping announced to the world that China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures. China aims to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060.

Achieving carbon peak by 2030 and carbon neutrality by 2060 are ambitious goals set by China as a responsible powerhouse to tackle global climate change. To implement relevant policy requirements, support low-carbon transformation of enterprises, advance innovation of green financial products, and facilitate green development of industries, CICC has played an active role in facilitating the issuance of carbon neutrality bonds, and has carried out in-depth researches on the linkage between CCER and clean-oriented financing instruments such as the carbon neutrality bonds and other green bonds, and the innovation of carbon asset-linked products.

CICC actively takes the concept of green finance into practice and participates in the construction of domestic and overseas green finance markets and the innovation of green financial products. Since the introduction of the carbon neutrality target, CICC has taken the initiative in completing the issuance of the first batch of carbon neutrality bonds by China Energy Investment Group Co., Ltd. and China Huaneng Group Co., Ltd. on the Shanghai Stock Exchange, and assisted Beijing Infrastructure Investment Co., Ltd. as the sole lead underwriter to successfully issue carbon neutral green bonds, facilitating various types of enterprises to realize the win-win outcome and positive cycle of carbon neutrality and reducing financing costs.

Financial Green

On March 18, 2021, CICC acted as the lead underwriter for China's first "carbon neutral" green financial bond issued by China Development Bank to global investors. With issuance amount of RMB20 billion, it represents the largest special green bond issued in the entire market dedicated to achieving carbon peak and carbon neutrality targets. The proceeds raised will be used in green projects including energy conservation, clean transportation, clean energy, pollution prevention, ecological protection and adaptation to climate change, resource conservation and recycling.

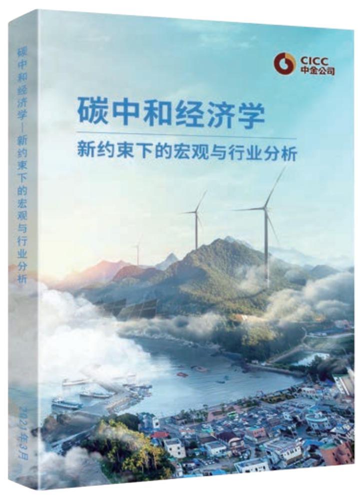
Environmental, Social and Governance Report

Based on the internationally accepted analysis framework, combined with China's policy objectives, the asset management team has selected underlying indicators that are suitable for China's industry characteristics and carbon emission reduction paths, and used advanced data mining capabilities and rich data sources to build a carbon neutral analysis framework with Chinese characteristics, and applied it to the asset management investment strategy.

Our Company and GCL Energy Technology Company Limited jointly established a "carbon neutral" theme industry fund-China Golden GCL Carbon Neutral Industry Investment Fund, with a total fund size of up to RMB10 billion, which will mainly invest in mobile energy industry chain related projects such as charging and swapping network, online car-hailing travel platform, intelligent vehicle management platform, battery asset management, and battery echelon utilization.

Publishing series of research reports on "Carbon Neutrality"

The Research Department of CICC and CICC Global Institute jointly completed *Carbon Neutrality Economics: Macro and Industry Analysis under New Constraints*, which provides a systematic analysis on the path of China's achievement of carbon peak and carbon neutrality and its impact. The "Carbon Neutrality 2060" research report adopted a new green premium analysis framework under the guidance of policy research. The report is a concerted effort of four aggregate teams and more than 20 industry teams in CICC, and gave a profound analysis on the path of "carbon pricing + technological innovation + social governance" of carbon neutrality, focusing on China's carbon peak, carbon pricing mechanism suitable for China, the scale and structure of green finance, as well as thematic research on green energy, green manufacturing, green transportation, green cities, and digital carbon neutrality.



Convening "Carbon Neutrality" Forum

On March 23-24, 2021, the Company held the CICC "Carbon Neutral 2060" Forum in Beijing, which invited senior experts and scholars from domestic and foreign policy-making departments, industry and academia to discuss the path to carbon neutrality and market opportunities. In the main forum, important guests from related fields at home and abroad delivered keynote speeches, and conducted a panoramic analysis of carbon neutrality in China and the world from multiple perspectives such as carbon pricing, technological progress and social governance. The twelve parallel sub-forums focused on in-depth discussions including: "Carbon Neutrality: Policies and Impacts", "Abilities and Inabilities of the Carbon Market", "Investment Opportunities and Challenges under Carbon Neutrality and ESG Principles", "Green Finance", "Prospect for International Cooperation of Carbon Neutrality", "Carbon Neutral Technology", "Green Energy", "Green Transportation", "Green Manufacturing", "Green Consumption", "Green Cities", "Digital Carbon Neutrality", etc. Nearly 1,500 guests from relevant government departments, enterprises and the investment field, etc. signed up to participate in the Forum. During each session, guests actively raised questions and conducted in-depth discussions on relevant hot topics.

b) Emissions and Energy Use

We have established a working group to implement energy and waste reduction measures and monitor their effectiveness. We also submit the "CICC Energy Conservation and Emission Reduction Summary Report" to the Beijing Municipal Bureau of Financial Work on an annual basis.

Since electricity consumption accounts for a significant proportion of our greenhouse gases emissions, we have implemented energy efficiency enhancements in our offices through various initiatives. The following initiatives were implemented in 2020:

Office Enhancements

- Replaced obsolete light fixtures with LED lighting in public areas, offices and control rooms.
- Installed light sensor controls within certain areas of the office to minimise electricity use. Lights are turned off automatically after a fixed time period.
- Replaced water-cooled air conditioning systems with energy efficient models in CICC data centres.
- Installed systems to automatically turn off light fixtures and air conditioners after office hours.
- Restricted temperature settings to above 26°C in summer and below 20°C in winter using air conditioning temperature control systems.
- Procured ENERGY STAR certified products for all IT facilities in CICC's US offices.

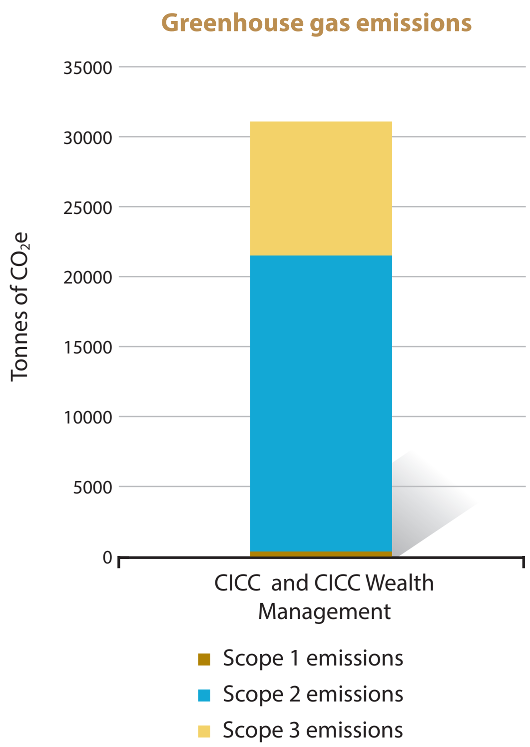
Environmental, Social and Governance Report

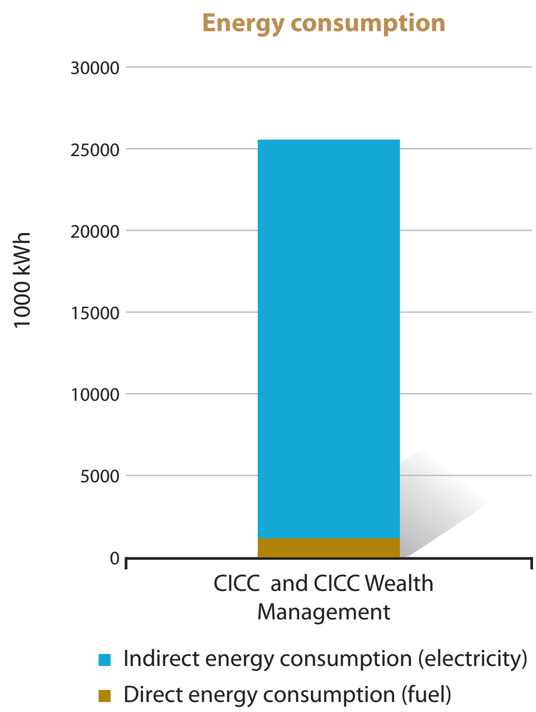
Driving Environmentally Conscious Behaviour

- Placed reminder notices near light switches to reduce unnecessary energy consumption.
- Reminded employees to switch their computers off or to 'standby mode' when not in-use.
- Arranged for building security teams to check that all electrical switches and appliances are turned off on weekends.
- Implemented a permission system to control the air conditioner use after office hours.

Reducing environmental impacts of employee commuting is important to our carbon footprint management. This year, we continued to promote "sustainable commutes" to our employees. We encourage environmentally friendly modes of transport such as public transportation, carpooling, cycling or walking. Our Beijing office runs company bus lines, which provides a more convenient way for employees to come to work while reducing the carbon footprint of their daily lives. We advocate the use of virtual meetings, telephones, e-mail and other means of communication instead of face-to-face meetings to minimise business trips. Through these initiatives, we are able to reduce carbon emissions as well as contribute to better air quality.

During the Reporting Period, our total GHG emissions equated to 31,084 tonnes of CO2e, arising mainly from electricity consumption. Our total energy consumption was 25,550 kWh.





c) Waste Management

Our strong sense of environmental responsibility is demonstrated through proper waste management.

In line with waste management principles, we explore opportunities to reuse and recycle office wastes. Following proper recycling procedures, we employ specialised agencies and vendors to handle toner cartridges and other consumables in a safe manner. In addition, we encourage our employees to minimise waste by re-using stationery such as envelopes, letter heads, courier bags and other office materials. This year, we continued to implement a number of waste reduction initiatives. Recyclable collection points for used batteries and non-hazardous wastes are provided in the offices. Through our waste management approach and on-going initiatives, we work to effectively reduce waste generation from our office operations.

CASE STUDY

Instilling an Environmentally Friendly Office Culture

To create a paperless office and promote environment stewardship, we leverage technologies to digitalise our workflow and encourage paper reuse and recycling. To reduce the use of printed materials, this year we continued to enhance our digital systems such as online human resources systems and internal documentation approval systems. Our employees are able to handle matters without using excessive papers and we send festive greetings through e-cards in place of traditional paper cards.

d) Building Awareness

Promoting environmental awareness is important to driving sustainable development in the community. Therefore, we regularly organise environmental programmes to strengthen the awareness of our employees and community members.

CASE STUDY

Protecting Biodiversity Through Environmental Programmes

We hope that participating in environmental programmes will help advocate environmental stewardship within the company. This year, CICC made donations to a tree planting programme in Hebei province. Over 36,000 Scots Pines were planted in October 2020. We will continue to explore opportunities to drive environmental awareness in the community.

Environmental, Social and Governance Report

5. OUR COMMUNITY

a) Objectives, Scope and Vision

The Group is dedicated to contributing to the communities we serve. The Group's approaches to poverty alleviation include financial support for industrial development in poverty-stricken areas, educational support to equip beneficiaries with knowledge and strength and tailor-made measures to help registered poor households. In 2020, the Group donated more than RMB54 million in the name of the Company and the CICC Charity Foundation to support public welfare and poverty alleviation projects.

Objectives

- Uphold the principles of corporate social responsibility
- Promote the development of social welfare

Scope

- Poverty alleviation in the financial, industrial, education, charity and consumption areas
- Help sick and injured individuals
- Help victims of natural disasters and large-scale emergencies
- Assist the government to improve medical and health conditions in poverty-stricken areas
- Assist the government to improve conditions of schools in poverty-stricken areas
- Subsidise and support education programmes
- Protect the environment and natural resources

Vision

- Focus on education and future development of students

a) CICC Charity Foundation

Established in Beijing, the CICC Charity Foundation serves as a community hub for the Group to organise charity events and motivate our employees to participate in social welfare activities and engagements. We initiated various CICC Charity Foundation projects to support community development, improve the quality of education, renovate medical and sanitation facilities, as well as protect the natural environment. This year, we focused our efforts on poverty alleviation, childhood development and combating the COVID-19 pandemic.

2020 Major Poverty Alleviation and Charity Projects

Improve the quality of education and subsidise costs for less-fortunate students:

- **CICC Teacher Development Foundation – Beijing – Donation of RMB400,000**

  CICC Teacher Development Foundation sponsored a non-profit educational institute to further enhance the quality of education.

- **Primary School Education Funding Project – Xinjiang – Donation of RMB240,000**

  CICC purchased school uniforms and subsidised Xinjiang's local students in need.

- **Primary School Construction Project – Huining County in Gansu Province – Donation of RMB1,990,000**

  To support the education of less fortunate students, CICC Wealth Management made donations to construct a primary school in Huining County.

- **Primary and Secondary School Education Subsidy Project – Huining County in Gansu Province – Donation of 200,000**

  For the third consecutive year, CICC Wealth Management funded 200 students in Huining County to complete their studies.

Subsidising local economy in poverty-stricken areas:

- **Living Subsidy Funding for Students – Guzhang County in Hunan Province – Donation of RMB1,000,000**

  CICC provided funds for students in Guzhang County to alleviate financial pressure for their families.

- **Local Agricultural Products Procurement Programme – Weiyuan County in Gansu Province – Donation of RMB620,000**

  To support the local economy in Gansu Province, CICC procured lamb meat from the local farms in Weiyuan County and donated it to two schools. This also helps improve access to healthy food for students.

- **Local Agricultural Products Procurement Programme – Huining County and Jingning County in Gansu Province and Shibing County in Guizhou Province – Donation of RMB1,030,000**

  To alleviate poverty in rural areas, CICC purchased agricultural products in Huining County and Jingning County in Gansu Province and Shibing County in Guizhou Province.

- **Insurance Investment Programme – Huining County – Donation of RMB1,500,000**

  In order to secure sufficient food supply and a stable commodity price, CICC Wealth Management procured price and index insurance services for 28 local towns in Huining County.

- **Insurance Procurement Programme – Donation of RMB3,400,000**

  CICC Wealth Management procured insurance covering personal accidents and natural disasters for families living in poverty.

Environmental, Social and Governance Report

CASE STUDY
Providing Long-term Support to Rural Communities

Since 2013, CICC has been working with local charities to support early childhood development and education in Nyêmo County in Tibet Autonomous Region. We funded an education programme to train 3,000 medical workers in the rural community. After our first initiative, we recognised that the rural communities in Nyêmo County need continuous support and started tours to identify charity opportunities. In 2018, CICC supported the "China Reach" charity programme in providing health care and education to children in need. This year, we contributed RMB3,000,000 to support around 900 children from six months to 3 years old. We believe this programme can bring long-term value to early childhood development in rural regions.

CASE STUDY
Combating the COVID-19 Pandemic

Since the pandemic outbreak in early 2020, CICC and CICC Wealth Management have demonstrated their dedication in supporting frontline medical workers, charity organisations, schools and people in need. CICC and CICC Wealth Management jointly donated over RMB20,000,000 and over 110,000 face masks to frontline medical workers and communities. In addition, CICC Wealth Management also expressed its care through letters to frontline medical workers in Wuhan, Hubei Province. Together with our employees and stakeholders, we will get through these unprecedented times.

6. PERFORMANCE DATA SUMMARY

KPI A1.2 – Greenhouse gas emissions data in total and intensity

	Tonnes of CO_2e	Tonnes of CO_2e per FTE[3]
Scope 1 emissions (Fuel use)	343	0.04
Scope 2 emissions (Electricity use)	21,163	2.26
Scope 3 emissions (Business air travel)	9,578	1.02
Total	31,084	3.32

KPI A2.1 – Direct and indirect energy consumption and intensity

	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE)
Total direct energy consumption from fuel use	1,154	0.12
Total indirect energy consumption from the use of electricity	24,396	2.60

KPI A2.2 – Water consumption in total and intensity

	Total (m^3)	Intensity (m^3 per FTE)
Water consumption	74,314	7.93

KPI B1.1 – Total workforce by gender, age group, employment type and geographical location

			Age Group			Gender	
		Total	Below 30	30 – 50	Over 50	Female	Male
Mainland China	Full-time	8,678	2,723	5,673	282	4,431	4,247
	Part-time	0	0	0	0	0	0
Hong Kong SAR	Full-time	569	170	366	33	296	273
	Part-time	0	0	0	0	0	0
Singapore	Full-time	30	5	24	1	15	15
	Part-time	0	0	0	0	0	0
UK	Full-time	34	5	28	1	21	13
	Part-time	0	0	0	0	0	0
US	Full-time	50	8	36	6	27	23
	Part-time	0	0	0	0	0	0
DE	Full-time	4	0	3	1	1	3
	Part-time	0	0	0	0	0	0
JP	Full-time	7	0	6	1	1	6
	Part-time	0	0	0	0	0	0
Total		9,372	2,911	6,136	325	4,792	4,580

3 FTE: Full time equivalent employees. As of the end of 2020, the total number of CICC's FTE is 9,372.

Environmental, Social and Governance Report

KPI B1.2 – Employee turnover rate by gender, age group and geographical region

	Age Group			Gender	
	Below 30	**30 – 50**	**Over 50**	**Female**	**Male**
Mainland China	11%	9%	3%	8%	11%
Hong Kong SAR	6%	10%	13%	9%	8%
Singapore	20%	5%	0%	7%	7%
UK	0%	4%	0%	5%	0%
US	0%	0%	0%	0%	0%
All locations	10%	9%	4%	8%	11%
Overall rate			9%		

KPI B3.1 – Percentage of employees trained by employee category and gender

General Staff	95.28%
Middle Managers	96.43%
Senior Managers	96.04%
Female	94.89%
Male	96.29%
Overall	95.57%

KPI B3.2 – Average training hours completed per employee by employee category and gender

General Staff	174.46
Middle Managers	186.03
Senior Managers	119.39
Female	176.59
Male	169.69
Overall	173.24

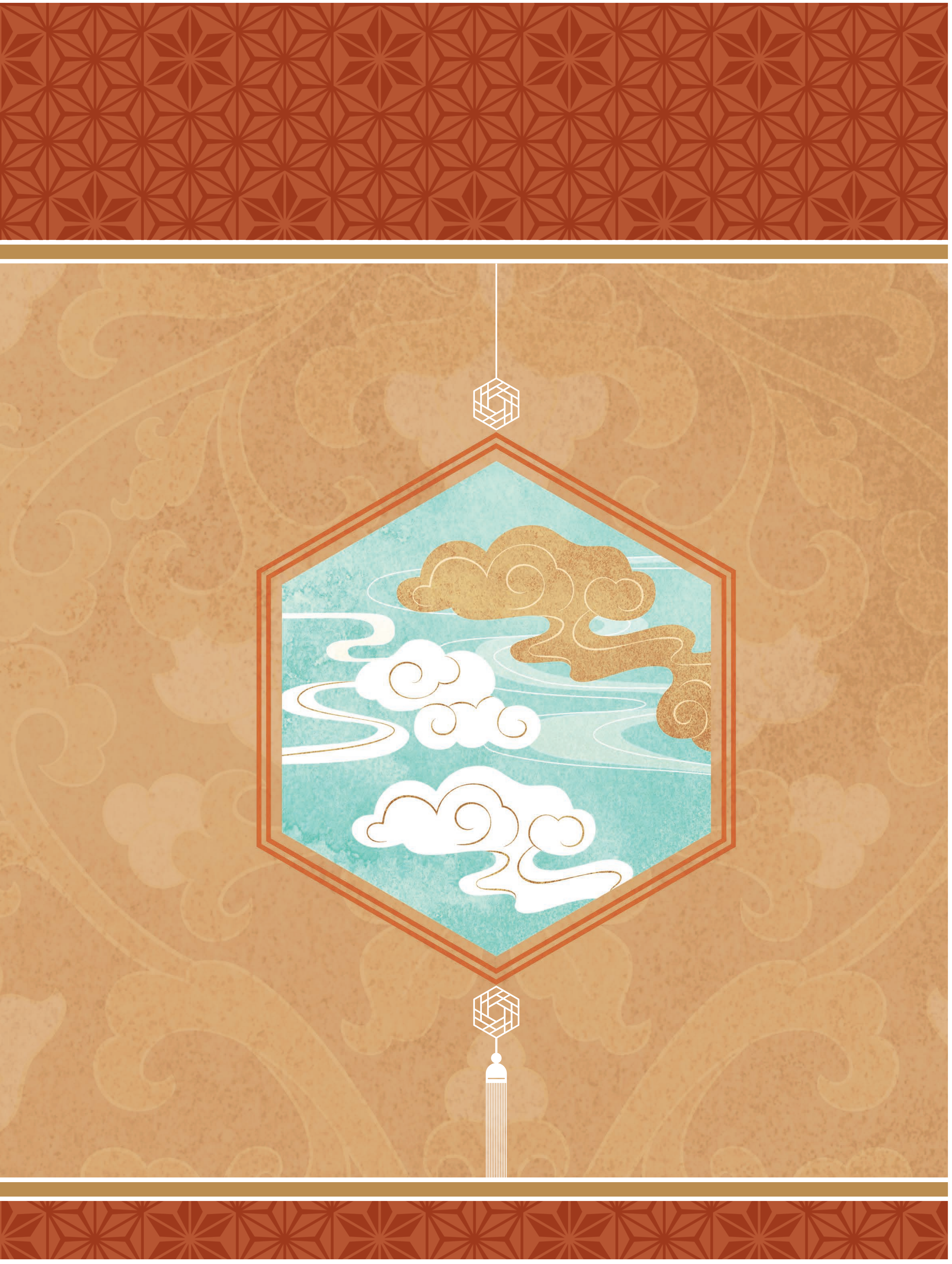
7. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEx KPI	Description	Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	
	A1.1	The type of emissions and respective emissions data	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.2	Greenhouse gas emissions in total and intensity	
	A1.3	Total hazardous waste produced	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.4	Total non-hazardous waste produced	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.5	Description of measures to mitigate emissions and results achieved	
	A1.6	Description of how hazardous & non-hazardous wastes are handled, reduction initiatives & results achieved	
A2 Use of Resources	A2	General Disclosure	
	A2.1	Direct and indirect energy consumption by type in total and intensity	
	A2.2	Water consumption in total and intensity	
	A2.3	Energy use efficiency initiatives and results achieved	
	A2.4	Issue in sourcing water, water efficiency initiatives	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A2.5	Total packaging material used for finished products	According to the materiality assessment result, this topic is regarded as not material to the Group.
A3 The Environment and Natural Resources	A3	General Disclosure	
	A3.1	Description of the significant impacts of activities on the environment and natural resources	

Environmental, Social and Governance Report

Aspect	HKEx KPI	Description	Remarks
B Social			
B1 Employment	B1	General Disclosure	
	B1.1	Total workforce by gender, employment type, age group and geographical region	
	B1.2	Employee turnover rate by gender, age group and geographical region	
B2 Health and Safety	B2	General Disclosure	
	B2.3	Occupational health & safety measures	
B3 Development and Training	B3	General Disclosure	
	B3.1	Percentage of employees trained by gender and employee category	
	B3.2	Average training hours completed per employee by gender and employee category	
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements in all locations of our operations. No relevant cases of non-compliance were recorded.
B5 Supply Chain Management	B5	General Disclosure	According to the materiality assessment result, this topic is regarded as not material to the Group.
B6 Product Responsibility	B6	General Disclosure	Due to business nature, "label" is not applicable to the Group.
	B6.4	Description of quality assurance process and recall procedures	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	
B7 Anti-corruption	B7	General Disclosure	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer its employees during the reporting period and the outcomes of the cases	
	B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	
B8 Community Investment	B8	General Disclosure	
	B8.1	Focus areas of contribution	
	B8.2	Resources contributed to the focus area	

Independent Auditor's Report



Independent Auditor's Report

To the Shareholders of China International Capital Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China International Capital Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 205 to 355, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of financial instruments measured at Level III fair value</td></tr>
<tr><td>We identified the valuation of financial instruments measured at Level III fair value as a key audit matter.

As at 31 December 2020, the Group holds financial instruments of RMB18,334 million measured at Level III fair values as disclosed in Note 56, which are significant to the consolidated financial statements.

For the valuation of these financial instruments measured at Level III fair value, the selection of valuation techniques, the key assumptions and unobservable inputs used in the valuation techniques involve significant estimation of the management as disclosed in Note 4(a) and Note 56.

Owing to the above reasons, we identified the valuation of financial instruments measured at Level III fair value as a key audit matter in our audit of the consolidated financial statements.</td><td>Our procedures in relation to valuation of financial instruments measured at Level III fair value included:

• Understanding the Group's valuation models for financial instruments at Level III fair value and key controls over selection of valuation methods and determining the valuation of such financial instruments;

• Selecting financial instruments at Level III fair value on a sample basis and:

– Reviewing the investment agreements to understand the relevant investment terms and identifying any conditions that were relevant to the valuation of the selected financial instruments;

– Evaluating the appropriateness of the model adopted by management in the valuation of the selected financial instruments, based on our knowledge of current industry practice;

– Evaluating the appropriateness of the unobservable and observable inputs used by the management for measuring the fair value of the selected financial instruments with reference to relevant market data;

• For the samples selected in above procedures, involving our internal valuation specialists to develop expected fair values and sensitivity analysis of the selected financial instruments, on a sample basis, and investigating if the expected fair values are significantly deviated from the corresponding fair value adopted by the Group.</td></tr>
</table>

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Consolidation of structured entities	
We identified the consolidation of structured entities as a key audit matter. As disclosed in Note 53(a) to the consolidated financial statements, as at 31 December 2020, the carrying amount of interests held by the Group amounted to RMB23,704 million, which is significant to the consolidated financial statements. As disclosed in Note 4(b) to the consolidated financial statements, in accordance with the principle of control in IFRS 10 *Consolidated Financial Statements*, to determine whether structured entities should be consolidated, a combination of factors need to be assessed by management to make a comprehensive judgment on whether the Group has controlled the structured entities, according to the terms of the related contracts, including the purpose of establishment, the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, that the Group is a principal or an agent and etc. The assessment above involves significant judgement and estimation of the management. Owing to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.	Our procedures in relation to consolidation of structured entities included: • Evaluating the design and implementation of management's key controls over determining the consolidation of structured entities; • Reviewing, on a sample basis, the related investment contracts and service agreements of investments in structured entities to assess whether the management has appropriately considered the following factors in determining the consolidation of structured entities: – The purpose of establishment, the major activities and decision-making process of these structured entities; – All variable returns entitled, primarily investment income and management remuneration, by the Group; – The Group's substantive power over these structured entities and how it can affect the variable returns; and – Whether the Group makes investment decision as the principal. • Checking and evaluating, on a sample basis, management's quantitative analysis on the Group's exposure or right to variable returns with its economic interests in the structured entity and examining the data used in these calculations by reference to the related contracts.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Man Kai Sze.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
30 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020 (Expressed in Renminbi ("RMB"), unless otherwise stated)

		Year ended 31 December	
	Notes	**2020**	2019
Revenue:			
Fee and commission income	7	**15,614,699,770**	10,733,052,264
Interest income	8	**5,644,871,039**	4,800,188,053
Investment income	9	**13,158,640,416**	6,958,642,800
Total revenue		**34,418,211,225**	22,491,883,117
Other (losses)/income, net	10	**(2,016,384,259)**	290,627,436
Total revenue and other income		**32,401,826,966**	22,782,510,553
Expenses:			
Fee and commission expenses	11	**1,989,083,356**	1,186,330,727
Interest expenses	12	**6,713,748,168**	5,895,513,419
Staff costs	13	**10,775,510,804**	7,202,881,554
Depreciation and amortisation expenses	16	**1,000,778,080**	913,235,412
Tax and surcharges		**115,775,920**	84,392,616
Other operating expenses and costs	17	**2,088,661,086**	2,099,330,393
Provision for impairment losses under expected credit loss model	18	**972,795,291**	159,597,831
Total expenses		**23,656,352,705**	17,541,281,952
Operating profit		**8,745,474,261**	5,241,228,601
Share of (losses)/profits of associates and joint ventures		**(32,791,974)**	60,403,081
Profit before income tax		**8,712,682,287**	5,301,631,682
Less: Income tax expense	19	**1,450,542,933**	1,053,804,852
Profit for the year		**7,262,139,354**	4,247,826,830
Attributable to:			
Shareholders of the Company		**7,207,452,452**	4,238,719,317
Non-controlling interests		**54,686,902**	9,107,513
Basic earnings per share (in RMB per share)	20	**1.60**	0.99

The notes on pages 215 to 355 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	**7,262,139,354**	4,247,826,830
Other comprehensive income for the year		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net (losses)/gains from changes in fair value	**(59,000,864)**	370,839,097
– Provision for/(reversal of) expected credit losses	**1,123,234**	(3,108,166)
– Tax effect	**48,247,322**	(17,850,298)
– Net gains transferred to profit or loss on disposals	**(143,553,236)**	(200,589,971)
Interests in associates and joint ventures:		
– Share of other comprehensive income	**103,278**	(103,278)
Foreign currency translation difference of financial statements of overseas subsidiaries	**(716,447,510)**	165,151,703
Total other comprehensive income for the year, net of income tax	**(869,527,776)**	314,339,087
Total comprehensive income for the year	**6,392,611,578**	4,562,165,917
Attributable to:		
Shareholders of the Company	**6,337,924,676**	4,553,058,404
Non-controlling interests	**54,686,902**	9,107,513

The notes on pages 215 to 355 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2020	2019
Non-current assets:			
Property and equipment	21	**748,398,324**	729,506,720
Right-of-use assets	22	**2,271,552,336**	2,603,508,871
Goodwill	23	**1,582,678,646**	1,582,678,646
Intangible assets	24	**310,819,976**	285,100,659
Interests in associates and joint ventures	25	**1,188,852,866**	1,168,476,657
Financial assets at fair value through profit or loss	26	**6,709,361,710**	3,719,607,275
Financial assets held under resale agreements ("reverse REPOs")	27	**902,186,358**	241,608,278
Refundable deposits	28	**11,768,323,935**	6,502,093,854
Deferred tax assets	29	**1,787,614,365**	1,089,945,732
Other non-current assets	30	**510,965,054**	1,315,599,799
Total non-current assets		**27,780,753,570**	19,238,126,491
Current assets:			
Accounts receivable	31	**43,493,774,685**	17,876,559,376
Receivable from margin clients	32	**33,884,813,279**	23,189,950,890
Financial assets at fair value through other comprehensive income	33	**37,212,187,524**	28,985,823,339
Financial assets at fair value through profit or loss	26	**240,896,335,935**	164,472,286,846
Reverse REPOs	27	**17,528,510,790**	14,057,328,635
Derivative financial assets	34	**12,311,263,836**	4,502,204,258
Cash held on behalf of clients	35	**60,950,716,097**	48,458,799,900
Cash and bank balances	36	**47,161,071,068**	23,958,928,670
Other current assets		**401,072,832**	231,234,510
Total current assets		**493,839,746,046**	325,733,116,424
Total assets		**521,620,499,616**	344,971,242,915

Consolidated Statement of Financial Position

As at 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2020	2019
Current liabilities:			
Financial liabilities at fair value through profit or loss	39	**42,891,549,327**	26,570,318,854
Derivative financial liabilities	34	**24,682,534,637**	6,362,192,001
Accounts payable to brokerage clients	40	**70,655,180,456**	48,337,872,171
Placements from financial institutions	41	**34,516,414,695**	24,082,382,130
Short-term debt securities issued	42	**26,492,570,465**	21,240,334,869
Financial assets sold under repurchase agreements ("REPOs")	43	**25,101,083,823**	24,708,257,231
Employee benefits payable	44	**7,805,043,988**	4,843,433,026
Income tax payable		**915,619,202**	991,893,266
Long-term debt securities issued due within one year	46	**23,386,443,319**	21,806,085,676
Lease liabilities	47	**541,299,132**	487,672,398
Contract liabilities	48	**170,928,280**	339,489,435
Other current liabilities	45	**85,922,851,573**	56,957,135,623
Total current liabilities		**343,081,518,897**	236,727,066,680
Net current assets		**150,758,227,149**	89,006,049,744
Total assets less current liabilities		**178,538,980,719**	108,244,176,235
Non-current liabilities:			
Non-current employee benefits payable	44	**781,920,387**	636,478,779
Long-term debt securities issued	46	**104,614,517,533**	57,585,268,714
Deferred tax liabilities	29	**506,667,665**	361,389,177
Lease liabilities	47	**663,560,140**	972,322,130
Other non-current liabilities	49	**157,182,000**	157,182,000
Total non-current liabilities		**106,723,847,725**	59,712,640,800
Net assets		**71,815,132,994**	48,531,535,435

	Notes	As at 31 December 2020	2019
Equity:			
Share capital	50	**4,827,256,868**	4,368,667,868
Other equity instruments	51	**5,000,000,000**	1,000,000,000
Reserves	50	**44,008,757,978**	31,144,523,534
Retained profits		**17,798,924,176**	11,780,607,940
Total equity attributable to shareholders of the Company		**71,634,939,022**	48,293,799,342
Non-controlling interests		**180,193,972**	237,736,093
Total equity		**71,815,132,994**	48,531,535,435

The notes on pages 215 to 355 form part of these financial statements.

The consolidated financial statements on pages 205 to 355 were approved and authorised for issue by the board of directors on 30 March 2021.

Shen Rujun	**Huang Zhaohui**	
Chairman of Board	*Chief Executive Officer*	*Company chop*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company										
			Reserves								
	Share capital (Note 50(a))	Other equity instruments (Note 51)	Capital reserve (Note 50(b)(i))	Surplus reserve (Note 50(b)(ii))	General reserves (Note 50(b)(iii))	Investment revaluation reserve (Note 50(b)(iv))	Foreign currency translation reserve (Note 50(b)(v))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2020	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435
Changes in equity for the year											
Profit for the year	–	–	–	–	–	–	–	7,207,452,452	7,207,452,452	54,686,902	7,262,139,354
Other comprehensive income for the year	–	–	–	–	–	(153,080,266)	(716,447,510)	–	(869,527,776)	–	(869,527,776)
Total comprehensive income for the year	–	–	–	–	–	(153,080,266)	(716,447,510)	7,207,452,452	6,337,924,676	54,686,902	6,392,611,578
Appropriation to surplus reserve	–	–	–	259,018,000	–	–	–	(259,018,000)	–	–	–
Appropriation to general reserves	–	–	–	–	873,118,216	–	–	(873,118,216)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Issuance of RMB denominated ordinary shares ("A Shares")	458,589,000	–	12,573,472,492	–	–	–	–	–	13,032,061,492	–	13,032,061,492
Issuance of perpetual subordinated bonds	–	5,000,000,000	–	–	–	–	–	–	5,000,000,000	–	5,000,000,000
Redemption of perpetual subordinated bonds	–	(1,000,000,000)	–	–	–	–	–	–	(1,000,000,000)	–	(1,000,000,000)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	(15,431,032)	(15,431,032)
Acquisition of non-controlling interests	–	–	28,153,512	–	–	–	–	–	28,153,512	(93,836,612)	(65,683,100)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	(2,961,379)	(2,961,379)
At 31 December 2020	4,827,256,868	5,000,000,000	39,533,272,979	995,576,479	4,074,311,372	37,927,416	(632,330,268)	17,798,924,176	71,634,939,022	180,193,972	71,815,132,994

	Attributable to shareholders of the Company										
			Reserves								
	Share capital (Note 50(a))	Other equity instruments (Note 51)	Capital reserve (Note 50(b)(i))	Surplus reserve (Note 50(b)(ii))	General reserves (Note 50(b)(iii))	Investment revaluation reserve (Note 50(b)(iv))	Foreign currency translation reserve (Note 50(b)(v))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2019	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the year											
Profit for the year	–	–	–	–	–	–	–	4,238,719,317	4,238,719,317	9,107,513	4,247,826,830
Other comprehensive income for the year	–	–	–	–	–	149,187,384	165,151,703	–	314,339,087	–	314,339,087
Total comprehensive income for the year	–	–	–	–	–	149,187,384	165,151,703	4,238,719,317	4,553,058,404	9,107,513	4,562,165,917
Appropriation to surplus reserve	–	–	–	204,062,803	–	–	–	(204,062,803)	–	–	–
Appropriation to general reserves	–	–	–	–	653,483,029	–	–	(653,483,029)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Dividends to shareholders	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)	–	(670,826,859)
Issuance of H shares	176,000,000	–	2,109,044,020	–	–	–	–	–	2,285,044,020	–	2,285,044,020
Acquisition of a subsidiary (Note 61(b))	–	–	–	–	–	–	–	–	–	44,411,965	44,411,965
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	(8,996,185)	(8,996,185)
At 31 December 2019	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435

The notes on pages 215 to 355 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	**8,712,682,287**	5,301,631,682
Adjustments for:		
Net interest expenses on debt securities issued and others	**4,397,010,784**	3,611,755,518
Depreciation and amortisation expenses	**1,000,778,080**	913,235,412
Provision for impairment losses under expected credit loss model	**972,795,291**	159,597,831
Net (gains)/losses on disposal of property, equipment and other assets	**(708,423)**	6,165,220
Foreign exchange losses/(gains) from derivatives and from others	**2,182,256,322**	(128,163,134)
Losses on changes in fair value of financial instruments at fair value through profit or loss	**5,921,265,185**	2,764,522,596
Interest income from financial assets at fair value through other comprehensive income	**(1,163,278,994)**	(1,160,481,477)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	**(49,225,405)**	(183,934,701)
Net gains on disposal of investments	**(724,905,073)**	(329,902,783)
Operating cash flows before movements in working capital	**21,248,670,054**	10,954,426,164
Increase in receivable from margin clients	**(10,777,778,021)**	(5,402,373,306)
Increase in accounts receivable, other receivables and prepayments	**(27,611,308,094)**	(6,852,979,642)
(Increase)/decrease in reverse REPOs	**(4,380,979,811)**	5,251,248,559
Increase in financial instruments at fair value through profit or loss	**(62,275,322,604)**	(39,788,859,553)
Increase in cash held on behalf of clients	**(12,488,113,549)**	(10,553,418,153)
Decrease/(increase) in restricted bank deposits	**386,794,440**	(400,882,159)
Increase in refundable deposits	**(5,269,413,596)**	(3,012,242,820)
Increase in accounts payable to brokerage clients	**23,055,610,235**	7,019,714,725
Increase/(decrease) in REPOs	**409,538,302**	(23,930,577,902)
Increase in other liabilities	**46,000,357,613**	39,738,432,988
Cash used in operating activities, before income tax	**(31,701,945,031)**	(26,977,511,099)
Income tax paid	**(2,036,745,238)**	(680,321,278)
Net cash used in operating activities	**(33,738,690,269)**	(27,657,832,377)

	Notes	Year ended 31 December 2020	2019
Cash flows from investing activities:			
Receipts from disposal of investments		**39,068,118,584**	45,813,119,051
Cash receipts of investment returns		**819,534,578**	1,005,047,284
Cash and cash equivalents from acquisition of a subsidiary		**–**	25,251,681
Proceeds from disposal of property, equipment and other long-term assets		**31,576,002**	1,752,207
Purchase of investments		**(47,048,454,517)**	(39,902,385,252)
Purchase of property, equipment and other assets		**(460,252,973)**	(490,421,396)
Net cash outflows on disposal of subsidiaries	9	**(469,103,820)**	–
Net cash (used in)/generated from investing activities		**(8,058,582,146)**	6,452,363,575
Cash flows from financing activities:			
Proceeds from issuance of beneficiary certificates		**63,395,882,718**	64,479,473,418
Proceeds from issuance of corporate bonds		**55,000,000,000**	6,500,000,000
Proceeds from issuance of shares		**13,032,061,492**	2,285,044,020
Proceeds from issuance of medium-term notes ("MTNs")		**11,305,914,640**	6,734,400,000
Proceeds from issuance of structured notes		**10,529,132,195**	10,350,739,565
Proceeds from issuance of perpetual subordinated bonds		**5,000,000,000**	–
Proceeds from issuance of subordinated bonds		**3,500,000,000**	9,500,000,000
Proceeds from issuance of financial bonds		**–**	2,500,000,000
Redemption of beneficiary certificates		**(57,224,339,603)**	(61,273,122,933)
Redemption of corporate bonds		**(19,000,000,000)**	(3,224,000,000)
Redemption of structured notes		**(10,773,425,640)**	(5,822,951,719)
Redemption of asset-backed securities		**(1,900,000,000)**	–
Redemption of perpetual subordinated bonds		**(1,000,000,000)**	–
Redemption of subordinated bonds		**(1,000,000,000)**	(2,200,000,000)
Redemption of MTNS		**–**	(3,449,400,000)
Cash paid for dividend or interest		**(4,136,836,240)**	(3,407,297,145)
Dividends paid to shareholders of the Company		**–**	(670,826,859)
Repayment of lease liabilities		**(554,085,281)**	(532,004,072)
Distribution to holders of perpetual subordinated bonds		**(57,000,000)**	(57,000,000)
Cash outflows associated with other financing activities		**(129,280,579)**	(36,182,940)
Net cash generated from financing activities		**65,988,023,702**	21,676,871,335

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Expressed in RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	**2020**	2019
Net increase in cash and cash equivalents		**24,190,751,287**	471,402,533
Cash and cash equivalents at the beginning of the year		**23,097,595,256**	21,954,987,644
Effect of exchange rate changes		**(625,912,988)**	671,205,079
Cash and cash equivalents at the end of the year	37	**46,662,433,555**	23,097,595,256
Net cash used in operating activities including:			
Interest received		**5,904,405,665**	5,443,865,416
Interest paid		**(2,085,583,493)**	(1,887,262,091)

The notes on pages 215 to 355 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 25 June 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC"). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No. 000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited) ("CICC Wealth Management") in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin Investment Ltd. ("Huijin") as a consideration of the acquisition. After the completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The Company completed general mandate of placement and issuance of 176,000,000 new H shares in October 2019. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The Company completed the issuance of 458,589,000 A Shares and was listed on the Shanghai Stock Exchange in November 2020. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,827,256,868.

The Company's unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 31 December 2020, the Company has 23 securities business offices and 7 branches. Please refer to Note 61 for details of subsidiaries of the Company.

The Company and its subsidiaries (together the "Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, asset management business, private equity business, wealth management business and other business activities.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to International Accounting Standards ("IAS") 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

(b) New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 16	*Covid-19-Related Rent Concessions*[i]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[ii]
Amendments to IAS 16	*Property, Plant and Equipment - Proceeds before Intended Use*[iii]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[iii]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[iii]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018-2020*[iii]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[iv]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[iv]
Amendments to IAS 8	*Definition of Accounting Estimates*[iv]
IFRS 17	*Insurance Contracts and the related Amendments*[iv]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[v]

(i) Effective for annual periods beginning on or after 1 June 2020.

(ii) Effective for annual periods beginning on or after 1 January 2021.

(iii) Effective for annual periods beginning on or after 1 January 2022.

(iv) Effective for annual periods beginning on or after 1 January 2023.

(v) Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if omitting, misstating or obscuring it is reasonably expected to influence the decisions made by primary users on the basis of the financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and for which a valuation technique with unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price or investment cost.

In addition, for financial reporting purposes, fair value measurements are categorised into Level I, II or III based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level II inputs are inputs, other than quoted prices included within Level I, that are observable for the asset or liability, either directly or indirectly; and

- Level III inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in a business combination is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full when preparing the financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between holders of non-controlling interests and shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary. Any gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owner of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 3.2(a)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3.2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3.2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Associates and joint ventures *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.2(e)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3.2(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(c) Foreign currency

(i) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency used to hedge a net investment in a foreign operation that are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial assets at fair value through other comprehensive income which are recognised in other comprehensive income.

(ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement

(1) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") (including debt investment and equity investment); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

On initial recognition of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(1) Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

(1) Financial assets (continued)

Financial assets – Business model assessment (continued)

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – The "SPPI" assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

(1) Financial assets (continued)

Financial assets – The "SPPI" assessment (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets classified as at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets classified as at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. For purchased or originated credit-impaired financial assets, the Group recognises interest by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.
Debt investments classified as at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments classified as at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model and correspondingly recognises loss allowances on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, receivable from margin clients, reverse REPOs, trade and other receivables in accordance with IFRS 15 and loans to associates and joint ventures);

– debt investment measured at FVTOCI; and

– contract assets in accordance with IFRS 15.

The Group measures the loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group always recognises lifetime ECL for trade receivable and contract assets that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component in accordance with IFRS 15 (or when the group applies the practical expedient in accordance with IFRS 15). The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– significant changes in external market indicators of credit risk for a particular financial instruments or similar financial instruments with the same expected life;

– an actual or expected significant deterioration in the financial instrument's external or internal (if available) credit rating;

– an actual or expected internal credit rating downgrade for the borrower;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;

– significant deterioration in the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements;

– an actual or expected significant deterioration in the quality of credit enhancement;

– significant changes in the expected performance and behavior of the borrower.

Irrespective of the outcome of the above assessment, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Depending on the nature of the financial instruments, the Group identifies significant changes in credit risk on individual financial instruments or a group or sub-group of financial instruments. For purpose of determining significant increases in credit risk on a collective basis, the Group groups financial instruments on the basis of shared credit risk characteristics, which may include, past-due status and credit risk ratings.

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(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets (continued)

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

(2) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for a security because of financial difficulties;

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of allowance for ECL in the statement of financial position

The allowances for ECL for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the allowance for ECL is charged to profit or loss and is recognised in OCI.

Write-off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(3) Financial liabilities and equity – Classification, subsequent measurement and gains and losses

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or of which the Group has the sole discretion to indefinitely defer payment for distribution or redemption are classified as equity instruments.

Repurchase of the Group's own equity instruments is recognised in and deducted directly from equity. No gain or loss is recognised in profit or loss for the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(iii) Derecognition *(continued)*

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when the terms of the financial liability are substantially modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

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(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting

(1) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

A derivative instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(2) Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting *(continued)*

(2) Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

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3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting *(continued)*

(3) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

(f) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 3.2(k)). Property and equipment under construction is stated at cost less impairment losses (Note 3.2(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress.

(ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of net residual value
Buildings	20 – 35 years	3% – 5%
Office equipment	2 – 5 years	0% – 10%
Furniture and fixtures	3 – 5 years	0% – 10%
Motor vehicles	3 – 5 years	0% – 10%
Leasehold improvements	Benefit period	Nil

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and net residual values are reassessed at the end of the reporting period.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(g) Property and equipment *(continued)*

(iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

(h) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the consideration is allocated in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead to account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date (i.e. the date the underlying asset is available for use) and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee *(continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, a right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee *(continued)*

Lease liabilities (continued)

The lease payments include:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Taxation

For the purposes of measuring deferred tax arising from the recognition of right-of-use assets and related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. Temporary differences associated with right-of-use assets and lease liabilities are not recognised when the Group initially recognising the assets and liabilities and over the lease terms as a result of applying the initial recognition exemption of deferred tax under IAS 12 *Income Taxes*.

(i) Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 3.2(k)).

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

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3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(i) Intangible assets *(continued)*

Amortisation of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The self-developed software and software acquired from third party shall be amortised over 3 to 5 years. The trade mark right and the securities trading seat rights in mainland China shall be amortised over 10 years.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3.2(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3.2(e)(ii)(2) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3.2(o)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3.2(o)(v)).

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- right-of-use assets;
- investments in subsidiaries, associates and joint ventures; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amounts are estimated annually whether or not there is any indication of impairment.

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3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(k) Impairment of non-financial assets *(continued)*

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(l) Provisions and contingent liabilities *(continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit of loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(o) Revenue from contracts with customers and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a variable consideration, the Group estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in IFRS 15 *Revenue from contracts with customers* and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(o) Revenue from contracts with customers and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees

Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.

Depending on the nature of the services and the contract terms, financial advisory fees and investment advisory fees are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(ii) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(iii) Brokerage commission income

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed. Commission income from leasing out trading seats is recognised when the related services are rendered.

(iv) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(o) Revenue from contracts with customers and other income *(continued)*

(v) Interest income

Interest income is recognised in profit or loss by using the effective interest method. For financial assets measured at amortised cost or debt securities measured at FVTOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of impairment loss allowance) of the asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

(p) Expenses recognition

(i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(r) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss related to the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(r) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to settle the current tax assets and the current tax liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

(s) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the year are not recognised as a liability at the end of the year but disclosed separately in the notes to the consolidated financial statements.

(t) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in Note 3.2(u)(i);

(7) A person identified in Note 3.2(u)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Fair value of financial instruments

Financial instruments without quotes from an active market require the use of valuation techniques to determine their fair values. Valuation techniques include the use of the latest market transaction information, reference to the current fair values of similar financial instruments, discounted cash flow method and option pricing model. Valuation techniques are subject to validation and adjustment before use to ensure that the valuation results reflect actual market conditions. The valuation models developed by the Group use market information as much as possible and information specific to the Group as little as possible. It should be noted that some of the information used in the valuation models requires management to make estimates (e.g. counterparty risk, risk correlation factors, etc.). The Group regularly reviews these estimates and assumptions and makes adjustments as necessary. Although the Group considers these valuations as best estimates, the ongoing COVID-19 pandemic has caused greater market volatility and may further lead to disruptions in the business of the investee or the issuer, and this factor may lead to greater uncertainty the valuation of the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investor's returns. The Group reassesses whether it controls an investee when relevant facts and circumstances change to such an extent that there is a change in one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

(c) Impairment of goodwill

The Group assesses the recoverable amount of the goodwill at the end of year and performs impairment test no matter whether there is indication that the unit may be impaired or not.

The recoverable amount of a CGU (or group of CGUs) is the greater of its fair value less costs of disposal and value in use. In assessing the present value of expected future cash flows, significant judgements are exercised over the assets' selling price, related operating revenue and expenses and discounting rate to calculate the present value. All relevant information which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related revenue and operating expenses based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(d) Measurement and recognition of ECLs

The measurement of the ECL allowance for debt investments measured at amortised cost and FVTOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of clients defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of ECL;

– Determining the number and relative weightings of forward-looking scenarios for the ECL of each type of product/market.

See Note 58(a) for more details on ECL.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(e) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

5. TAXATION

(a) Value-added tax ("VAT") and surcharges

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(b) Income tax

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong Special Administrative Region ("Hong Kong SAR") is 16.5%. Taxes of other subsidiaries are charged at the relevant local rates.

6. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;

- whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and

- for which statements of financial position, of profit or loss and of cash flows are available.

6. SEGMENT REPORTING *(continued)*

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's businesses are structured and managed separately according to the nature of their operations and the services that the Group provides. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those to which the services offered by the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services to domestic and overseas corporations and institutional clients.
- the Equities segment provides one-stop integrated financial services such as investment research, sales, trading, products and cross-border services to domestic and overseas professional investors, including institutional trading services and capital services such as primary brokerage, over-the-counter derivatives, capital introduction and market-making transactions.
- the FICC segment provides a package of services and supports in the areas of market making and financing to domestic and overseas institutional and corporate clients on fixed-income products such as interest rate, credit and structured products, as well as on overseas exchange and commodities.
- the Asset Management segment designs and provides a wide range of asset management products and services to domestic and overseas investors, including social security and annuity investment management business, institutional entrusted investment management business, overseas asset management business, retail and mutual fund business, etc.
- the Private Equity segment designs and provides integrated private equity fund products and services to domestic and overseas investors, mainly including corporate equity funds, Fund of Funds, dollar funds, real estate funds, infrastructure funds, etc.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of transactional services, capital services and product configuration services, to retail clients, families and corporate clients.
- the Others segment mainly comprises of other business departments and back offices.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING *(continued)*

(a) Segment results

	Year ended 31 December 2020							
	Investment banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	Total
Segment revenue								
– Fee and commission income (Note 2)	5,133,978,615	2,489,137,955	647,382,025	1,149,366,225	1,472,814,537	4,711,149,590	10,870,823	15,614,699,770
– Interest income	50,972,768	582,327,810	1,310,773,183	14,654,763	17,676,176	3,160,812,264	507,654,075	5,644,871,039
– Investment income	941,352,619	5,264,400,395	4,525,101,195	157,777,759	488,558,343	515,752,603	1,265,697,502	13,158,640,416
– Other income/(losses), net	1,105,217	(1,454,130,377)	(523,398,248)	(5,489,545)	51,808,120	33,970,654	(120,250,080)	(2,016,384,259)
Segment revenue and other income	6,127,409,219	6,881,735,783	5,959,858,155	1,316,309,202	2,030,857,176	8,421,685,111	1,663,972,320	32,401,826,966
Segment expenses	4,267,367,992	2,846,902,460	3,554,550,075	939,096,109	926,715,137	6,532,847,358	4,588,873,574	23,656,352,705
Segment operating profit/(loss)	1,860,041,227	4,034,833,323	2,405,308,080	377,213,093	1,104,142,039	1,888,837,753	(2,924,901,254)	8,745,474,261
Share of profits/(losses) of associates and joint ventures	–	–	–	10,615,161	29,703,534	(52,194,113)	(20,916,556)	(32,791,974)
Profit/(loss) before income tax	1,860,041,227	4,034,833,323	2,405,308,080	387,828,254	1,133,845,573	1,836,643,640	(2,945,817,810)	8,712,682,287
Segment assets	8,251,152,358	198,621,486,212	121,206,372,204	5,339,010,437	5,294,197,539	99,795,490,534	81,325,175,967	519,832,885,251
Deferred tax assets								1,787,614,365
Total assets								521,620,499,616
Segment liabilities	8,154,224,741	188,917,761,031	102,946,304,906	2,089,648,102	1,830,183,332	88,893,111,909	56,467,464,936	449,298,698,957
Deferred tax liabilities								506,667,665
Total liabilities								449,805,366,622
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 1)	253,491,014	953,735,323	2,760,772,473	47,866,061	65,072,299	1,693,942,202	938,868,796	6,713,748,168
Depreciation and amortisation expenses	98,801,239	62,167,371	56,404,643	57,664,394	45,508,972	367,945,114	312,286,347	1,000,778,080
Provision for/(reversal of) impairment losses under expected credit loss model	228,684,382	232,463,958	19,050,305	91,446,643	(6,942,533)	388,865,426	19,227,110	972,795,291

6. SEGMENT REPORTING *(continued)*

(a) Segment results *(continued)*

	Year ended 31 December 2019							
	Investment banking	Equities	FICC	Asset Management	Private Equity	Wealth Management	Others	Total
Segment revenue								
– Fee and commission income (Note 2)	3,359,717,441	1,668,903,374	948,341,187	607,462,426	1,178,435,057	2,934,500,779	35,692,000	10,733,052,264
– Interest income	34,876,803	341,779,304	1,285,722,809	6,811,205	3,197,812	2,685,329,019	442,471,101	4,800,188,053
– Investment income	461,357,069	2,025,898,545	3,349,179,348	4,681,397	212,289,148	(68,630,207)	973,867,500	6,958,642,800
– Other income, net	9,221,157	64,473,711	80,059,019	967,131	54,053,038	21,620,814	60,232,566	290,627,436
Segment revenue and other income	3,865,172,470	4,101,054,934	5,663,302,363	619,922,159	1,447,975,055	5,572,820,405	1,512,263,167	22,782,510,553
Segment expenses	2,536,868,971	1,786,658,142	3,804,917,409	575,718,045	734,691,133	4,506,764,356	3,595,663,896	17,541,281,952
Segment operating profit/(loss)	1,328,303,499	2,314,396,792	1,858,384,954	44,204,114	713,283,922	1,066,056,049	(2,083,400,729)	5,241,228,601
Share of profits/(losses) of associates and joint ventures	–	–	–	1,310,963	69,522,495	(6,579,451)	(3,850,926)	60,403,081
Profit/(loss) before income tax	1,328,303,499	2,314,396,792	1,858,384,954	45,515,077	782,806,417	1,059,476,598	(2,087,251,655)	5,301,631,682
Segment assets	7,410,811,403	103,219,733,870	111,968,447,320	3,940,071,048	5,254,925,769	76,667,496,771	35,419,811,002	343,881,297,183
Deferred tax assets								1,089,945,732
Total assets								344,971,242,915
Segment liabilities	8,482,236,380	101,754,005,043	88,719,663,470	1,460,395,344	1,787,729,731	65,375,736,530	28,498,551,805	296,078,318,303
Deferred tax liabilities								361,389,177
Total liabilities								296,439,707,480
Other segment information (Amounts included in the measure of segment profit or loss):								
Interest expenses (Note 1)	146,593,348	622,726,889	3,044,975,052	47,146,905	67,784,228	1,656,099,267	310,187,730	5,895,513,419
Depreciation and amortisation expenses	90,011,343	55,197,953	45,234,758	52,052,773	44,032,390	327,437,262	299,268,933	913,235,412
Provision for/(reversal of) impairment losses under expected credit loss model	71,170,593	24,419,090	(4,181,171)	40,433,749	325,561	9,604,909	17,825,100	159,597,831

Note 1: The Group allocates interest expenses across the reportable segments based on the capital used during the reporting periods for the purpose of measuring segment operating performance and improving efficiencies of capital management.

Note 2: The Group provided integrated financial products and services to clients through cross-function collaboration during the reporting period, resulting in the difference between identification of segments and classification of fee and commission income disclosed in Note 7.

Note 3: Based on the Group's strategic layout and needs of internal management, the former Investment Management was divided into and presented as Asset Management and Private Equity. The information of comparative period was restated accordingly.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, reverse REPOs, and deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients in which the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on where the fixed assets are located, where the intangible assets are allocated or where the associates and joint ventures operate.

	Revenues and other income from external customers Year ended 31 December	
	2020	2019
Mainland China	**25,947,518,788**	17,540,324,418
Outside mainland China	**6,454,308,178**	5,242,186,135
Total	**32,401,826,966**	22,782,510,553

	Non-current assets As at 31 December	
	2020	2019
Mainland China	**15,037,819,967**	10,431,470,733
Outside mainland China	**3,343,771,170**	3,755,494,473
Total	**18,381,591,137**	14,186,965,206

Reconciliation of segment non-current assets:

	Non-current assets As at 31 December	
	2020	2019
Total non-current assets for segments	**41,129,935,249**	34,625,309,318
Elimination of inter-segment non-current assets	**(22,748,344,112)**	(20,438,344,112)
Total	**18,381,591,137**	14,186,965,206

6. SEGMENT REPORTING *(continued)*

(c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

7. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2020	2019
Brokerage commission income	**6,110,720,519**	3,878,042,278
Underwriting and sponsoring fees	**5,343,341,053**	3,721,672,193
Asset management fees	**2,796,022,145**	2,001,492,975
Financial advisory fees	**866,049,521**	674,668,431
Investment advisory fees	**458,541,700**	424,706,208
Others	**40,024,832**	32,470,179
Total	**15,614,699,770**	10,733,052,264

The remaining performance obligation is recognised as contract liabilities as at 31 December 2020 and disclosed in Note 48. Except as otherwise stated, there is no significant remaining performance obligation. Therefore, other information associated with the remaining performance obligations is not disclosed.

8. INTEREST INCOME

	Year ended 31 December	
	2020	2019
Interest income from margin financing and securities lending	**2,038,478,998**	1,461,146,778
Interest income from financial institutions	**1,640,819,396**	1,379,020,348
Interest income from financial assets at fair value through other comprehensive income	**1,163,278,994**	1,160,481,477
Interest income from reverse REPOs	**687,030,820**	724,518,298
Others	**115,262,831**	75,021,152
Total	**5,644,871,039**	4,800,188,053

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

9. INVESTMENT INCOME

	Year ended 31 December	
	2020	2019
Net gains from disposal of financial assets at fair value through other comprehensive income	**143,553,236**	200,589,971
Net gains from financial instruments at fair value through profit or loss	**31,863,283,753**	13,485,522,358
Net losses from derivative financial instruments	**(19,076,807,851)**	(6,726,172,403)
Others (Note)	**228,611,278**	(1,297,126)
Total	**13,158,640,416**	6,958,642,800

Note: In June 2019, CICC Wealth Management, the Company's subsidiary, entered into the *Share Transfer Agreement Regarding the Trading of All Issued Shares of China Investment Securities (Hong Kong) Financial Holdings Limited* with Soochow Securities (Hong Kong) Financial Holdings Limited and Soochow Securities Co., Ltd. The consideration of the transaction is HK$479 million. The share transfer was filed with the China Securities Regulatory Commission (the "CSRC") with no objection in September 2019 and was approved in January 2020 by the Hong Kong Securities and Futures Commission. On 18 February 2020, CICC Wealth Management received the consideration of HK$478 million, net of transaction costs and taxes, and transferred its 100.00% of equity interests in China Investment Securities (Hong Kong) Financial Holdings Limited ("CISHK"). Net loss of CISHK in 2019 amounted to RMB57 million, and the total assets and net assets of CISHK as at 31 December 2019 amounted to RMB1,504 million and RMB234 million, respectively. For the year ended 31 December 2020, CICC Wealth Management's investment income from disposal of the above equity interests amounted to RMB214 million and net cash outflows from the disposal of equity amounted to RMB469 million. The disposal of CISHK does not have a significant impact on the Group's financial position as at 31 December 2020 or on the Group's operating results for the year then ended.

10. OTHER (LOSSES)/INCOME, NET

		Year ended 31 December	
	Note	**2020**	2019
Tax refunds		**35,743,324**	29,738,215
Government grants		**99,197,508**	104,880,736
Foreign exchange (losses)/gains from derivatives	(i)	**(1,913,029,046)**	166,979,605
Others	(ii)	**(238,296,045)**	(10,971,120)
Total		**(2,016,384,259)**	290,627,436

(i) According to Notice on Format of Financial Statements for Financial Institutions Revised and Issued by the Ministry of Finance of the PRC ("MOF") (Cai Kuai [2018] No. 36), gains and losses from foreign exchange derivatives are presented under foreign exchange gains and losses.

(ii) Others mainly consisted of gains and losses of foreign currency transactions due to exchange rate fluctuations.

11. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2020	2019
Brokerage commission expenses	**1,500,251,148**	899,443,687
Underwriting and sponsoring expenses	**253,255,410**	148,752,820
Asset management expenses	**235,576,798**	135,078,063
Investment advisory expenses	**–**	3,056,157
Total	**1,989,083,356**	1,186,330,727

12. INTEREST EXPENSES

	Year ended 31 December	
	2020	2019
Interest expenses on:		
– Corporate bonds	**1,928,655,754**	1,556,628,404
– Subordinated bonds	**1,035,950,167**	819,653,736
– Placements from financial institutions	**821,960,532**	765,511,832
– REPOs	**795,605,313**	1,009,619,621
– Beneficiary certificates	**516,641,459**	414,869,689
– MTNs	**462,090,895**	465,437,671
– Accounts payable to brokerage clients	**232,542,671**	164,291,750
– Structured notes	**179,053,499**	137,646,887
– Financial bonds	**84,982,192**	30,649,315
– Lease liabilities	**57,162,780**	73,500,946
– Others	**599,102,906**	457,703,568
Total	**6,713,748,168**	5,895,513,419

13. STAFF COSTS

	Year ended 31 December	
	2020	2019
Salaries, bonus and allowance	**10,091,602,451**	6,469,209,630
Retirement scheme contributions	**167,961,232**	285,900,064
Other social welfare	**352,698,453**	324,308,118
Other benefits	**163,248,668**	123,463,742
Total	**10,775,510,804**	7,202,881,554

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain ratios of salaries. The Group has no other material obligations of payment for retirement benefits to its employees beyond the annual contributions described above.

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(Expressed in RMB, unless otherwise stated)

14. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

	Year ended 31 December 2020				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (iv)	–	274,978	–	5,656	280,634
Huang Zhaohui (ii) (iii)	–	822,742	7,674,362	69,157	8,566,261
Non–executive Director					
Shen Rujun (vi)	–	–	–	–	–
Xiong Lianhua (iii)	–	–	–	–	–
Tan Lixia (iii)	–	–	–	–	–
Duan Wenwu (iii)	–	–	–	–	–
Zhao Haiying (iv)	–	–	–	–	–
David Bonderman (iv)	–	–	–	–	–
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (iv)	–	–	–	–	–
Cha Mou Daid Johnson (iv)	–	–	–	–	–
Huang Hao (iii) (v)	–	–	–	–	–
Independent Non–executive Director					
Liu Li	603,050	–	–	–	603,050
Siu Wai Keung	649,820	–	–	–	649,820
Ben Shenglin	629,554	–	–	–	629,554
Peter Hugh Nolan (iii)	494,778	–	–	–	494,778
Edwin Roca Lim (iv)	101,030	–	–	–	101,030
Supervisor					
Gao Tao	–	1,043,492	2,805,832	51,770	3,901,094
Jin Lizuo	309,190	–	–	–	309,190
Cui Zheng (iii)	–	–	–	–	–
Liu Haoling (iv)	–	–	–	–	–
Total	2,787,422	2,141,212	10,480,194	126,583	15,535,411

14. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

Directors' and supervisors' remuneration is as follows: *(continued)*

	Year ended 31 December 2020				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (iv)	–	1,680,215	9,271,708	50,055	11,001,978
Non-executive Director					
Shen Rujun (vi)	–	–	–	–	–
Zhao Haiying (iv)	–	–	–	–	–
David Bonderman (iv)	–	–	–	–	–
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (iv)	–	–	–	–	–
Cha Mou Daid Johnson (iv)	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim (iv)	546,920	–	–	–	546,920
Siu Wai Keung	577,270	–	–	–	577,270
Ben Shenglin	517,600	–	–	–	517,600
Liu Li	532,400	–	–	–	532,400
Supervisor					
Gao Tao	–	1,054,940	2,539,895	98,055	3,692,890
Liu Haoling (iv)	–	–	–	–	–
Jin Lizuo	263,400	–	–	–	263,400
Total	2,437,590	2,735,155	11,811,603	148,110	17,132,458

(i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.

(ii) The remuneration of Mr. Huang Zhaohui includes the compensation for the services provided by Mr. Huang Zhaohui acting as the Chief Executive Officer of the Company.

(iii) Appointed as executive Director, non-executive Director, independent non-executive Director or supervisor in February 2020. Mr. Peter Hugh Nolan donated a total of RMB150,000 to CICC Charity Foundation in 2020.

(iv) Resigned as executive Director, non–executive Director, independent non–executive Director or supervisor in February 2020.

(v) Resigned as non–executive Director in December 2020.

(vi) Appointed as non–executive Director and Chairman of the Board in August 2019.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in 2020 and 2019, one is a director whose emoluments are disclosed (see Note 14). The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2020	2019
Salaries and other emoluments	**14,621,320**	9,808,939
Discretionary bonuses	**71,247,114**	78,390,645
Retirement scheme contributions	**263,349**	307,541
Total	**86,131,783**	88,507,125

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2020	2019
From RMB15,500,001 to RMB16,000,000	**2**	–
From RMB16,000,001 to RMB16,500,000	**1**	1
From RMB17,000,001 to RMB17,500,000	**–**	1
From RMB17,500,001 to RMB18,000,000	**–**	1
From RMB18,000,001 to RMB18,500,000	**–**	1
From RMB18,500,001 to RMB19,000,000	**1**	–
From RMB19,000,001 to RMB19,500,000	**1**	–
From RMB19,500,001 to RMB20,000,000	**–**	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

16. DEPRECIATION AND AMORTISATION EXPENSES

	Year ended 31 December	
	2020	2019
Depreciation of right-of-use assets	**598,536,803**	562,955,633
Depreciation of property and equipment	**285,280,264**	258,573,159
Amortisation of intangible assets	**115,811,547**	90,250,322
Others	**1,149,466**	1,456,298
Total	**1,000,778,080**	913,235,412

17. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2020	2019
Business development expenses	**712,511,530**	636,645,423
Information technology related expenses	**390,778,139**	335,173,436
Professional service fees	**217,575,762**	152,286,022
Travelling and transportation expenses	**210,582,323**	325,239,262
Utilities and maintenance	**77,217,917**	78,692,034
Securities Investor Protection Fund	**77,097,941**	54,930,738
Lease expenses	**29,823,722**	57,906,991
Auditors' remuneration	**12,842,024**	11,424,141
Others	**360,231,728**	447,032,346
Total	**2,088,661,086**	2,099,330,393

18. PROVISION FOR IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2020	2019
Impairment losses provided/(reversed) for:		
Accounts receivable and other assets	**572,058,918**	187,940,007
Receivable from margin clients	**111,960,873**	18,772,123
Reverse REPOs	**287,054,140**	(43,196,309)
Financial assets at fair value through other comprehensive income	**1,841,028**	(3,369,149)
Cash and bank balances	**(119,668)**	(548,841)
Total	**972,795,291**	159,597,831

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

19. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss:

	Year ended 31 December	
	2020	2019
Current tax		
– Mainland China income tax	**1,496,238,833**	612,820,743
– Hong Kong SAR profits tax	**464,232,341**	299,442,863
Subtotal	**1,960,471,174**	912,263,606
Deferred tax		
– Origination and reversal of temporary differences	**(509,928,241)**	141,541,246
Total	**1,450,542,933**	1,053,804,852

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in mainland China during the period. Taxes on profits assessable outside mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. Reconciliation between income tax expense that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax	**8,712,682,287**	5,301,631,682
Income tax calculated at the PRC statutory income tax rate	**2,178,170,572**	1,325,407,921
Effect of non-deductible expenses	**55,513,014**	27,452,308
Effect of non-taxable income	**(430,165,877)**	(223,485,910)
Effect of different applicable tax rates of the subsidiaries	**(258,185,995)**	(186,059,764)
Effect of deductible temporary differences or deductible tax losses with no deferred tax asset recognised during the year	**56,934,075**	47,346,584
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	**(115,094,712)**	(30,514,880)
Others	**(36,628,144)**	93,658,593
Total income tax expense	**1,450,542,933**	1,053,804,852

20. BASIC EARNINGS PER SHARE

	Year ended 31 December	
	2020	2019
Profit attributable to shareholders of the Company	**7,207,452,452**	4,238,719,317
Interest for holders of perpetual subordinated bonds for the year	**(102,564,384)**	(57,000,000)
Total	**7,104,888,068**	4,181,719,317
Weighted average number of ordinary shares in issue (Note)	**4,445,099,368**	4,222,001,201
Basic earnings per share (in RMB per share)	**1.60**	0.99

Note: In October 2019, the Company issued 176,000,000 new H shares at a price of HKD14.40 per share with par value of RMB1. Accordingly, the registered capital and share capital of the Company increased to RMB4,368,667,868.

In November 2020, the Company completed the issuance of 458,589,000 A Shares at a price of RMB28.78 per share with par value of RMB1 and listed on the Shanghai Stock Exchange. Accordingly, the registered capital and share capital of the Company increased to RMB4,827,256,868.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the years ended 31 December 2020 and 2019 as the Group had no potential ordinary shares in issue during the periods.

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(Expressed in RMB, unless otherwise stated)

21. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Disposals of subsidiaries and transfer-out	–	(4,496,590)	(37,147)	(593,130)	(7,261,768)	–	(12,388,635)
Additions and transfer-in	1,391,695	216,248,401	7,830,289	360,080	66,793,587	58,823,981	351,448,033
Transfer – out	–	–	–	–	–	(28,000,836)	(28,000,836)
Disposals	–	(84,484,221)	(5,605,381)	(33,261,678)	(45,365,875)	–	(168,717,155)
Foreign currency translation differences	–	(8,112,852)	(1,055,326)	(6,595)	(9,107,529)	–	(18,282,302)
As at 31 December 2020	92,721,687	1,600,593,892	105,571,362	21,250,345	811,121,887	37,337,284	2,668,596,457
Accumulated depreciation							
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	–	(1,815,030,632)
Disposals of subsidiaries and transfer-out	–	3,960,597	14,859	593,130	6,958,083	–	11,526,669
Additions	(4,361,097)	(190,552,412)	(11,449,962)	(2,018,424)	(76,898,369)	–	(285,280,264)
Disposals	–	79,246,758	5,141,517	29,582,897	45,345,873	–	159,317,045
Foreign currency translation differences	–	5,047,892	20,522	6,595	4,194,040	–	9,269,049
As at 31 December 2020	(41,485,338)	(1,167,366,201)	(78,923,235)	(17,163,812)	(615,259,547)	–	(1,920,198,133)
Carrying amount							
As at 31 December 2020	51,236,349	433,227,691	26,648,127	4,086,533	195,862,340	37,337,284	748,398,324
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720

21. PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16 *Leases*	–	(8,740,873)	–	–	–	–	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Acquired on acquisition of subsidiaries	–	437,762	206,550	–	–	–	644,312
Additions and transfer-in	–	227,455,811	20,334,190	283,879	150,983,636	22,172,883	421,230,399
Transfer – out	–	–	–	–	–	(21,027,999)	(21,027,999)
Disposals	–	(60,124,832)	(9,013,786)	(8,517,249)	(111,841,482)	–	(189,497,349)
Foreign currency translation differences	–	4,336,268	292,871	13,109	3,227,919	–	7,870,167
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Accumulated depreciation							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Adjustment for initial application of IFRS 16 *Leases*	–	6,997,397	–	–	–	–	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,729,854,078)
Acquired on acquisition of subsidiaries	–	(251,055)	(106,123)	–	–	–	(357,178)
Additions	(4,360,937)	(162,310,495)	(11,104,681)	(4,437,978)	(76,359,068)	–	(258,573,159)
Disposals	–	56,547,817	7,983,255	6,127,738	110,850,875	–	181,509,685
Foreign currency translation differences	–	(3,446,652)	(442,195)	(13,109)	(3,853,946)	–	(7,755,902)
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	–	(1,815,030,632)
Carrying amount							
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220

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(Expressed in RMB, unless otherwise stated)

22. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
Cost				
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Increases	317,109,121	–	74,410	317,183,531
Decreases	(116,914,915)	–	–	(116,914,915)
Foreign currency translation differences	(32,033,979)	–	(87,992)	(32,121,971)
As at 31 December 2020	2,192,003,536	1,266,558,879	877,867	3,459,440,282
Accumulated depreciation				
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Increases	(568,695,032)	(32,910,658)	(162,125)	(601,767,815)
Decreases	92,838,106	–	–	92,838,106
Foreign currency translation differences	8,767,756	–	58,773	8,826,529
As at 31 December 2020	(1,002,613,003)	(184,821,786)	(453,157)	(1,187,887,946)
Carrying amount				
As at 31 December 2020	1,189,390,533	1,081,737,093	424,710	2,271,552,336
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to leases of low-value assets, short-term leases and other leases with lease terms end within 12 months for the year				29,823,722
Total cash outflow for leases for the year				634,214,025

22. RIGHT-OF-USE ASSETS *(continued)*

	Buildings	Leasehold land	Equipment	Total
Cost				
As at 1 January 2019	1,597,467,973	1,266,558,879	1,878,786	2,865,905,638
Increases	434,674,329	–	899,021	435,573,350
Decreases	(20,356,964)	–	(1,938,443)	(22,295,407)
Foreign currency translation differences	12,057,971	–	52,085	12,110,056
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Accumulated depreciation				
As at 1 January 2019	–	(119,000,470)	–	(119,000,470)
Increases	(529,574,219)	(32,910,658)	(470,756)	(562,955,633)
Decreases	4,047,432	–	140,836	4,188,268
Foreign currency translation differences	(9,997,046)	–	(19,885)	(10,016,931)
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Carrying amount				
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months for the year				57,906,991
Total cash outflow for leases for the year				670,930,219

(a) Leases committed

As at 31 December 2020, the Group entered into new leases that are not yet commenced, with average non-cancellable period ranged from 2 to 5 years (31 December 2019: from 1 to 5 years) and extension options. The total future undiscounted cash flows over the non-cancellable period amounted to RMB181,981,193 (31 December 2019: RMB46,513,649).

Details of the lease maturity analysis of lease liabilities are disclosed in Note 58(b).

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

23. GOODWILL

(a) Changes in goodwill

	Year ended 31 December	
	2020	2019
At the beginning of the year	**1,582,678,646**	1,582,678,646
Additions for the year	**–**	–
Subtotal	**1,582,678,646**	1,582,678,646
Less: Impairment loss allowance	**–**	–
Carrying amount	**1,582,678,646**	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid, as the cost of the acquisition, the consideration of RMB16,700,695,000 in the form of share issuance. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

(b) Impairment test

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilising strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the cash-generating unit ("CGU") of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU's past performance and management's expectations for market development) approved by the management covering a certain period, cash flows beyond the certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Pre-tax discount rates used by the Group range from 16.9% to 18.9% (31 December 2019: 16.0% – 17.0%).

As at 31 December 2020 and 31 December 2019, the Group performed annual goodwill impairment test. There was no impairment recognised for the goodwill related to the aforesaid CGU since the recoverable amounts were greater than its carrying amount.

24. INTANGIBLE ASSETS

	Securities trading seat rights	Others (Note)	Total
Cost			
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Disposals of subsidiaries and transfer-out	(885,930)	(1,553,999)	(2,439,929)
Additions	–	142,967,169	142,967,169
Disposals	–	(3,926,177)	(3,926,177)
Foreign currency translation differences	(9,850)	(44,348)	(54,198)
As at 31 December 2020	163,112,847	603,671,526	766,784,373
Accumulated amortisation			
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Disposals of subsidiaries and transfer-out	–	1,520,400	1,520,400
Additions	(8,597,500)	(107,214,047)	(115,811,547)
Disposals	–	3,445,863	3,445,863
Foreign currency translation differences	–	17,736	17,736
As at 31 December 2020	(109,487,844)	(346,476,553)	(455,964,397)
Carrying amount			
As at 31 December 2020	53,625,003	257,194,973	310,819,976
As at 31 December 2019	63,118,283	221,982,376	285,100,659

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24. INTANGIBLE ASSETS *(continued)*

	Securities trading seat rights	Others (Note)	Total
Cost			
As at 31 December 2018	163,989,047	363,140,177	527,129,224
Additions	–	103,110,556	103,110,556
Disposals	–	(56,197)	(56,197)
Foreign currency translation differences	19,580	34,345	53,925
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Accumulated amortisation			
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(8,483,824)	(81,766,498)	(90,250,322)
Disposals	–	49,968	49,968
Foreign currency translation differences	–	(32,914)	(32,914)
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Carrying amount			
As at 31 December 2019	63,118,283	221,982,376	285,100,659
As at 31 December 2018	71,582,527	200,643,116	272,225,643

Note: As at 31 December 2020 and 2019, others mainly included computer software used by the Group.

25. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2020	2019
Share of net assets		
– Associates	**610,484,204**	624,355,553
– Joint ventures	**578,368,662**	544,121,104
Total	**1,188,852,866**	1,168,476,657

The following list contains only the particulars of the major associate and joint venture which are unlisted corporate entities of which quoted market prices are not available:

				Proportion of ownership interest			
Name of an associate	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zheshang Jinhui Trust Co., Ltd. ("Zheshang Jinhui") (Note 1)	Incorporated	Hangzhou, PRC	RMB1,700,000,000	17.5%	17.5%	–	Trust business

				Proportion of ownership interest			
Name of a joint venture	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Jinteng Technology Information (Shenzhen) Co., Ltd. ("Jinteng Technology ") (Note 2)	Incorporated	Shenzhen, PRC	RMB500,000,000	51.0%	51.0%	–	Information technology services

Note 1: The Company holds 17.5% equity interest of Zheshang Jinhui but has significant influence over Zheshang Jinhui as it can appoint members in Zheshang Jinhui's Board of Directors. Zheshang Jinhui is accounted for as an associate of the Company.

Note 2: The Company holds 51.0% equity interest of Jinteng Technology and jointly controls Jinteng Technology with a third party according to the contractual arrangement. Jinteng Technology is accounted for as a joint venture of the Company.

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25. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

A summary of financial information of the Group's associates and joint ventures is presented below:

(a) Zheshang Jinhui

	Year ended 31 December	
	2020	2019
Financial information of the associate		
– Assets	**2,681,511,107**	2,501,050,258
– Liabilities	**400,057,759**	325,549,983
– Net assets	**2,281,453,348**	2,175,500,275
– Operating income	**509,623,208**	750,962,871
– Net profit	**105,924,119**	105,826,347
Reconciled to the Group's interests in the associate:		
Group's effective interest	**17.5%**	17.5%
Group's share of net assets of the associate	**399,254,336**	380,712,548
Carrying amount in the consolidated financial statements	**399,254,336**	380,712,548

(b) Jinteng Technology

	Year ended 31 December 2020
Financial information of the joint venture	
– Assets	**185,800,654**
– Liabilities	**63,532,985**
– Net assets	**122,267,669**
– Operating income	**–**
– Net profit	**(77,732,331)**
Reconciled to the Group's interests in the joint venture:	
Group's effective interest	**51.0%**
Group's share of net assets of the joint venture	**62,356,511**
Carrying amount in the consolidated financial statements	**62,356,511**

25. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(c) Other associates and joint ventures:

	Year ended 31 December	
	2020	2019
Aggregate carrying amount of Group's interests in other associates and joint ventures in the consolidated financial statements	**727,242,019**	787,764,109
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	**(11,690,273)**	42,399,835
– Total comprehensive income	**(11,586,995)**	42,296,557

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2020	2019
Equity securities	**6,709,361,710**	3,685,728,809
Funds and other investments	**–**	33,878,466
Total	**6,709,361,710**	3,719,607,275

Current

	As at 31 December	
	2020	2019
Equity securities	**104,210,837,992**	66,003,797,677
Debt securities (Note)	**80,814,486,684**	76,130,839,312
Funds and other investments	**55,871,011,259**	22,337,649,857
Total	**240,896,335,935**	164,472,286,846

Note: As at 31 December 2020, the perpetual bonds included in debt securities amounted to RMB13,646,545,485 (31 December 2019: RMB14,055,982,894).

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27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS")

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2020	2019
Stocks	**886,465,533**	235,314,895
Accrued interests	**18,705,684**	6,374,726
Less: Impairment loss allowance	**(2,984,859)**	(81,343)
Total	**902,186,358**	241,608,278

Current

	As at 31 December	
	2020	2019
Stocks	**8,697,855,495**	7,329,305,168
Debt securities	**8,987,319,233**	6,641,075,887
Subtotal	**17,685,174,728**	13,970,381,055
Accrued interests	**142,967,983**	117,464,377
Less: Impairment loss allowance	**(299,631,921)**	(30,516,797)
Total	**17,528,510,790**	14,057,328,635

(b) Analysed by market:

Non-current

	As at 31 December	
	2020	2019
Stock exchanges	**550,856,785**	65,050,591
Over-the-counter market	**351,329,573**	176,557,687
Total	**902,186,358**	241,608,278

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS") *(continued)*

(b) Analysed by market: *(continued)*

Current

	As at 31 December	
	2020	2019
Stock exchanges	**15,465,920,946**	13,150,771,156
Inter-bank market	**1,727,510,775**	260,264,802
Over-the-counter market	**335,079,069**	646,292,677
Total	**17,528,510,790**	14,057,328,635

The Group receives securities as collateral in connection with reverse REPO business. The Group is allowed to sell or re-pledge the collaterals held in connection with debt securities outright REPO business in the absence of default of its counterparties. If the securities depreciate in value, the Group may, in certain circumstances, require additional collaterals. The Group has an obligation to return the collaterals to its counterparties at the expiration of the agreements.

As at 31 December 2020, the collateral received by the Group in connection with reverse REPO business amounted to RMB43,423,699,202 (31 December 2019: RMB30,326,890,225).

28. REFUNDABLE DEPOSITS

	As at 31 December	
	2020	2019
Self-owned refundable deposits	**8,107,621,610**	4,060,476,945
Refundable deposits held on behalf of clients	**3,660,152,256**	2,441,292,572
Subtotal	**11,767,773,866**	6,501,769,517
Accrued interests	**550,069**	324,337
Total	**11,768,323,935**	6,502,093,854

Refundable deposits are mainly placed at stock exchanges and clearinghouse, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

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29. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	As at 1 January 2020	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2020		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	830,304,832	457,384,927	–	(751,006)	1,286,938,753	1,286,938,753	–
Deductible tax losses	33,729,748	34,680,521	–	(3,361,865)	65,048,404	65,048,404	–
Depreciation and amortisation	(30,173,159)	429,382	–	(55,199)	(29,798,976)	1,709,895	(31,508,871)
Changes in fair values of financial instruments at fair value through profit or loss	(78,058,586)	(204,197,972)	–	121,725	(282,134,833)	225,082,043	(507,216,876)
Changes in fair values of financial assets at fair value through other comprehensive income	(53,438,968)	–	48,518,724	124,621	(4,795,623)	7,288,066	(12,083,689)
Fair value adjustment arising from acquisition of a subsidiary	(174,993,509)	7,799,123	–	–	(167,194,386)	–	(167,194,386)
Others	201,186,197	213,832,260	(474,066)	(1,661,030)	412,883,361	429,188,090	(16,304,729)
Subtotal	728,556,555	509,928,241	48,044,658	(5,582,754)	1,280,946,700	2,015,255,251	(734,308,551)
Set off						(227,640,886)	227,640,886
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position						1,787,614,365	(506,667,665)

29. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(a) Deferred tax assets and liabilities recognised *(continued)*

	As at 1 January 2019	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2019		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	1,085,463,782	(255,253,554)	–	94,604	830,304,832	830,304,832	–
Deductible tax losses	29,868,168	3,543,610	–	317,970	33,729,748	33,729,748	–
Depreciation and amortisation	(22,681,482)	(7,542,853)	–	51,176	(30,173,159)	2,306,935	(32,480,094)
Changes in fair values of financial instruments at fair value through profit or loss	(216,202,730)	134,633,916	–	3,510,228	(78,058,586)	101,798,257	(179,856,843)
Changes in fair values of financial assets at fair value through other comprehensive income	(35,189,455)	–	(16,773,661)	(1,475,852)	(53,438,968)	–	(53,438,968)
Fair value adjustment arising from acquisition of a subsidiary	(182,718,694)	7,725,185	–	–	(174,993,509)	–	(174,993,509)
Others	227,592,044	(24,647,550)	377,587	(2,135,884)	201,186,197	224,993,007	(23,806,810)
Subtotal	886,131,633	(141,541,246)	(16,396,074)	362,242	728,556,555	1,193,132,779	(464,576,224)
Set off						(103,187,047)	103,187,047
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position						1,089,945,732	(361,389,177)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.

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29. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(b) Deferred tax assets not recognised

As at 31 December 2020, the Group has deductible temporary differences and cumulative unused tax losses of RMB1,505 million (31 December 2019: RMB1,436 million). No deferred tax asset has been recognised in relation to such deductible temporary difference and cumulative unused tax losses.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

30. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
Rental and other deposits	**150,211,057**	149,502,348
Others	**528,831,735**	1,182,702,966
Subtotal	**679,042,792**	1,332,205,314
Less: Impairment loss allowance	**(168,077,738)**	(16,605,515)
Total	**510,965,054**	1,315,599,799

31. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December	
	2020	2019
Trade receivable (Note)	**41,104,785,042**	15,311,390,897
Asset management fees receivable	**1,310,345,227**	1,440,190,809
Underwriting and advisory fees receivable	**1,296,068,783**	1,105,783,772
Trading seat rental fees receivable	**195,405,526**	137,142,963
Others	**212,101,324**	115,351,950
Subtotal	**44,118,705,902**	18,109,860,391
Less: Impairment loss allowance	**(624,931,217)**	(233,301,015)
Total	**43,493,774,685**	17,876,559,376

Note: Trade receivable mainly consisted of receivables from clearinghouse and brokers for trade settlements and from counterparties in derivative transactions and deposits for securities-based lending.

(b) Analysed by aging:

	As at 31 December 2020			
	Gross amount		Impairment loss allowance	
	Amount	%	Amount	%
Within 1 year (inclusive)	**42,357,168,020**	**96.00%**	**(206,675,937)**	**33.08%**
1 – 2 years (inclusive)	**1,317,021,385**	**2.99%**	**(197,759,198)**	**31.64%**
2 – 3 years (inclusive)	**141,947,812**	**0.32%**	**(94,563,609)**	**15.13%**
More than 3 years	**302,568,685**	**0.69%**	**(125,932,473)**	**20.15%**
Total	**44,118,705,902**	**100.00%**	**(624,931,217)**	**100.00%**

	As at 31 December 2019			
	Gross amount		Impairment loss allowance	
	Amount	%	Amount	%
Within 1 year (inclusive)	17,173,548,745	94.83%	(117,707,701)	50.45%
1 – 2 years (inclusive)	494,208,241	2.73%	(65,141,935)	27.92%
2 – 3 years (inclusive)	198,795,635	1.10%	(23,087,909)	9.90%
More than 3 years	243,307,770	1.34%	(27,363,470)	11.73%
Total	18,109,860,391	100.00%	(233,301,015)	100.00%

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32. RECEIVABLE FROM MARGIN CLIENTS

(a) Analysed by nature:

	As at 31 December	
	2020	2019
Individuals	**29,229,190,952**	20,190,212,792
Institutions	**4,110,732,871**	2,556,491,253
Subtotal	**33,339,923,823**	22,746,704,045
Accrued interests	**681,692,892**	486,198,955
Less: Impairment loss allowance	**(136,803,436)**	(42,952,110)
Total	**33,884,813,279**	23,189,950,890

As at 31 December 2019, the principal amount of receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB2.00 billion. The securitisation vehicle issued asset-backed securities to investors with the receivable from margin clients as the underlying assets. All subordinated tranches of the asset-backed securities were held by the Group. The securitisation vehicle had expired on 21 November 2020.

(b) Analysed by fair value of collaterals:

	As at 31 December	
	2020	2019
Stocks	**102,655,533,418**	65,923,431,986
Cash	**4,629,138,045**	2,191,069,017
Funds	**5,758,757,056**	312,290,301
Debt securities	**116,697,735**	69,326,087
Total	**113,160,126,254**	68,496,117,391

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Analysed by type:

	As at 31 December	
	2020	2019
At fair value		
– Debt securities	**37,212,187,524**	28,985,823,339

(b) Analysed by listing status:

	As at 31 December	
	2020	2019
Listed		
– In Hong Kong, China	**2,071,334,212**	2,913,953,460
– Outside Hong Kong, China	**35,140,853,312**	26,062,869,879
Unlisted	**–**	9,000,000
Total	**37,212,187,524**	28,985,823,339

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34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 31 December 2020		
		Fair value	
	Notional amount	**Assets**	**Liabilities**
Hedging instruments (a)			
– Interest rate contracts	**9,590,000,000**	**147,610,386**	**–**
Non-hedging instruments			
– Interest rate contracts	**405,563,762,807**	**610,719,055**	**(666,826,709)**
– Currency contracts	**122,152,208,668**	**1,925,466,923**	**(3,427,667,304)**
– Equity contracts	**301,153,269,581**	**9,045,945,509**	**(20,693,731,679)**
– Credit contracts	**1,228,896,500**	**10,146,455**	**(10,762,169)**
– Other contracts (Note)	**54,619,624,733**	**609,631,600**	**(585,781,254)**
Total	**894,307,762,289**	**12,349,519,928**	**(25,384,769,115)**
Less: Settlement		**(38,256,092)**	**702,234,478**
Net position		**12,311,263,836**	**(24,682,534,637)**

	As at 31 December 2019		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	24,640,000,000	288,002,265	–
Non-hedging instruments			
– Interest rate contracts	70,954,087,992	270,908,718	(326,465,411)
– Currency contracts	38,246,090,870	209,882,716	(351,243,297)
– Equity contracts	120,463,872,756	3,237,022,236	(5,302,698,832)
– Credit contracts	740,682,000	2,283,489	(13,182,890)
– Other contracts (Note)	22,904,072,395	555,934,539	(370,985,627)
Total	277,948,806,013	4,564,033,963	(6,364,576,057)
Less: Settlement		(61,829,705)	2,384,056
Net position		4,502,204,258	(6,362,192,001)

Note: Other contracts mainly include commodity options and commodity futures.

34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

The notional amount of derivative financial instruments represents the volume of transactions that has not been completed but does not reflect the risk undertaken by the Group.

Under the arrangement of daily mark-to-market settlement, gains and losses of the Group's positions in futures contracts in mainland China are settled daily and the corresponding accounts receivables and payables are reflected in "deposits with clearinghouses". As a result, the Group did not hold any net position of the contracts as at 31 December 2020 and 31 December 2019.

As at 31 December 2020, the positive fair value of the unexpired commodity futures contracts and treasury bond futures contracts held by the Group amounted to RMB38,256,092 (31 December 2019: the positive fair value of the unexpired commodity futures contracts and stock index futures contracts held by the Group is RMB61,829,705); the negative fair value of the unexpired stock index futures contracts held by the Group amounted to RMB702,234,478 (31 December 2019: the negative fair value of the unexpired treasury bond futures contracts held by the Group is RMB2,384,056).

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial liabilities due to movements in market interest rates. Interest rate swaps are used to hedge the interest rate risk of long-term debt securities issued.

The gains of fair value hedges are presented as follows:

	Year ended 31 December	
	2020	2019
Gains arising from fair value hedges, net:		
Interest rate contracts	**3,333,399**	(105,770,742)
Hedged items attributable to the hedged risk	**26,865,606**	159,362,265
Total	**30,199,005**	53,591,523

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34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

(a) Hedging instruments *(continued)*

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 31 December 2020			
	Less than 6 months	**6 months to 12 months**	**More than 12 months**	**Total**
Hedging instruments-interest rate contracts	**1,400,000,000**	**2,000,000,000**	**6,190,000,000**	**9,590,000,000**

	As at 31 December 2019			
	Less than 6 months	6 months to 12 months	More than 12 months	Total
Hedging instruments-interest rate contracts	6,450,000,000	8,600,000,000	9,590,000,000	24,640,000,000

Details of the Group's hedged risk exposure in fair value hedges strategy are set out below:

	As at 31 December	
Long-term debt securities issued	**2020**	2019
Carrying amount of hedged items	**9,878,977,040**	25,395,517,892
Accumulated adjustments to the fair value of hedged items	**207,364,163**	376,385,675

35. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold client monies arising from its ordinary course of business. The Group has classified their client monies as cash held on behalf of clients under current assets of the consolidated statement of financial position and recognised the corresponding current liabilities, in particular, accounts payable to brokerage clients and accounts payable to underwriting clients, on the grounds that the Group is liable for any misappropriation of their clients' monies. In mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong SAR, clients' monies are restricted and governed by the *Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance*.

36. CASH AND BANK BALANCES

	As at 31 December	
	2020	2019
Cash on hand	**139,386**	227,924
Deposits with banks	**44,082,495,955**	20,448,205,535
Deposits with clearinghouses	**3,006,847,606**	3,463,005,629
Subtotal	**47,089,482,947**	23,911,439,088
Accrued interests	**71,756,629**	47,784,140
Less: Impairment loss allowance	**(168,508)**	(294,558)
Total	**47,161,071,068**	23,958,928,670

37. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
Cash on hand	**139,386**	227,924
Deposits with banks	**44,082,495,955**	20,448,205,535
Deposits with clearinghouses	**3,006,847,606**	3,463,005,629
Subtotal	**47,089,482,947**	23,911,439,088
Less: Restricted bank deposits	**(427,049,392)**	(813,843,832)
Total	**46,662,433,555**	23,097,595,256

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

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38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes			
	As at 1 January 2020	Cash flows	(Transferred out)/ transferred in	Interests, amortisation and effect of changes in exchange rates	Fair value changes	As at 31 December 2020
Short-term debt securities issued	**21,240,334,869**	**5,727,806,168**	**(354,361,607)**	**(121,208,965)**	**–**	**26,492,570,465**
Long-term debt securities issued due within one year	**21,806,085,676**	**(22,760,594,553)**	**23,426,068,537**	**888,910,595**	**25,973,064**	**23,386,443,319**
Long-term debt securities issued	**57,585,268,714**	**69,014,734,667**	**(23,071,706,930)**	**1,110,133,930**	**(23,912,848)**	**104,614,517,533**
Total liabilities arising from financing activities	**100,631,689,259**	**51,981,946,282**	**–**	**1,877,835,560**	**2,060,216**	**154,493,531,317**

			Non-cash changes			
	As at 1 January 2019	Cash flows	(Transferred out)/ transferred in	Interests, amortisation and effect of changes in exchange rates	Fair value changes	As at 31 December 2019
Short-term debt securities issued	14,061,377,785	6,576,381,766	–	602,575,318	–	21,240,334,869
Long-term debt securities issued due within one year	12,993,890,883	(10,354,722,972)	18,064,283,956	1,213,030,343	(110,396,534)	21,806,085,676
Long-term debt securities issued	48,998,790,985	24,637,441,402	(18,064,283,956)	2,064,066,909	(50,746,626)	57,585,268,714
Total liabilities arising from financing activities	76,054,059,653	20,859,100,196	–	3,879,672,570	(161,143,160)	100,631,689,259

39. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	**5,904,122,584**	**33,251,717,178**	**39,155,839,762**
Debt securities	**1,066,167,906**	**1,542,983,452**	**2,609,151,358**
Funds and others	**1,126,558,207**	**–**	**1,126,558,207**
Total	**8,096,848,697**	**34,794,700,630**	**42,891,549,327**

	As at 31 December 2019		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	3,067,219,649	20,673,051,510	23,740,271,159
Debt securities	833,356,562	1,963,383,218	2,796,739,780
Funds and others	33,307,915	–	33,307,915
Total	3,933,884,126	22,636,434,728	26,570,318,854

Note (1): As at 31 December 2020, there were no significant fair value changes related to the changes in the credit risk of the Group.

Note (2): The Group's financial liabilities designated at fair value through profit or loss are mainly equity instruments, and their fair values are linked to stock, index, etc.

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40. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2020	2019
Client deposits for brokerage trading	**62,030,728,369**	43,942,755,339
Client deposits for margin financing and securities lending	**8,612,779,838**	4,387,247,232
Subtotal	**70,643,508,207**	48,330,002,571
Accrued interests	**11,672,249**	7,869,600
Total	**70,655,180,456**	48,337,872,171

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearinghouses. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under ordinary course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

41. PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analysed by funding source:

	As at 31 December	
	2020	2019
Placements from banks	**33,796,181,995**	21,025,216,615
Placements from China Securities Finance Corporation Limited	**200,000,000**	1,800,000,000
Others	**300,000,000**	1,000,000,000
Subtotal	**34,296,181,995**	23,825,216,615
Accrued interests	**220,232,700**	257,165,515
Total	**34,516,414,695**	24,082,382,130

41. PLACEMENTS FROM FINANCIAL INSTITUTIONS *(continued)*

(b) Analysed by residual maturity:

	As at 31 December			
	2020		2019	
	Book value	**Range of interest rate**	Book value	Range of interest rate
Within 1 month (inclusive)	**18,964,291,414**	**0.99% – 3.50%**	15,439,958,880	1.90% – 4.68%
1 – 3 months (inclusive)	**4,248,025,919**	**1.08% – 2.99%**	3,238,835,702	2.82% – 3.65%
3 months – 1 year (inclusive)	**11,304,097,362**	**1.76% – 3.49%**	5,403,587,548	2.96% – 3.44%
Total	**34,516,414,695**		24,082,382,130	

42. SHORT-TERM DEBT SECURITIES ISSUED

		As at 31 December	
	Notes	**2020**	2019
Beneficiary certificates	(a)	**19,683,669,800**	14,502,136,485
Structured notes	(b)	**5,884,269,327**	6,581,778,922
MTNs	(c)	**803,260,708**	–
Subtotal		**26,371,199,835**	21,083,915,407
Accrued interests:			
Beneficiary certificates		**92,036,857**	88,681,587
Structured notes		**27,082,943**	67,737,875
MTNs		**2,250,830**	–
Total		**26,492,570,465**	21,240,334,869

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(Expressed in RMB, unless otherwise stated)

42. SHORT-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued (Note)	Book value as at 31 December 2020
0.00% – 11.02%	**14,590,818,072**	**61,155,882,718**	**8,707,077**	**(55,625,339,603)**	**(354,361,607)**	**19,775,706,657**

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Reclassified to long-term debt securities issued	Book value as at 31 December 2019
0.00% – 10.30%	12,089,983,604	62,644,473,418	27,683,983	(60,171,322,933)	–	14,590,818,072

Note: A balance of RMB354 million was reclassified to long-term debt securities issued as result of exercising the extension right by the holders of these beneficiary certificates.

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 1.50% to 8.10% per annum;

– a fixed rate plus a floating rate; or

– a floating rate.

The floating interest rate is calculated based on indices such as Shanghai & Shenzhen 300 Index and China Securities Index (CSI) 500, CSI 500 Total Return, prices of commodity products or USD index. The yield rate of such income certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

42. SHORT-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Structured notes:

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
Structured notes (i)	**6,649,516,797**	**10,529,132,195**	**(40,654,932)**	**(10,773,425,640)**	**(453,216,150)**	**5,911,352,270**

Name	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
Structured notes (i)	1,971,394,181	10,350,739,565	41,197,753	(5,822,951,719)	109,137,017	6,649,516,797

(i) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum. The notes are for maturities of 11 days to 365 days.

(c) MTNs:

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN (i)	**–**	**840,864,640**	**2,250,830**	**–**	**(37,603,932)**	**805,511,538**

(i) The nominal interest rate of the MTN is 1.05% per annum and the maturity is 364 days.

Notes to the Consolidated Financial Statements

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43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOS")

(a) Analysed by collateral type:

	As at 31 December	
	2020	2019
Debt securities	**20,905,356,393**	17,549,727,759
Others	**4,165,056,959**	7,111,147,291
Subtotal	**25,070,413,352**	24,660,875,050
Accrued interests	**30,670,471**	47,382,181
Total	**25,101,083,823**	24,708,257,231

(b) Analysed by market:

	As at 31 December	
	2020	2019
Inter-bank market	**14,593,790,179**	8,173,286,607
Stock exchanges	**3,902,244,482**	6,312,160,573
Over-the-counter market	**6,605,049,162**	10,222,810,051
Total	**25,101,083,823**	24,708,257,231

As at 31 December 2020, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB25,245,903,799 (31 December 2019: RMB27,941,583,967).

44. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2020	2019
Non-current		
Salaries, bonus and allowances	**781,920,387**	636,478,779
Current		
Salaries, bonus and allowances	**7,714,334,048**	4,777,540,462
Retirement scheme contribution	**14,712,400**	13,313,025
Other social welfare	**38,179,136**	30,428,775
Others	**37,818,404**	22,150,764
Subtotal	**7,805,043,988**	4,843,433,026
Total	**8,586,964,375**	5,479,911,805

45. OTHER CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Trade payable	**78,737,749,542**	43,701,363,379
Payables to the investors of consolidated structured entities (Note 1)	**4,487,977,574**	5,083,484,895
Sundry tax payable	**908,722,259**	557,257,075
Accrued expenses	**787,129,102**	570,545,312
Accounts payable to underwriting clients	**–**	4,477,482,000
Others (Note 2)	**1,001,273,096**	2,567,002,962
Total	**85,922,851,573**	56,957,135,623

Note 1: For each reporting period, the consolidation scope of structured entities varies due to the addition of structured entities to which the Group is a principal or due to the liquidation of the consolidated structured entities or changes in the Group's interests therein.

Note 2: As at 31 December 2020, the Group had redeemed the securitisation vehicle (see Note 32(a)) and therefore no longer had payment obligation to other investors (31 December 2019: payment obligation RMB1.90 billion).

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46. LONG-TERM DEBT SECURITIES ISSUED

		As at 31 December	
	Notes	**2020**	2019
Due within one year			
– Beneficiary certificates	(a)	**1,741,009,800**	1,251,000,000
– Subordinated bonds	(b)	**5,008,689,660**	999,902,118
– Corporate bonds	(c)	**9,830,163,597**	19,135,896,495
– MTNs	(d)	**6,520,769,369**	–
Subtotal		**23,100,632,426**	21,386,798,613
Due after one year			
– Beneficiary certificates	(a)	**1,500,000,000**	1,000,000,000
– Subordinated bonds	(b)	**19,530,109,664**	21,053,581,502
– Corporate bonds	(c)	**63,530,023,736**	18,362,873,397
– MTNs	(d)	**16,269,771,958**	13,915,473,546
– Financial bonds	(e)	**2,500,000,000**	2,500,000,000
Subtotal		**103,329,905,358**	56,831,928,445
Accrued interests:			
– Beneficiary certificates		**66,816,138**	48,034,692
– Subordinated bonds		**363,649,805**	354,549,037
– Corporate bonds		**1,045,156,424**	675,145,404
– MTNs		**63,919,194**	64,248,884
– Financial bonds		**30,881,507**	30,649,315
Subtotal		**1,570,423,068**	1,172,627,332
Total		**128,000,960,852**	79,391,354,390
Fair value		**127,825,070,661**	80,280,847,248

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 31 December 2020
2.40% – 10.50%	**2,299,034,692**	**2,240,000,000**	**13,429,639**	**354,361,607**	**(1,599,000,000)**	**3,307,825,938**

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Reclassified from short-term debt securities issued	Redemption	Book value as at 31 December 2019
0.00% – 10.25%	1,605,858,806	1,835,000,000	(40,024,114)	–	(1,101,800,000)	2,299,034,692

The Group has issued beneficiary certificates bearing nominal interest at:

– a fixed rate, ranging from 2.40% to 5.05% per annum; or

– a fixed rate plus a floating rate.

The floating interest rate is calculated based on the index market. The yield rate of such income certificates is based on market performance of the underlying instruments in the contractual period, and the non-fixed income is bifurcated and accounted under derivative financial instruments.

An investor put or issuer call is applicable for certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

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46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	–	–	–	–	3,406,855,890
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st – 5th year, 5.00%; 6th – 8th year, 8.00%	100,219,178	–	–	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	632,674,900	–	(5,395,148)	–	(3,207,062)	624,072,690
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,559,390,549	–	(12,806,812)	–	(5,189,894)	1,541,393,843
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,540,393,113	–	(16,046,016)	–	(10,181,496)	1,514,165,601
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,058,803,374	–	(8,452,147)	–	1,330,914	1,051,682,141
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,529,206,314	–	(6,194,938)	–	(437,971)	1,522,573,405
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	1,544,186,301	–	172,603	–	–	1,544,358,904
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	1,512,942,329	–	168,082	–	–	1,513,110,411
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	1,508,296,438	–	169,315	–	–	1,508,465,753
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	2,005,753,425	–	230,137	–	–	2,005,983,562
20 CICC C1	17/02/2020	17/02/2025	Annually	3.85%	–	1,500,000,000	50,155,479	–	–	1,550,155,479
17 CISC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,041,359,653	–	(41,457,534)	(1,000,000,000)	97,881	–
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,875,369,227	–	35,706	–	707,588	1,876,112,521
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	3,092,581,966	–	(3,142,577)	–	1,894,482	3,091,333,871
20 CICC WMS C1	17/04/2020	17/04/2025	Annually	3.80%	–	2,000,000,000	51,664,618	–	301,262	2,051,965,880
Total					22,408,032,657	3,500,000,000	9,100,768	(1,000,000,000)	(14,684,296)	24,902,449,129

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	–	–	–	–	3,406,855,890
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st – 5th year, 5.00%; 6th – 8th year, 8.00%	100,219,178	–	–	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	–	(5,641,929)	–	(4,179,169)	632,674,900
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	–	(11,495,672)	–	(7,752,508)	1,559,390,549
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	–	(14,668,115)	–	(11,016,338)	1,540,393,113
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	–	(6,180,844)	–	(2,562,770)	1,058,803,374
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	–	(3,872,002)	–	(1,808,309)	1,529,206,314
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	–	1,500,000,000	44,186,301	–	–	1,544,186,301
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	–	1,500,000,000	12,942,329	–	–	1,512,942,329
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	–	1,500,000,000	8,296,438	–	–	1,508,296,438
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	–	2,000,000,000	5,753,425	–	–	2,005,753,425
16 CISC 01 (ii)	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	–	(6,027,397)	(2,200,000,000)	1,343,416	–
17 CISC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	–	–	–	655,339	1,041,359,653
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	–	–	–	672,589	1,875,369,227
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	–	3,000,000,000	92,581,966	–	–	3,092,581,966
Total					15,016,805,907	9,500,000,000	115,874,500	(2,200,000,000)	(24,647,750)	22,408,032,657

(i) CICC Futures Co., Ltd. has an option to redeem the bonds on 16 December 2021.

(ii) CICC Wealth Management redeemed the bonds on 9 December 2019.

(iii) CICC Wealth Management redeemed the bonds on 24 February 2020.

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46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	2,922,826,008	–	282,084	–	–	2,923,108,092
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	–	–	–	–	1,015,052,877
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	–	–	–	–	905,093,753
17 CICC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,165,686,653	–	(136,365,664)	(4,000,000,000)	(29,320,989)	–
17 CICC 02 (vii)	08/05/2017	08/05/2020	Annually	4.97%	1,032,496,932	–	(19,782,570)	(1,000,000,000)	(12,714,362)	–
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,055,402,156	–	(8,917,013)	–	(6,665,303)	1,039,819,840
17 CICC 04 (viii)	27/07/2017	27/07/2020	Annually	4.78%	2,042,623,536	–	(24,900,930)	(2,000,000,000)	(17,722,606)	–
17 CICC 05 (ix)	20/10/2017	20/10/2020	Annually	5.13%	2,019,150,296	–	1,577,033	(2,000,000,000)	(20,727,329)	–
17 CICC 06 (x)	21/11/2017	21/11/2020	Annually	5.45%	2,512,752,752	–	17,466,810	(2,500,000,000)	(30,219,562)	–
18 CICC 01 (xi)	26/01/2018	26/01/2020	Annually	5.58%	1,052,245,432	–	(40,513,328)	(1,000,000,000)	(11,732,104)	–
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,062,144,259	–	(2,461,455)	–	(6,195,406)	1,053,487,398
18 CICC 03 (xii)	24/04/2018	24/04/2020	Annually	4.80%	517,057,151	–	(13,576,425)	(500,000,000)	(3,480,726)	–
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,041,603,234	–	(4,470,094)	–	(2,355,129)	1,034,778,011
18 CICC 05 (xiii)	28/06/2018	28/06/2020	Annually	5.20%	1,027,609,961	–	(23,003,639)	(1,000,000,000)	(4,606,322)	–
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,032,202,027	–	(4,007,022)	–	(1,463,861)	1,026,731,144
19 CICC 04 (xiv)	21/11/2019	21/11/2025	Annually	3.52%	1,505,786,301	–	144,658	–	–	1,505,930,959
20 CICC F1 (xvii)	26/02/2020	26/02/2025	Annually	3.20%	–	4,000,000,000	108,361,644	–	–	4,108,361,644
20 CICC G1 (xviii)	03/04/2020	03/04/2026	Annually	2.89%	–	1,500,000,000	32,304,658	–	–	1,532,304,658
20 CICC G2 (xix)	03/04/2020	03/04/2027	Annually	3.25%	–	1,000,000,000	24,219,178	–	–	1,024,219,178
20 CICC G3 (xx)	06/05/2020	06/05/2026	Annually	2.37%	–	3,300,000,000	51,211,479	–	–	3,351,211,479
20 CICC G4 (xxi)	06/05/2020	06/05/2027	Annually	2.88%	–	700,000,000	13,200,658	–	–	713,200,658
20 CICC F2 (xxii)	28/05/2020	28/05/2025	Annually	2.95%	–	3,000,000,000	52,615,069	–	–	3,052,615,069
20 CICC G5 (xxiii)	22/06/2020	22/06/2026	Annually	3.10%	–	1,500,000,000	24,460,274	–	–	1,524,460,274
20 CICC F3 (xxiv)	24/07/2020	24/07/2025	Annually	3.80%	–	3,000,000,000	49,972,603	–	–	3,049,972,603
20 CICC 07 (xxv)	10/09/2020	10/09/2025	Annually	3.78%	–	5,000,000,000	57,476,712	–	–	5,057,476,712
20 CICC 09 (xxvi)	23/09/2020	23/09/2025	Annually	3.80%	–	5,000,000,000	51,013,699	–	–	5,051,013,699
20 CICC 11 (xxvii)	19/10/2020	19/10/2023	Annually	3.50%	–	2,500,000,000	17,500,000	–	–	2,517,500,000
20 CICC 12 (xxviii)	19/10/2020	19/10/2025	Annually	3.74%	–	2,500,000,000	18,700,000	–	–	2,518,700,000

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
20 CICC 13 (xxix)	28/10/2020	28/10/2023	Annually	3.48%	–	2,000,000,000	12,203,836	–	–	2,012,203,836
20 CICC 14 (xxx)	28/10/2020	28/10/2025	Annually	3.68%	–	3,000,000,000	19,357,808	–	–	3,019,357,808
20 CICC F4 (xxxi)	14/12/2020	14/12/2023	Annually	3.85%	–	2,500,000,000	4,482,877	–	–	2,504,482,877
20 CICC F5 (xxxii)	14/12/2020	14/12/2025	Annually	4.09%	–	2,500,000,000	4,762,329	–	–	2,504,762,329
17 CISC F1 (xv)	18/07/2017	18/07/2020	Annually	4.95%	3,067,758,196	–	(67,758,196)	(3,000,000,000)	–	–
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,270,492	–	63,755	–	–	1,023,334,247
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,088,333	–	126,492	–	65,924	1,046,280,749
18 CISC 02 (xvi)	03/09/2018	03/09/2020	Annually	4.72%	2,032,396,587	–	(40,027,001)	(2,000,000,000)	7,630,414	–
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,794,862	–	38,100	–	63,769	1,013,896,731
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	2,058,278,417	–	160,473	–	124,337	2,058,563,227
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	3,022,595,081	–	(2,768,284)	–	650,958	3,020,477,755
20 CICC WMS G1	16/01/2020	16/01/2025	Annually	3.44%	–	2,000,000,000	65,508,630	–	85,738	2,065,594,368
20 CICC WMS F1	09/04/2020	09/04/2025	Annually	3.17%	–	3,000,000,000	69,566,301	–	–	3,069,566,301
20 CICC WMS F2	28/07/2020	28/07/2023	Annually	3.80%	–	2,000,000,000	32,690,411	–	–	2,032,690,411
20 CICC WMS G2	21/10/2020	21/10/2025	Annually	3.77%	–	2,000,000,000	14,873,425	–	–	2,014,873,425
20 CICC WMS G3	21/10/2020	21/10/2025	Annually	4.20%	–	1,000,000,000	8,284,932	–	–	1,008,284,932
20 CICC WMS G5	24/11/2020	24/11/2025	Annually	3.98%	–	1,000,000,000	4,143,562	–	–	1,004,143,562
20 CICC WMS G6	15/12/2020	15/12/2025	Annually	3.85%	–	1,000,000,000	1,793,151	–	–	1,001,793,151
Total					38,173,915,296	55,000,000,000	370,011,020	(19,000,000,000)	(138,582,559)	74,405,343,757

(Expressed in RMB, unless otherwise stated)

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	3,041,040,822	–	5,785,186	(124,000,000)	–	2,922,826,008
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	–	–	–	–	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2019	Annually	2.95%	1,105,867,671	–	(5,867,671)	(1,100,000,000)	–	–
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	–	–	–	–	905,093,753
16 CICC 05 (v)	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	–	(1,232,877)	(2,000,000,000)	–	–
17 CICC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	–	(18,749,670)	–	(23,948,519)	4,165,686,653
17 CICC 02 (vii)	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	–	(4,359,391)	–	(11,867,086)	1,032,496,932
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	–	(9,890,186)	–	(9,358,161)	1,055,402,156
17 CICC 04 (viii)	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	–	(10,236,244)	–	(16,589,178)	2,042,623,536
17 CICC 05 (ix)	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	–	(13,625,576)	–	(18,018,097)	2,019,150,296
17 CICC 06 (x)	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	–	(18,368,472)	–	(22,601,548)	2,512,752,752
18 CICC 01 (xi)	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	–	(5,525,618)	–	(7,619,725)	1,052,245,432
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	–	(7,678,786)	–	(7,573,900)	1,062,144,259
18 CICC 03 (xii)	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	–	(2,072,183)	–	(3,255,212)	517,057,151
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	–	(5,853,981)	–	(4,184,734)	1,041,603,234
18 CICC 05 (xiii)	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	–	(2,831,105)	–	(2,693,790)	1,027,609,961
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	–	(3,669,400)	–	(2,310,735)	1,032,202,027
19 CICC 04 (xiv)	21/11/2019	21/11/2025	Annually	3.52%	–	1,500,000,000	5,786,301	–	–	1,505,786,301
17 CISC F1 (xv)	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	–	(185,639)	–	–	3,067,758,196
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	–	(63,755)	–	–	1,023,270,492
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	–	(126,491)	–	61,858	1,046,088,333
18 CISC 02 (xvi)	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	–	(4,011,525)	–	(3,616,445)	2,032,396,587
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	–	(38,100)	–	60,574	1,013,794,862
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	–	2,000,000,000	58,572,678	–	(294,261)	2,058,278,417
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	–	3,000,000,000	22,595,081	–	–	3,022,595,081
Total					35,053,371,679	6,500,000,000	(21,647,424)	(3,224,000,000)	(133,808,959)	38,173,915,296

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

(i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. According to the Company's announcement dated on 28 June 2019, the Company announced to waive the early-redemption option, and opted to increase the nominal interest rate from 2.99% to 3.58% for the rest two years of the tenure of such bond.

(ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.

(iii) The Company had an option to redeem the bonds on 27 October 2019. If the early-redemption option was not exercised, the Company would have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. The Company redeemed the bonds on 28 October 2019.

(iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.

(v) The Company redeemed the bonds on 26 December 2019.

(vi) The Company redeemed the bonds on 20 January 2020.

(vii) The Company redeemed the bonds on 8 May 2020.

(viii) The Company redeemed the bonds on 27 July 2020.

(ix) The Company redeemed the bonds on 20 October 2020.

(x) The Company redeemed the bonds on 23 November 2020.

(xi) The Company redeemed the bonds on 3 February 2020.

(xii) The Company redeemed the bonds on 24 April 2020.

(xiii) The Company redeemed the bonds on 29 June 2020.

(xiv) The Company has an option to adjust the nominal interest rate on 21 November 2022 and an obligation to redeem the bonds when requested by the investors accordingly.

(xv) CICC Wealth Management redeemed the bonds on 20 July 2020.

(xvi) CICC Wealth Management redeemed the bonds on 3 September 2020.

(xvii) The Company has an option to adjust the nominal interest rate on 26 February 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xviii) The Company has an option to adjust the nominal interest rate on 3 April 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xix) The Company has an option to adjust the nominal interest rate on 3 April 2025 and an obligation to redeem the bonds when requested by the investors accordingly.

(xx) The Company has an option to adjust the nominal interest rate on 6 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxi) The Company has an option to adjust the nominal interest rate on 6 May 2025 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxii) The Company has an option to adjust the nominal interest rate on 28 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

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46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

(xxiii) The Company has an option to adjust the nominal interest rate on 22 June 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxiv) The Company has an option to adjust the nominal interest rate on 24 July 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxv) The Company has an option to adjust the nominal interest rate on 10 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxvi) The Company has an option to adjust the nominal interest rate on 23 September 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxvii) The Company has an option to adjust the nominal interest rate on 19 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxviii) The Company has an option to adjust the nominal interest rate on 19 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxix) The Company has an option to adjust the nominal interest rate on 28 October 2022 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxx) The Company has an option to adjust the nominal interest rate on 28 October 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxxi) The Company has an option to adjust the nominal interest rate on 14 December 2022 and an obligation to redeem the bonds when requested by the investors accordingly.

(xxxii) The Company has an option to adjust the nominal interest rate on 14 December 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

(d) MTNs:

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
MTN (vi)	18/02/2020	18/02/2023	3M LIBOR plus 0.9%	–	6,982,600,000	8,722,089	–	(471,673,026)	6,519,649,063
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,203,319,129	–	(14,183,383)	–	(265,767,842)	3,923,367,904
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,789,214,903	–	(2,765,171)	–	(176,759,675)	2,609,690,057
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	4,892,001,713	–	(13,741,110)	–	(309,119,267)	4,569,141,336
MTN (v)	03/05/2019	03/05/2022	3.38%	2,095,186,685	–	(723,490)	–	(131,279,348)	1,963,183,847
MTN (vii)	10/08/2020	10/08/2023	1.75%	–	3,482,450,000	22,361,375	–	(235,383,061)	3,269,428,314
Total				13,979,722,430	10,465,050,000	(329,690)	–	(1,589,982,219)	22,854,460,521

46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(d) MTNs: *(continued)*

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	3,439,874,674	–	(11,537,818)	(3,449,400,000)	21,063,144	–
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,134,978,441	–	(3,880,840)	–	72,221,528	4,203,319,129
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,741,792,361	–	(1,258,424)	–	48,680,966	2,789,214,903
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	–	4,714,080,000	23,828,016	–	154,093,697	4,892,001,713
MTN (v)	03/05/2019	03/05/2022	3.38%	–	2,020,320,000	11,183,721	–	63,682,964	2,095,186,685
Total				10,316,645,476	6,734,400,000	18,334,655	(3,449,400,000)	359,742,299	13,979,722,430

(i) The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.

(ii) The principal of the notes amounts to USD600 million. The interest payment is made quarterly.

(iii) The principal of the notes amounts to USD400 million. The interest payment is made quarterly.

(iv) The principal of the notes amounts to USD700 million. The interest payment is made quarterly.

(v) The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.

(vi) The principal of the notes amounts to USD1,000 million. The interest payment is made quarterly.

(vii) The principal of the notes amounts to USD500 million. The interest payment is made semi-annually.

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46. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(e) Financial bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2020
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	2,530,649,315	–	232,192	–	–	2,530,881,507

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	–	2,500,000,000	30,649,315	–	–	2,530,649,315

47. LEASE LIABILITIES

	As at 31 December	
	2020	2019
Buildings	**1,204,434,599**	1,459,424,998
Equipment	**424,673**	569,530
Subtotal	**1,204,859,272**	1,459,994,528
Less: Amount due for settlement within 12 months shown under current liabilities	**541,299,132**	487,672,398
Amount due for settlement after 12 months shown under non-current liabilities	**663,560,140**	972,322,130

For the year ended 31 December 2020, the weighted average incremental borrowing rate applied to lease liabilities is 4.46% (For the year ended 31 December 2019: 4.80%).

48. CONTRACT LIABILITIES

	As at 31 December	
	2020	2019
Asset and fund management services	**79,043,664**	268,698,457
Investment banking services	**86,228,079**	70,790,978
Others	**5,656,537**	–
Total	**170,928,280**	339,489,435

Contract liabilities mainly included advanced receipts from clients for assets and fund management services and investment banking services. The corresponding revenue for these services would be recognised when the Group fulfilled its obligations. The Group anticipated to meet most of the obligations within the next 12 months.

49. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Deferred income	**146,982,000**	146,982,000
Long-term borrowings	**10,200,000**	10,200,000
Total	**157,182,000**	157,182,000

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

50. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2020	2019
Ordinary shares of RMB1 each, issued and fully paid		
A shares	**2,923,542,440**	2,464,953,440
H shares	**1,903,714,428**	1,903,714,428
Total	**4,827,256,868**	4,368,667,868
Share capital		
A shares	**2,923,542,440**	2,464,953,440
H shares	**1,903,714,428**	1,903,714,428
Total	**4,827,256,868**	4,368,667,868

On 24 October 2019, the Company issued 176,000,000 new H shares with par value of RMB1 at a price of HKD14.40 per share. Accordingly, the registered capital of the Company increased to RMB4,368,667,868 and the total number of shares of the Company increased to 4,368,667,868 shares, including 2,464,953,440 domestic shares and 1,903,714,428 H shares.

On 2 November 2020, the Company completed the issuance of 458,589,000 A Shares at a price of RMB28.78 per share with par value of RMB1 and listed on the Shanghai Stock Exchange. Accordingly, the registered capital of the Company increased to RMB4,827,256,868 and the total number of shares of the Company increased to 4,827,256,868 shares, including 2,923,542,440 domestic shares and 1,903,714,428 H shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares in issue confer identical right in respect of the Company's residual assets.

50. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves

(i) Capital reserve

The Group

	As at 31 December	
	2020	2019
Share premium (Note 1)	**39,458,384,639**	26,884,912,147
Others (Note 2)	**74,888,340**	46,734,828
Total	**39,533,272,979**	26,931,646,975

The Company

	As at 31 December	
	2020	2019
Share premium (Note 1)	**41,677,969,578**	29,104,497,086
Others	**21,708,921**	21,708,921
Total	**41,699,678,499**	29,126,206,007

Note 1: The premium arising from the Company's share issuance (see Note 50(a)), net of expenses which met the capitalisation criteria, was recorded in share premium.

Note 2: Change in the year arised from the acquisition of 20% of non-controlling interests in CISC Tianqi Futures Co., Ltd. by the Company's wholly-owned subsidary, CICC Wealth Management, in 2020.

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. According to the Accounting Standards for Business Enterprises issued by the MOF and other relevant requirements, the Company is required to appropriate 10% of its net profit, after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus 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.

The Company makes the appropriation to surplus reserve at the end of each year.

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50. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves *(continued)*

(iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Cai Jin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accruement could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds under custody at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Guidelines for the Large Collective Asset Management Business of Securities Companies on implementing the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management accrued risk reserves for large collective asset management business in accordance with relevant regulations on mutual funds.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

(iv) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

50. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Dividends

On 30 March 2021, the 2020 profit distribution plan was approved by the Board of Directors. For details, please refer to Note 63(e).

The Company did not declare any final dividends for 2019 in accordance with the 2019 profit distribution plan approved by the Annual General Meeting on 15 May 2020.

Dividends proposed by the directors are not deducted from equity, until approved by the Annual General Meeting. After being approved and declared, the dividends are recognised as a liability.

51. OTHER EQUITY INSTRUMENTS

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity at the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit distribution. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

The interest rate of the perpetual subordinated bond is determined as follows:

– The bond bears at a fixed interest rate;

– The nominal interest rate of the first five interest-bearing years is determined by book building and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

(a) The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015.

On 29 May 2020, the Company exercised the issuer early-redemption option for the 2015 perpetual subordinated bonds to redeem all of the perpetual subordinated bonds that had been registered as at the redemption registration date.

The perpetual subordinated bonds with a total principal of RMB1,000,000,000 were redeemed this time, with a total interest of RMB57,000,000 for the 5th interest-bearing year. The redemption proceeds were paid on 29 May 2020.

(b) The Company issued its 2020 perpetual subordinated bonds with a total principal amount of RMB5 billion on 28 August 2020.

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52. COMMITMENTS

(a) Capital commitments

As at 31 December 2020 and 31 December 2019, the capital commitments contracted but not provided for in the financial statements were as follows:

	As at 31 December	
	2020	2019
Contracted, but not provided for	**2,703,292,134**	2,756,949,559

(b) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 31 December 2020 was RMB600,200,820 for the Group (31 December 2019: nil).

53. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

For structured entities in which the Group is involved as manager or investor, the Group assesses the magnitude of and variability associated with its economic interests generated from these structured entities. A significant magnitude of and variability associated with its economic interests indicate that the Group is a principal.

As at 31 December 2020, the total assets of the consolidated structured entities amounted to RMB50,849,501,747 (31 December 2019: RMB22,643,139,472), and the carrying amount of interests held by the Group in the consolidated structured entities amounted to RMB23,704,298,145 (31 December 2019: RMB7,946,520,862).

(b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

	As at 31 December	
	2020	2019
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**92,373,416,588**	59,215,114,396
– Financial assets at fair value through other comprehensive income	**9,097,634**	24,833,283

The Group's exposure to the variable returns in these structured entities is not significant and the maximum exposure to losses is limited to the carrying amount of the interests held by the Group in these structured entities.

53. INTERESTS IN STRUCTURED ENTITIES *(continued)*

(c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities in which the Group serves as general partner or manager, and therefore over which the Group has a power during the years include private equity funds, mutual funds and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2020	2019
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**9,198,529,370**	7,272,348,899
– Accounts receivable	**1,310,345,227**	1,440,190,809
– Interests in associates and joint ventures	**300,388,852**	325,383,470

For the year ended 31 December 2020, the management fee and performance fee obtained from these structured entities amounted to RMB2,796,022,145 (31 December 2019: RMB2,001,492,975).

Except for those which have been consolidated by the Group as set out in Note 53(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to losses is limited to the carrying amount of the interests held by the Group in these structured entities.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

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(Expressed in RMB, unless otherwise stated)

54. TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

(a) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a financial asset and simultaneously agrees to repurchase it (or an asset that is substantially the same) at an agreed date and price. The repurchase price is fixed and the Group is still exposed to substantially all risks and rewards of the financial asset transferred. The financial asset is not derecognised from the consolidated financial statements but is regarded as "collateral" for any secured borrowing arrangements because the Group retain substantially all the risks and rewards of the financial asset. A financial liability is recognised for cash received under the borrowing arrangements. In this kind of transactions, the recourse of counterparties against the Group is not limited to the transferred financial assets.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2020	**Financial assets measured at fair value through profit or loss**	**Financial assets measured at fair value through other comprehensive income**	**Total**
Carrying amount of transferred assets	**5,099,766,101**	**6,732,254,007**	**11,832,020,108**
Carrying amount of associated liabilities	**(4,463,883,709)**	**(6,214,172,105)**	**(10,678,055,814)**
Net position	**635,882,392**	**518,081,902**	**1,153,964,294**

As at 31 December 2019	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	8,704,043,049	3,102,307,869	11,806,350,918
Carrying amount of associated liabilities	(7,712,205,571)	(2,696,954,807)	(10,409,160,378)
Net position	991,837,478	405,353,062	1,397,190,540

54. TRANSFERS OF FINANCIAL ASSETS *(continued)*

(b) Securities lending arrangement

The Group enters into securities lending agreements with clients under which it lend out its financial assets measured at fair value through profit or loss that are secured by clients' securities and deposits held as collateral. As at 31 December 2020, the equity securities and ETFs which were lent out by the Group amounted to RMB2,931,885,022 (31 December 2019: RMB204,977,805). Pursuant to the securities lending agreements, the Group lent its own securities to clients. In view of this, the Group determined that it retains substantially all the risks and rewards of ownership of these securities and therefore did not derecognise these securities in the consolidated financial statements.

(c) Asset securitisation of receivable from margin clients

The transfer of financial assets used as underlying assets for the securitisation of receivable from margin clients was disclosed in Note 32(a). This transfer was not qualified for de-recognition.

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) The largest shareholder of the Company – Huijin

As at 31 December 2020, Huijin owned 40.17% of the equity interest of the Company (31 December 2019: 44.38%) directly and indirectly.

In October 2019, the Company issued 176,000,000 new H shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868 (see Note 50(a)). Accordingly, the equity interest held directly by Huijin decreased to 44.32%.

In November 2020, the Company completed the issuance of 458,589,000 A Shares and listed on the Shanghai Stock Exchange. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,827,256,868 (see Note 50(a)). Accordingly, the equity interest held directly by Huijin decreased to 40.11%.

(i) Related party transactions with Huijin and Huijin's affiliates

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

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(Expressed in RMB, unless otherwise stated)

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) The largest shareholder of the Company – Huijin *(continued)*

(i) Related party transactions with Huijin and Huijin's affiliates *(continued)*

	Year ended 31 December	
	2020	2019
Brokerage commission income	**16,725,271**	6,034,143
Underwriting and sponsoring fees	**78,441,988**	73,646,600
Asset management fees	**1,064,125**	1,422,386
Investment advisory fees	**–**	462,508
Interest income	**866,345,958**	615,378,578
Net gains from financial instruments at fair value through profit or loss	**56,611,061**	108,331,023
Net gains from derivative financial instruments	**181,895,569**	28,398,742
Other (losses)/income, net	**(703,901)**	988,174
Brokerage commission expenses	**45,978,789**	8,831,438
Underwriting and sponsoring expenses	**–**	5,683,333
Asset management expenses	**35,599,752**	32,066,815
Interest expenses	**322,950,675**	446,616,865
Other operating expenses and costs	**8,308,280**	30,515,219

(ii) The balances of transactions with Huijin and Huijin's affiliates

	As at 31 December	
	2020	2019
Accounts receivable	**892,335,688**	40,015,099
Financial assets at fair value through other comprehensive income	**4,486,800,088**	760,381,815
Financial assets at fair value through profit or loss	**3,558,032,591**	3,211,657,414
Refundable deposits	**40,442,798**	2,618,691
Derivative financial assets	**929,893,328**	71,099,866
Cash and bank balances (Note)	**44,011,197,862**	35,688,717,007
Other non-current assets	**930,481**	–
Financial liabilities at fair value through profit or loss	**269,373,752**	–
Derivative financial liabilities	**965,555,551**	26,301,154
Accounts payable to brokerage clients	**32,030,997**	8,026,660
Placements from financial institutions	**10,490,809,695**	5,563,531,463
REPOs	**4,228,739,184**	–
Short-term debt securities issued	**25,245,000**	–
Long-term debt securities issued	**1,536,168,603**	2,534,768,818
Other current liabilities	**1,298,816,638**	65,755,852

Note: Balances of deposits at Huijin's affiliates include self-owned cash and bank balances and cash held on behalf of clients.

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives. Remuneration for key management personnel of the Group is as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and benefits in kind	**32,150,429**	36,986,128
Discretionary bonuses (Note)	**135,243,190**	161,813,504
Retirement scheme contributions	**869,714**	1,140,110
Total	**168,263,333**	199,939,742

Note: Total remuneration of key management personnel is included in "staff costs" (see Note 13).

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders

	Year ended 31 December	
	2020	2019
Brokerage commission income	**12,954**	57,502
Underwriting and sponsoring fees	**–**	5,127,236
Asset management fees	**–**	19,248,432
Interest expenses	**7,689**	213,023

(ii) The balances of transactions with other shareholders

	As at 31 December	
	2020	2019
Accounts payable to brokerage clients	**210,514**	579,180

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(Expressed in RMB, unless otherwise stated)

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their affiliates

	Year ended 31 December	
	2020	2019
Brokerage commission income	**25,113,571**	9,904,144
Investment advisory fees	**26,236,793**	29,498,298
Asset management fees	**12,074,281**	11,439,457
Asset management expenses	**12,462,334**	82,731
Interest income	**6,123,248**	13,217,503
Interest expenses	**27,377**	27,435
Other operating expenses and costs	**659,210**	–
Provision for impairment losses under expected credit loss model	**11,269**	–

(ii) The balances of transactions with associates and joint ventures and their affiliates

	As at 31 December	
	2020	2019
Accounts receivable	**32,211,963**	16,226,219
Other non-current assets	**182,958,826**	310,264,313
Accounts payable to brokerage clients	**905**	892
Other current liabilities	**12,080,000**	664,792

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

(f) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors has entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

56. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or for short-term financing. Accordingly, the carrying amounts approximate their fair values.

(ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value. For financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued 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 estimates the fair values using discounted cash flows or other valuation techniques with reference to the yields of financial instruments with similar characteristics such as similar credit risk and maturity. The fair values of long-term debt securities issued are disclosed in Note 46. The carrying amounts of short-term debt securities issued approximate their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate their fair values.

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level I: Fair value measured using only Level I inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities) at the measurement date.

– Level II: Fair value measured using Level II inputs (i.e. observable inputs which are unqualified as Level I inputs), and no significant unobservable inputs. Unobservable inputs are the inputs for which market data are not available.

– Level III: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in the valuation techniques used for Level II include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates. For the fair value of financial instruments categorised within Level III, the valuation techniques and significant unobservable inputs are disclosed in Note 56(a)(ii).

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(Expressed in RMB, unless otherwise stated)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

The following table presents the analysis of financial instruments measured at fair value at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 31 December 2020			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	92,814,231,510	538,538,406	17,567,429,786	110,920,199,702
– Debt securities	1,210,768,017	79,171,022,879	432,695,788	80,814,486,684
– Funds and other investments	11,965,827,662	43,571,807,870	333,375,727	55,871,011,259
Derivative financial assets	836,397,586	11,474,866,250	–	12,311,263,836
Financial assets at fair value through other comprehensive income				
– Debt securities	–	37,212,187,524	–	37,212,187,524
Total	106,827,224,775	171,968,422,929	18,333,501,301	297,129,149,005
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(5,889,938,351)	(14,184,233)	–	(5,904,122,584)
– Debt securities	–	(1,066,167,906)	–	(1,066,167,906)
– Funds and others	(1,126,558,207)	–	–	(1,126,558,207)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(33,251,717,178)	–	(33,251,717,178)
– Debt securities	–	(1,542,983,452)	–	(1,542,983,452)
Derivative financial liabilities	(236,239,998)	(24,446,294,639)	–	(24,682,534,637)
Total	(7,252,736,556)	(60,321,347,408)	–	(67,574,083,964)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	64,404,093,954	757,142,771	4,528,289,761	69,689,526,486
– Debt securities	2,579,599,611	73,222,018,204	329,221,497	76,130,839,312
– Funds and other investments	2,467,332,952	19,904,195,371	–	22,371,528,323
Derivative financial assets	86,093,900	4,416,110,358	–	4,502,204,258
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,985,823,339	–	28,985,823,339
Total	69,537,120,417	127,285,290,043	4,857,511,258	201,679,921,718
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(3,067,219,649)	–	–	(3,067,219,649)
– Debt securities	–	(833,356,562)	–	(833,356,562)
– Funds and others	(33,307,915)	–	–	(33,307,915)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(20,673,051,510)	–	(20,673,051,510)
– Debt securities	–	(1,963,383,218)	–	(1,963,383,218)
Derivative financial liabilities	(43,120,510)	(6,319,071,491)	–	(6,362,192,001)
Total	(3,143,648,074)	(29,788,862,781)	–	(32,932,510,855)

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56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Transfer between levels

The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2020	2019
Financial assets at fair value through profit or loss	**29,534,998**	11,254,310

As of 31 December 2020, the Group's equity securities of RMB33 million (31 December 2019: RMB249 million) were transferred from Level I or II to Level III, as the fair values of these securities were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 31 December 2020, the Group's debt securities of RMB388 million (31 December 2019: RMB121 million) were transferred from Level II to Level III as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 31 December 2020, the Group's equity securities of RMB35 million (31 December 2019: RMB208 million) were transferred from Level III to Level I or II, as the fair values of these securities were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfers above, for the years ended 31 December 2020 and 2019, there was no other significant transfer among Level I, Level II and Level III for the Group's assets and liabilities measured at fair value. In accordance with its accounting policies, the Group recognises transfers among the levels as at the end of the reporting period in which they occur.

There is no significant change for the Group's applied fair value valuation techniques in 2020.

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements

As at 31 December 2020 and 2019, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table presents a reconciliation from the beginning balances to the ending balances of financial assets measured at Level III fair value through profit or loss:

	Financial assets at fair value through profit or loss
As at 1 January 2020	**4,857,511,258**
Gains for the year	**1,897,406,804**
Purchases	**12,138,828,913**
Sales and settlements	**(945,940,038)**
Transfer into Level III	**420,628,728**
Transfer out of Level III	**(34,934,364)**
As at 31 December 2020	**18,333,501,301**
Total gains for the year included in profit or loss for assets held at the end of the year	**1,983,597,596**

	Financial assets at fair value through profit or loss
As at 1 January 2019	2,833,294,686
Gains for the year	24,059,784
Purchases	2,247,281,576
Sales and settlements	(408,734,066)
Transfer into Level III	369,770,128
Transfer out of Level III	(208,160,850)
As at 31 December 2019	4,857,511,258
Total gains for the year included in profit or loss for assets held at the end of the year	21,235,787

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56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

For financial instruments in Level III, fair values are determined based on the capital account reports on these instruments obtained by management or by using valuation techniques, including valuation methods such as discounted cash flow model, comparable company analysis and recent financing price method. Determinations to classify fair value measures within Level III are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level III.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	Level III	Discounted cash flow models	Discount rate (Note 1)	The higher the discount, the lower the fair value
Equity securities	Level III	Option pricing models	Historical volatility (Note 2)	The higher the volatility, the lower the fair value
Equity securities	Level III	Market comparable companies	Discount for lack of marketability (Note 3)	The higher the discount, the lower the fair value

Note 1: Discount rate, ranging from 2.47% to 3.36% (31 December 2019: 2.48% - 5.25%).

Note 2: Historical volatility, ranging from 22.57% to 90.00% (31 December 2019: 11.05% - 89.96%).

Note 3: Discount for lack of marketability is 60.00% (31 December 2019: 40.00% - 60.00%).

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group. The fair values of long-term debt securities issued are classified as Level II and disclosed in Note 46.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

57. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

When there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously, the relevant financial assets and liabilities:

- are offset in the consolidated statement of financial position of the Group; and

- are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in the consolidated statement of financial position of the Group.

The table below presents the amount of accounts receivable and payable on the same settlement date and for the same currency on a net basis with Hong Kong Securities Clearing Company Limited.

	As at 31 December 2020					
		Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets			Financial instruments	Cash collateral	Net amount
Accounts receivable from clearinghouse	11,301,343,002	(9,255,571,852)	2,045,771,150	(2,692,821)	–	2,043,078,329

	As at 31 December 2020					
		Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities			Financial instruments	Cash collateral	Net amount
Accounts payable to clearinghouse	9,258,264,673	(9,255,571,852)	2,692,821	(2,692,821)	–	–

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57. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

	As at 31 December 2019					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral	Net amount
Accounts receivable from clearinghouse	5,266,345,986	(5,018,720,430)	247,625,556	(239,693,344)	–	7,932,212

	As at 31 December 2019					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral	Net amount
Accounts payable to clearinghouse	5,258,413,774	(5,018,720,430)	239,693,344	(239,693,344)	–	–

58. FINANCIAL RISK MANAGEMENT

The Group's risk management aims to effectively allocate risk-based capital, limit risks to a controllable level, maximise the corporate value and constantly solidify the foundation for a steady and sustainable development of the Group. The Group monitors and controls key exposures to credit risk, liquidity risk and market risk by using financial instruments.

(a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debtors' default or bankruptcy, including the loss due to default of intermediary institutions (such as brokers or custodian banks). The risk exposure is the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) Credit risk from the defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

Measurement of expected credit losses

The Group recognises an impairment loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities measured at fair value through other comprehensive income via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

A default is that a client or a financer or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the loss bore by the Group on the exposure at default. In the determination of LGD, the Group estimates the recoverable cash flow from disposing underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and estimates LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different risk stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures the loss allowance on either a 12-month or the lifetime basis for the investments at different risk stages.

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(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Measurement of expected credit losses *(continued)*

Provision method of ECL

The Group recognises impairment provision of debt securities investment and margin financing business based on ECL. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different risk stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on the balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be classified into "Stage 1"; the financial instruments of which the credit risk has increased significantly since the initial recognition will be classified into "Stage 2"; and the financial instruments that have been credit-impaired will be transferred into "Stage 3". The Group measures ECL based on the parameters such as PD, LGD and EAD.

The criteria of significant increase in credit risk ("SICR")

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of the bond issuer or debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions of the bond issuer and these adverse changes are expected to cause a significant decrease in the bond issuer's ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the agreed prior-warning line, collaterals are suspended continuously or have adverse changes in their conditions, assets held by the debtors have significant deterioration in qualities, or a debt is approaching its maturity with a risk of default.

Definition criteria of credit-impaired assets

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the bond issuer is unable to perform the payment obligations as agreed, has other default bonds or is in a circumstance that can be determined as in default, e.g. having significant financial difficulties; (2) for margin financing business: the margin financing client violates the business agreement, e.g. the client fails to remargin in a timely manner when the margin ratio is below the agreed level, the client fails to fully repay the debt when a margin call is triggered, the margin is unable to be closed out due to the suspension of trading of the collaterals, the client fails to fully repay the debt when the contract expires, or the shares used as pledge/guarantee are frozen by judicial system.

Forward-looking information

The Group measures ECL using forward looking information without undue costs or inputs. The Group used forecasted values of changes in consumer price index and changes in national RMB borrowings as the basis, established relationship between these two macroeconomic indicators and default rates by statistical models, set out different scenario weightings, in order to determine an overall adjustment to default rates. The Group determined the forecasted values for the above two macroeconomic indicators to be 1.34% and 11.00% for 2020 based on publicly available forecast data from third parties. The parameter for the adjustment was determined through the weighted average under optimistic, neutral and pessimistic scenarios in combination with qualitative analysis method.

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and at FVTOCI)

The Group focuses on diversifying investments in credit-type fixed income securities which are mainly high-credit rating products. The Group controls the exposure of the market risk and credit risk by setting investment position limit and by classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuers' business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc.

The carrying amount of the Group's debt securities are as follows:

	As at 31 December	
	2020	2019
Financial assets at fair value through profit or loss	**80,814,486,684**	76,130,839,312
Financial assets at fair value through other comprehensive income	**37,212,187,524**	28,985,823,339
Total	**118,026,674,208**	105,116,662,651

(i) The exposure to credit risk for debt securities at FVTPL and FVTOCI by geographic region was as follows.

	As at 31 December	
	2020	2019
Mainland China	**117,490,283,780**	104,620,412,929
Outside mainland China	**536,390,428**	496,249,722
Total	**118,026,674,208**	105,116,662,651

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(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI.

	As at 31 December			
	2020		2019	
		FVTOCI		FVTOCI
Credit rating	FVTPL	12-month ECL	FVTPL	12-month ECL
Outside mainland China				
(by international rating agencies)				
– AAA	**13,428**	**–**	13,636	–
– From AA- to AA+	**195,266,774**	**–**	–	–
– From A- to A+	**976,835,477**	**1,266,183,968**	1,351,421,066	1,707,571,481
– Below A-	**11,918,910,384**	**2,473,257,046**	12,495,297,861	3,048,454,944
Subtotal	**13,091,026,063**	**3,739,441,014**	13,846,732,563	4,756,026,425
Mainland China				
(by domestic rating agencies)				
– AAA	**36,619,827,151**	**29,898,050,228**	35,190,458,884	23,966,979,878
– From AA- to AA+	**6,886,308,780**	**487,227,674**	6,177,409,481	61,144,700
– From A- to A+	**1,850,277,198**	**–**	1,016,894,182	–
– Below A-	**502,380,429**	**–**	281,753,183	–
Subtotal	**45,858,793,558**	**30,385,277,902**	42,666,515,730	24,028,124,578
Non-rated I (Note 1)	**5,953,043,593**	**3,087,468,608**	1,304,072,061	201,672,336
Non-rated II (Note 2)	**15,911,623,470**	**–**	18,313,518,958	–
Total	**80,814,486,684**	**37,212,187,524**	76,130,839,312	28,985,823,339
Impairment loss allowance		**(18,166,922)**		(17,043,688)

Note 1: These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities with no ratings provided by independent rating agencies.

The Group did not have any debt securities that were past due but not impaired at 31 December 2020 and 31 December 2019.

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(iii) Movement of impairment loss allowance

The movement in impairment loss allowance for debt investments at FVTOCI during the year was as follows.

	12-month ECL	
	2020	2019
As at 1 January 2020	**17,043,688**	20,151,854
Changes due to financial instruments recognised as at 1 January 2020:		
Impairment losses recognised	**2,167,942**	323,121
Impairment losses reversed	**(3,459,968)**	(1,710,316)
New financial assets originated or purchased	**12,484,361**	10,215,082
Financial assets derecognised (including written-offs)	**(9,351,307)**	(12,197,036)
Others	**(717,794)**	260,983
As at 31 December 2020	**18,166,922**	17,043,688

As at 31 December 2020 and 31 December 2019, there was no lifetime ECL on debt investments held by the Group.

Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses including margin financing and stock-based lending businesses: vetting counterparties and assigning credit ratings and lending limits to the counterparties; managing collaterals (via haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios, and establishing and implementing margin call and mandatory liquidation policy.

(i) The exposure to credit risk for financial assets other than debt securities at the reporting date by geographic region was as follows.

	As at 31 December	
	2020	2019
Mainland China	**161,864,911,019**	112,313,223,169
Outside mainland China	**54,449,388,368**	23,169,562,246
Total	**216,314,299,387**	135,482,785,415

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58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance

The movement in impairment loss allowance for other financial instruments (other than debt investments) at amortised cost during the year was as follows.

(1) Financial assets held under resale agreements

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2020	5,831,361	769,153	23,997,626	30,598,140
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	(13,715)	–	13,715	–
– Transfer to lifetime ECL	(252,621)	252,621	–	–
– Transfer to 12m ECL	192,970	(192,970)	–	–
– Impairment losses recognised	9,377,301	1,184,818	238,862,186	249,424,305
– Impairment losses reversed	(264,067)	–	(6,000,000)	(6,264,067)
New financial assets originated or purchased	30,386,511	5,949,374	16,456,111	52,791,996
Financial assets derecognised (including written-offs)	(3,959,617)	(576,183)	(19,397,794)	(23,933,594)
Others	–	–	–	–
Impairment loss allowance as at 31 December 2020	41,298,123	7,386,813	253,931,844	302,616,780
Gross carrying amount as at 31 December 2020	16,951,368,082	1,291,037,939	490,907,907	18,733,313,928

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance *(continued)*

(1) Financial assets held under resale agreements (continued)

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2019	15,263,462	8,670,861	49,860,126	73,794,449
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(74,922)	–	74,922	–
– Transfer to lifetime ECL	(545,763)	10,399,527	(9,853,764)	–
– Transfer to 12m ECL	6,391,689	(6,391,689)	–	–
– Impairment losses recognised	255,631	431,557	5,964,234	6,651,422
– Impairment losses reversed	(9,537,456)	(10,063,097)	(16,900,270)	(36,500,823)
New financial assets originated or purchased	204,856	1,065	–	205,921
Financial assets derecognised (including written-offs)	(6,126,136)	(2,279,071)	(5,147,622)	(13,552,829)
Impairment loss allowance as at 31 December 2019	5,831,361	769,153	23,997,626	30,598,140
Gross carrying amount as at 31 December 2019	12,983,070,969	416,440,743	930,023,341	14,329,535,053

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(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance *(continued)*

(2) Receivable from margin clients

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2020	22,634,834	1,029,104	19,288,172	42,952,110
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	(22,423)	(24,413)	46,836	–
– Transfer to lifetime ECL	(1,090,117)	1,090,117	–	–
– Transfer to 12m ECL	852,501	(615,411)	(237,090)	–
– Impairment losses recognised	74,420,775	3,252,465	93,449	77,766,689
– Impairment losses reversed	(1,704,912)	(175,891)	(2,972)	(1,883,775)
New financial assets originated or purchased	39,609,040	338,425	3,057	39,950,522
Financial assets derecognised (including written-offs)	(2,718,590)	(62,303)	(1,091,670)	(3,872,563)
Others	(150,136)	–	(17,959,411)	(18,109,547)
Impairment loss allowance as at 31 December 2020	131,830,972	4,832,093	140,371	136,803,436
Gross carrying amount as at 31 December 2020	33,048,396,685	945,529,412	27,690,618	34,021,616,715

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance *(continued)*

(2) Receivable from margin clients (continued)

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2019	23,692,459	–	239,351	23,931,810
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(1,412,419)	–	1,412,419	–
– Transfer to lifetime ECL	(1,002,859)	1,004,027	(1,168)	–
– Transfer to 12m ECL	7,222	–	(7,222)	–
– Impairment losses recognised	4,193,670	279,472	523,425	4,996,567
– Impairment losses reversed	(7,675,551)	(435,942)	(657,389)	(8,768,882)
New financial assets originated or purchased	7,128,369	181,547	17,781,333	25,091,249
Financial assets derecognised (including written-offs)	(2,347,955)	–	(198,856)	(2,546,811)
Others	51,898	–	196,279	248,177
Impairment loss allowance as at 31 December 2019	22,634,834	1,029,104	19,288,172	42,952,110
Gross carrying amount as at 31 December 2019	22,261,269,050	628,039,868	343,594,082	23,232,903,000

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(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance *(continued)*

(3) Other financial instruments at amortised cost

	Year ended 31 December 2020			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2020	591,187	13,416,548	247,094,928	261,102,663
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to credit-impaired	–	–	–	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	87,187,854	40,835,118	299,837,451	427,860,423
– Impairment losses reversed	(93,674)	(494)	(3,763,460)	(3,857,628)
New financial assets originated or purchased	160,325,843	12,810,836	676,754	173,813,433
Financial assets derecognised (including written-offs)	(1,726,376)	–	(40,827,360)	(42,553,736)
Others	(119,924)	(363,908)	(14,130,532)	(14,614,364)
Impairment loss allowance as at 31 December 2020	246,164,910	66,698,100	488,887,781	801,750,791
Gross carrying amount as at 31 December 2020	137,087,617,961	3,073,423,290	576,138,791	140,737,180,042

58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt securities) *(continued)*

(ii) Movement of impairment loss allowance *(continued)*

(3) Other financial instruments at amortised cost (continued)

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
As at 1 January 2019	1,101,767	12,970,943	66,732,674	80,805,384
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(12,296)	–	12,296	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	94,364	724,363	136,612,022	137,430,749
– Impairment losses reversed	(43,414)	(288,977)	(1,607,335)	(1,939,726)
New financial assets originated or purchased	305,128	10,219	57,119,783	57,435,130
Financial assets derecognised (including written-offs)	(853,819)	–	(13,475,491)	(14,329,310)
Others	(543)	–	1,700,979	1,700,436
Impairment loss allowance as at 31 December 2019	591,187	13,416,548	247,094,928	261,102,663
Gross carrying amount as at 31 December 2019	76,813,443,146	3,867,029,091	258,370,404	80,938,842,641

Other financial instruments at amortised cost mainly include accounts receivable, other receivables and deposits with banks.

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58. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns credit ratings accordingly. On the basis of credit ratings, the Group sets corresponding credit risk exposure limits for counterparties, and manages counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

(b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting ordinary business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess the Group's liquidity risk exposure; maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, rates prevailing at the end of the year) calculated based on the earliest date the Group can be required to pay, by the remaining contractual maturities of these liabilities at the end of the year:

58. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

	As at 31 December 2020					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	**70,655,180,456**	**–**	**–**	**–**	**–**	**70,655,180,456**
Placements from financial institutions	**–**	**34,693,675,373**	**–**	**–**	**–**	**34,693,675,373**
Financial liabilities at fair value through profit or loss	**–**	**42,861,548,262**	**31,204,353**	**–**	**–**	**42,892,752,615**
Derivative financial liabilities (Note)	**–**	**24,274,292,861**	**404,514,934**	**3,726,842**	**–**	**24,682,534,637**
REPOs	**–**	**25,176,471,507**	**–**	**–**	**–**	**25,176,471,507**
Short-term debt securities issued	**–**	**24,786,178,088**	**1,777,427,519**	**–**	**–**	**26,563,605,607**
Long-term debt securities issued	**–**	**25,317,890,096**	**107,220,070,994**	**8,273,380,000**	**–**	**140,811,341,090**
Lease liabilities	**–**	**583,385,659**	**631,680,737**	**80,101,973**	**–**	**1,295,168,369**
Others	**55,400,011,773**	**29,438,926,631**	**13,888,735**	**–**	**–**	**84,852,827,139**
Total	**126,055,192,229**	**207,132,368,477**	**110,078,787,272**	**8,357,208,815**	**–**	**451,623,556,793**

	As at 31 December 2019					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	48,337,872,171	–	–	–	–	48,337,872,171
Placements from financial institutions	–	24,336,819,054	–	–	–	24,336,819,054
Financial liabilities at fair value through profit or loss	–	26,362,724,129	207,594,725	–	–	26,570,318,854
Derivative financial liabilities (Note)	–	6,096,910,786	265,278,058	3,157	–	6,362,192,001
REPOs	–	24,713,038,178	–	–	–	24,713,038,178
Short-term debt securities issued	–	20,788,452,951	689,966,100	–	–	21,478,419,051
Long-term debt securities issued	–	24,639,949,705	61,089,800,034	–	–	85,729,749,739
Lease liabilities	–	542,975,636	953,370,780	90,777,171	–	1,587,123,587
Others	32,768,536,091	23,409,982,773	15,941,337	–	–	56,194,460,201
Total	81,106,408,262	150,890,853,212	63,221,951,034	90,780,328	–	295,309,992,836

Note: The undiscounted contractual net cash outflows on derivative liabilities is presented on a net basis.

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58. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk

Market risk is the risk of loss of the Group's income and value of financial instruments arising from the adverse market movements such as unfavourable changes in interest rates, stock prices and exchange rates. The objectives of market risk management are to monitor the market risk and control it within the acceptable range and to maximise the risk adjusted return. Stress testing is conducted regularly, and the risk control indicators and operating indicators in a variety of scenarios are calculated. The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit, etc., and are maintained within the limits set up by management. The Group adopts various kinds of methods (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis and stress test) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique which estimates the potential losses that could incur on risk positions taken, due to the adverse market movements, such as unfavourable changes in interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR by using a historical simulation method and implements relevant control measurements over the market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and on the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do have some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

- The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and

- The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

58. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the years of 2020 and 2019 respectively:

	As at 31 December 2020	Year ended 31 December 2020 Average	Highest	Lowest
Equity prices	**168,760,417**	**159,476,256**	**271,586,230**	**32,843,887**
Interest rates	**35,629,109**	**43,610,214**	**53,094,558**	**29,775,232**
Currency rates	**37,172,023**	**36,988,612**	**43,489,561**	**25,464,285**
Commodity prices	**1,309,872**	**1,359,948**	**5,372,547**	**283,783**
Diversification effect	**(63,062,795)**	**(71,837,789)**		
Total portfolio	**179,808,626**	**169,597,241**	**267,183,358**	**62,439,644**

	As at 31 December 2019	Year ended 31 December 2019 Average	Highest	Lowest
Equity prices	30,936,433	27,295,314	63,327,778	8,266,060
Interest rates	36,577,675	53,170,545	63,897,038	35,413,961
Currency rates	33,886,625	31,963,024	43,034,370	10,516,056
Commodity prices	3,833,248	1,392,051	6,264,911	49,390
Diversification effect	(47,366,615)	(44,154,634)		
Total portfolio	57,867,366	69,666,300	98,072,104	50,664,887

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearinghouses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity Year ended 31 December	
	2020	2019
Changes in basis points		
Increase by 50 basis points	**(287,838,356)**	(213,876,502)
Decrease by 50 basis points or decrease to 0	**323,448,026**	224,548,089

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year and shows how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

– The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rate;

– There are no changes to the assets and liabilities portfolios;

– Other variables (including exchange rates) remain unchanged; and

– Risk management measures undertaken by the Group are not considered.

As the actual changes of interest rate might be different from the above assumptions, the impact of the interest rate changes on the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

58. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(2) Currency risk

Currency risk is the risk arising from fluctuation of foreign exchange rates. The table below presents the exchange rate sensitivity analysis of the Group's major currency risk exposures, which calculates the effect of reasonably possible changes in the foreign exchange rate on net profit and equity where all other variables are held constant. This analysis does not take into account the correlations between the exchange rate changes of different currencies, nor does it take into account the measures that the Group may take to address the adverse impact of foreign exchange exposure on profit.

		Sensitivity of net profit and equity Year ended 31 December	
Currency	**Changes in exchange rates**	**2020**	2019
USD	1%	**(257,483,322)**	(246,649,458)
HKD	1%	**80,385,868**	23,097,907
Others	1%	**1,773,972**	1,381,543

While the table above indicates the effect on net profit and equity of 1% appreciation of USD, HKD and other foreign currencies, there will be an opposite effect with the same amount if the currencies depreciate by the same percentage.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(2) Currency risk *(continued)*

The table below presents the Group's exposure to foreign exchange risk as at 31 December 2020 and 31 December 2019. The Group's exposure to RMB is presented in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorized by the original currencies.

	As at 31 December 2020				
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	Total
Net exposure in the consolidated statement of financial position	**108,221,153,244**	**(41,876,793,298)**	**5,012,104,375**	**458,668,673**	**71,815,132,994**

	As at 31 December 2019				
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	Total
Net exposure in the consolidated statement of financial position	66,433,886,158	(21,461,009,199)	3,268,258,520	290,399,956	48,531,535,435

59. CAPITAL MANAGEMENT

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximising returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction and which may varies from jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No. 10) issued by the CSRC on 23 January 2020.

59. CAPITAL MANAGEMENT *(continued)*

In accordance with CSRC Announcement [2020] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) Risk Coverage Ratio (Net capital/Total risk capital reserves×100%) shall be no less than 100% ("Ratio i");

(ii) Capital Leverage Ratio (Core net capital/Total on-and-off-balance-sheet assets×100%) shall be no less than 8% ("Ratio ii");

(iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days×100%) shall be no less than 100% ("Ratio iii");

(iv) Net Stable Funding Ratio (Stable funding available/Stable funding required×100%) shall be no less than 100% ("Ratio iv");

(v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio v");

(vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio vi");

(vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio vii");

(viii) The ratio of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio viii");

(ix) The ratio of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio ix").

As at 31 December 2020 and 2019, the above risk control indicators of the Company were as follows:

	As at 31 December	
	2020	2019
Net Capital	**46,601,687,730**	28,702,021,460
Ratio i	**162.87%**	132.49%
Ratio ii	**14.36%**	10.47%
Ratio iii	**248.55%**	251.91%
Ratio iv	**124.96%**	128.85%
Ratio v	**77.26%**	70.20%
Ratio vi	**22.73%**	24.65%
Ratio vii	**29.42%**	35.11%
Ratio viii	**45.62%**	44.94%
Ratio ix	**278.46%**	290.10%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, etc.

The above risk control indicators are calculated based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

	Note	As at 31 December 2020	2019
Non-current assets:			
Property and equipment		**431,948,535**	435,575,843
Right-of-use assets		**452,276,527**	612,829,845
Intangible assets		**130,797,304**	103,217,147
Interests in subsidiaries	61	**24,953,777,514**	22,643,777,514
Interests in associates and joint ventures		**488,556,150**	407,839,515
Reverse REPOs		**525,896,882**	65,050,590
Refundable deposits		**1,815,919,438**	1,699,266,387
Deferred tax assets		**1,220,716,177**	621,956,634
Other non-current assets		**106,657,344**	128,630,571
Total non-current assets		**30,126,545,871**	26,718,144,046
Current assets:			
Accounts receivable		**31,412,045,335**	9,805,193,196
Receivable from margin clients		**5,333,303,299**	2,766,714,285
Financial assets at fair value through other comprehensive income		**24,588,747,038**	20,067,334,715
Financial assets at fair value through profit or loss		**126,086,149,449**	73,487,881,746
Derivative financial assets		**14,737,812,715**	3,182,247,665
Reverse REPOs		**13,055,783,358**	10,433,010,873
Cash held on behalf of clients		**20,765,908,168**	15,121,597,005
Cash and bank balances		**18,186,478,824**	9,649,881,652
Other current assets		**1,801,416,554**	1,281,716,226
Total current assets		**255,967,644,740**	145,795,577,363
Total assets		**286,094,190,611**	172,513,721,409

60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(a) The Company's statement of financial position *(continued)*

	Notes	As at 31 December 2020	2019
Current liabilities:			
Financial liabilities at fair value through profit or loss		**1,317,838,255**	2,107,270,290
Derivative financial liabilities		**16,407,248,492**	3,754,090,061
Accounts payable to brokerage clients		**20,745,017,791**	10,716,008,886
Placements from financial institutions		**22,537,987,183**	13,305,797,714
Short-term debt securities issued		**14,992,735,169**	10,106,707,969
REPOs		**12,825,570,771**	9,155,548,103
Employee benefits payable		**4,868,599,963**	2,815,906,617
Income tax payable		**505,905,753**	317,223,201
Long-term debt securities issued due within one year		**13,135,347,932**	15,664,571,241
Contract liabilities		**85,493,272**	66,049,227
Other current liabilities		**54,371,291,980**	33,222,338,080
Total current liabilities		**161,793,036,561**	101,231,511,389
Net current assets		**94,174,608,179**	44,564,065,974
Total assets less current liabilities		**124,301,154,050**	71,282,210,020
Non-current liabilities:			
Non-current employee benefits payable		**527,356,440**	394,448,276
Long-term debt securities issued		**62,974,381,321**	29,369,262,562
Lease liabilities		**479,386,472**	633,150,164
Total non-current liabilities		**63,981,124,233**	30,396,861,002
Net assets		**60,320,029,817**	40,885,349,018
Equity:			
Share capital	50	**4,827,256,868**	4,368,667,868
Other equity instruments	51	**5,000,000,000**	1,000,000,000
Reserves	50	**45,796,713,361**	32,570,193,268
Retained profits		**4,696,059,588**	2,946,487,882
Total equity		**60,320,029,817**	40,885,349,018

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(Expressed in RMB, unless otherwise stated)

60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(b) Movement in the Company's reserves

			Reserves						
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Subtotal	Retained profits	Total equity
At 1 January 2020	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018
Changes in equity for the year									
Profit for the year	–	–	–	–	–	–	–	2,590,179,997	2,590,179,997
Other comprehensive income for the year	–	–	–	–	–	(130,560,690)	(130,560,690)	–	(130,560,690)
Total comprehensive income for the year	–	–	–	–	–	(130,560,690)	(130,560,690)	2,590,179,997	2,459,619,307
Appropriation to surplus reserve	–	–	–	259,018,000	–	–	259,018,000	(259,018,000)	–
Appropriation to general reserves	–	–	–	–	524,590,291	–	524,590,291	(524,590,291)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Issuance of A Shares	458,589,000	–	12,573,472,492	–	–	–	12,573,472,492	–	13,032,061,492
Issuance of perpetual subordinated bonds	–	5,000,000,000	–	–	–	–	–	–	5,000,000,000
Redemption of perpetual subordinated bonds	–	(1,000,000,000)	–	–	–	–	–	–	(1,000,000,000)
At 31 December 2020	4,827,256,868	5,000,000,000	41,699,678,499	995,576,479	3,118,978,079	(17,519,696)	45,796,713,361	4,696,059,588	60,320,029,817

60. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(b) Movement in the Company's reserves *(continued)*

	Share capital	Other equity instruments	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserves	Reserves: Investment revaluation reserve	Reserves: Subtotal	Retained profits	Total equity
At 1 January 2019	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735
Changes in equity for the year									
Profit for the year	–	–	–	–	–	–	–	2,040,628,027	2,040,628,027
Other comprehensive income for the year	–	–	–	–	–	49,415,652	49,415,652	–	49,415,652
Total comprehensive income for the year	–	–	–	–	–	49,415,652	49,415,652	2,040,628,027	2,090,043,679
Appropriation to surplus reserve	–	–	–	204,062,803	–	–	204,062,803	(204,062,803)	–
Appropriation to general reserves	–	–	–	–	410,254,073	–	410,254,073	(410,254,073)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Dividends to shareholders	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)
Issuance of H shares	176,000,000	–	2,081,603,463	–	–	–	2,081,603,463	–	2,257,603,463
At 31 December 2019	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018

61. INTERESTS IN SUBSIDIARIES

	As at 31 December 2020	2019
Unlisted shares, at cost or deemed cost	**24,953,777,514**	22,643,777,514

Notes to the Consolidated Financial Statements

(Expressed in RMB, unless otherwise stated)

61. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2020	2019	Principal activity	Auditor[1]
China International Capital Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HKD 3,900,000,000	**100%**	100%	Overseas investment holding business	DTT
CICC Wealth Management	Shenzhen, PRC	Limited liability company	RMB 8,000,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT PRC
CICC Capital management Co., Ltd.	Beijing, PRC	Limited liability company	RMB922,804,807	**100%**	100%	Direct investment business	DTT PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	Limited liability company	RMB 1,200,000,000	**100%**	100%	Financial instruments Investment business	DTT PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	Limited liability company	RMB 400,000,000	**100%**	100%	Management of funds business	DTT PRC
CICC Futures Co., Ltd.	Xining, PRC	Limited liability company	RMB 350,000,000	**100%**	100%	Futures brokerage business	DTT PRC
CISC Tianqi Futures Co., Ltd. [3]	Shenzhen, PRC	Limited liability company	RMB 300,000,000	**100%**	80%	Futures brokerage business	DTT PRC
CICC Qiyuan National Emerging Industries PEVC Fund Management Co., Ltd. [3]	Wuhan, PRC	Limited liability company	RMB10,000,000	**100%**	100%	Direct investment business	DTT PRC
China International Capital Corporation Hong Kong Securities Limited [3]	Hong Kong	Limited liability company	HKD 2,548,220,000	**100%**	100%	Investment banking and securities brokerage business	DTT
CICC Financial Products Ltd. [3]	British Virgin Islands	Limited liability company	USD1	**100%**	100%	Financial products investment business	DTT
CICC Hong Kong Asset Management Limited[3]	Hong Kong	Limited liability company	HKD443,540,000	**100%**	100%	Assets management business	DTT
China International Capital Corporation (Singapore) Pte. Limited [3]	Singapore	Limited liability company	SGD52,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT Singapore
China International Capital Corporation (UK) Limited [3]	UK	Limited liability company	GBP33,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT UK

61. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2020	2019	Principal activity	Auditor[1]
CICC US Securities, Inc. [3]	USA	Limited liability company	USD68,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT US
CICC US Securities (Hong Kong) Limited [3]	Hong Kong	Limited liability company	HKD15,500,001	**100%**	100%	Securities business	DTT US
China International Capital Corporation Hong Kong Futures Limited [3]	Hong Kong	Limited liability company	HKD72,000,000	**100%**	100%	Futures brokerage business	DTT
CICC Financial Trading Limited [3]	Hong Kong	Limited liability company	HKD1	**100%**	100%	Securities trading business	DTT
CICC Capital (Cayman) Limited [2][3]	Cayman Islands	Limited liability company	USD2	**100%**	100%	Direct investment business	–
CICC Deutschland GmbH [2][3]	German	Limited liability company	EUR2,025,000	**100%**	100%	Investment banking and securities brokerage business	–

(b) Acquisition of a subsidiary

In August 2019, as the equity interest in CICC Qianhai Development Fund Management Company Limited ("CICC Qianhai") held by one of the shareholders under joint control arrangement was transferred to third parties, the Group obtained control of CICC Qianhai through the corresponding amendments to CICC Qianhai's articles of association. The Group's equity interest in CICC Qianhai remained at 55% before and after the change from joint control to control.

On consolidation, the financial position and operating results of CICC Qianhai were not material to the Group and non-controlling interests of RMB44.4 million was recognised, representing the equity interests of other shareholders in CICC Qianhai.

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(Expressed in RMB, unless otherwise stated)

61. INTERESTS IN SUBSIDIARIES *(continued)*

(b) Acquisition of a subsidiary *(continued)*

Notes:

(1) Statutory auditors of the respective subsidiaries of the Group are as follows:

- DTT PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- DTT represents Deloitte Touche Tohmatsu, 德勤• 關黃陳方會計師行(香港), a firm of certified public accountants registered in Hong Kong;
- DTT Singapore represents DTT LLP in Singapore, a firm of certified public accountants registered in Singapore;
- DTT UK represents DTT LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
- DTT US represents DTT LLP in the US, a firm of certified public accountants registered in the United States of America.

(2) These subsidiaries were not subject to statutory audit according to the local regulations.

(3) The equity interest of these subsidiaries was indirectly held by the Company.

62. CONTINGENCIES

The Group is exposed to the risk of economic benefit outflows due to litigations, arbitrations or regulatory investigations in the course of operations. The Group, after having assessed in accordance with the International Accounting Standard, believes that the probability for the occurrence of such risk is relatively low. The Group had no outstanding contingent matters which had a material impact on its consolidated financial position as at 31 December 2020.

63. SUBSEQUENT EVENTS

(a) Corporate bonds

The Group issued 21 CICC F1 with an aggregate principal amount of RMB2.50 billion and 21 CICC F2 with an aggregate principal amount of RMB2.50 billion on 18 January 2021. The Group issued 21 CICC F3 with an aggregate principal amount of RMB1.50 billion and 21 CICC F4 with an aggregate principal amount of RMB2.00 billion on 4 March 2021. The Group issued 21 CICC G1 with an aggregate principal amount of RMB2.00 billion and 21 CICC G2 with an aggregate principal amount of RMB2.00 billion on 16 March 2021. The Group issued 21 CICC G3 with an aggregate principal amount of RMB1.50 billion and 21 CICC G4 with an aggregate principal amount of RMB2.50 billion on 25 March 2021. The Group issued 21 CICC WMS G1 with an aggregate principal amount of RMB2.00 billion and 21 CICC WMS G2 with an aggregate principal amount of RMB3.00 billion on 26 March 2021. The Group redeemed 18 CICC 02 with an aggregate principal amount of RMB1.00 billion on 26 January 2021 and 18 CISC 01 with an aggregate principal amount of RMB1.00 billion on 23 March 2021.

(b) Subordinated bonds

The Group issued 21 CICC C1 with an aggregate principal amount of RMB1.00 billion and 21 CICC C2 with an aggregate principal amount of RMB1.00 billion on 8 February 2021. The Group issued 21 CICC WMS C1 with an aggregate principal amount of RMB1.00 billion and 21 CICC WMS C2 with an aggregate principal amount of RMB1.00 billion on 9 March 2021.

(c) MTNs

The Group issued a tranche of 3-year MTN with an aggregate principal amount of USD1.00 billion and a tranche of 5-year MTN with an aggregate principal amount of USD500 million on 26 January 2021.

63. SUBSEQUENT EVENTS *(continued)*

(d) Perpetual subordinated bonds

The Group issued 21 CICC Y1 with an aggregate principal amount of RMB1.5 billion on 29 January 2021.

(e) Proposed profit distribution after the reporting period

In accordance with the 2020 profit distribution plan approved by the Board of Directors on 30 March 2021, the Company will adopt the method of cash dividends for its 2020 profit distribution. The total of proposed cash dividends to be distributed is RMB 868,906,236 (tax inclusive). On the basis of 4,827,256,868 shares in issue as at the date of approval of the financial statements of the Company, a cash dividend of RMB1.80 (tax inclusive) for every ten shares will be distributed. The 2020 profit distribution plan is subject to approval of the related resolution by the annual general meeting. The cash dividends will be recognized as liabilities after the approval and declaration by the annual general meeting.

64. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

Appendix

COMPANY BUSINESS QUALIFICATIONS

(1) In 1995, obtained license for operating foreign exchange business, the State Administration of Foreign Exchange (replaced by license of securities business in foreign currency in 2015)

(2) In 1996, qualification of member of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(3) In 1997, qualification of member of the Shenzhen Stock Exchange, the Shenzhen Stock Exchange

(4) In 1999, qualification for underwriting business, proprietary trading and brokerage business for domestic and overseas government bonds, debenture and corporate bonds, the CSRC

(5) In 1999, obtained approval to enter the national interbank market, the PBOC

(6) In 2000, qualification of member of National Debt Association of China, the National Debt Association of China

(7) In 2001, qualification for RMB ordinary equities brokerage business, the CSRC

(8) In 2002, qualification for securities investment advisory business, the CSRC

(9) In 2002, qualification for entrusted investment management business, the CSRC

(10) In 2004, obtained approval to become one of the first batch of sponsor institutions, the CSRC

(11) In 2004, qualification for internet securities entrustment business, the CSRC

(12) In 2004, qualification of sales agent for open-ended securities investment funds, the CSRC

(13) In 2004, securities firm engaging in innovative activities, the SAC

(14) In 2004, qualification of SSF investment manager, the SSF

(15) In 2005, obtained approval to set up collective asset management plans for CICC's short-term bonds, the CSRC

(16) In 2005, qualification for underwriting business of short-term commercial papers, the PBOC

(17) In 2005, qualification for bond forward transactions business in the national interbank bond market, the PBOC

(18) In 2005, qualification of bilateral market maker for block transactions of bonds, the Shanghai Stock Exchange

(19) In 2005, qualification for warrant trading business, the Shanghai Stock Exchange

(20) In 2005, qualification of corporate annuity fund manager, the MOHRSS

(21) In 2005, qualification for foreign exchange asset management business, the SAC

(22) In 2006, qualification of first-class dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (i.e. ETF), the Shanghai Stock Exchange

(23) In 2006, qualification of SSF offshore investment manager, the SSF

(24) In 2006, qualification of Participant of China Securities Depository and Clearing Corporation, the CSDC

(25) In 2007, approval of proposal of third party custodian for settlement funds of client transactions, the CSRC Beijing Bureau

(26) In 2007, qualification of dealer on Integrated Electronic Platform of Fixed-income Securities of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(27) In 2007, engaged in offshore securities investment management business as a QDII, the CSRC

(28) In 2007, commence the business of "SSE Fund Connect (上證基金通)", the Shanghai Stock Exchange

(29) In 2007, obtained approval to commence direct investment business (through establishing a 100%-owned direct investment company), the CSRC

(30) In 2007, consent to engage in interbank market interest rate swap business, the CSRC

(31) In 2008, became Class A Clearing Participant of China Securities Depository and Clearing Corporation, the CSDC

(32) In 2008, lead underwriting qualification for short-term commercial paper, the PBOC

(33) In 2008, obtained approval to set up collective asset management plan for gains from CICC's enhanced bonds, the CSRC

(34) In 2009, qualification of member of the Tianjin Climate Exchange, the Tianjin Climate Exchange

(35) In 2010, qualification to commence RMB ordinary equities proprietary trading, the CSRC

(36) In 2010, qualification to provide introducing brokerage business to futures companies, the CSRC

(37) In 2010, market maker in the national interbank bond market,the PBOC

(38) In 2010, qualification to commence offshore securities investment specific asset management business, the CSRC

(39) In 2010, qualification of ordinary member of the Interbank Market Clearing House Co., Ltd., the Interbank Market Clearing House Co., Ltd.

(40) In 2010, business qualification for margin financing and securities lending, the CSRC

Appendix

(41) In 2011, business qualification of Nominated Advisers & Brokers on the Third Board (Agency Share Transfer System), the SAC

(42) In 2011, obtained approval to increase agency sale institutions for collective asset management plan for gains from CICC's enhanced bonds and collective asset management plans for CICC's selective funds, the Beijing Bureau of the CSRC

(43) In 2011, qualification of member of book-entry government bond underwriting syndicates from 2012-2014, the MOF, the PBOC and the CSRC

(44) In 2011,obtained approval to set up investment funds for strategic emerging industries, the National Development and Reform Commission

(45) In 2012, qualification to commence placing business for SME bonds, the SAC

(46) In 2012, qualification for bond pledged quotation and repo transaction, the CSRC

(47) In 2012, qualification of insurance funds investment manager, the CIRC

(48) In 2012, authorization for trading in securities under repurchase agreements, the Shanghai Stock Exchange

(49) In 2012, business qualification to provide refinancing for margin financing and securities lending business, the CSF

(50) In 2012, expanded the financing investment of bond pledged quotation and repo transaction, the Shanghai Stock Exchange

(51) In 2012, consent to establish a professional subsidiary for commencing real estate direct investment fund business qualification association, the CSRC

(52) In 2013, qualification for over-the-counter trading business, the SAC

(53) In 2013, authorization for stock pledged repo transaction, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(54) In 2013, qualification for equities swap transaction business, the SAC

(55) In 2013, qualification for agency business of financial products, the CSRC Beijing Bureau

(56) In 2013, qualifications for sponsor, brokerage business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(57) In 2013, business qualification for witnessing account opening, the CSDC

(58) In 2013, business qualification for split conversion and merger conversion of funds, the CSDC

(59) In 2013, qualification of advisory service for military industry and confidential business (renewed in 2017 with a valid term of 3 years), the SASTIND

(60) In 2013, authorization for trading in securities under repurchase agreement, the Shenzhen Stock Exchange

(61) In 2014, business qualification for mutual funds (through the promotion and establishment of a wholly-owned fund company), the CSRC

(62) In 2014, business for special institutional customers of insurance institutions, the CIRC

(63) In 2014, business qualification for internet account opening, the CSDC

(64) In 2014, qualifications for market-making business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(65) In 2014, qualification for Southbound Trading (Shanghai-Hong Kong Stock Connect), the Shanghai Stock Exchange

(66) In 2014, business qualification for over-the-counter issuance of beneficiary certificates, China Securities Inter-organization Quotation System Co., Ltd.

(67) In 2015, stock options brokerage business and proprietary trading business qualifications, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(68) In 2015, qualification of internet finance business, the CSRC

(69) In 2015, qualification of integrated custodian business for private funds, the CSIPF

(70) In 2015, qualification of security agency business for long-distance pledge and registration business, the CSDC

(71) In 2015, qualifications for spot precious metals agency business and spot gold proprietary trading business and member of the Shanghai Gold Exchange, the CSRC and the Shanghai Gold Exchange

(72) In 2015, qualification of custodian business for securities investment funds, the CSRC

(73) In 2016, business qualification of standard bond futures settlement with Shanghai Clearing House, Interbank Market Clearing House Co., Ltd.

(74) In 2016, qualification for Southbound Trading (Shenzhen-Hong Kong Stock Connect), the Shenzhen Stock Exchange

(75) In 2017, obtained the "Northbound Bond Connect" quotation bureau qualification granted by the National Interbank Funding Center, the China Foreign Exchange Trading System & National Interbank Funding Center

(76) In 2017, replaced the original permit to operate securities business with the permit to operate securities and futures business, the CSRC

(77) In 2018, qualification for conducting pilot cross-border businesses, the CSRC

(78) In 2018, qualification of first-class dealer for OTC options, the CSRC

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(79) In 2019, qualification of core dealer for Credit Protection Contract, the Shanghai Stock Exchange

(80) In 2019, business qualification for RMB currency trading, the CSRC

(81) In 2019, qualification of conducting pilot equity incentive arrangements of listed companies, the Shenzhen Stock Exchange

(82) In 2019, qualification of private fund services provider (including qualifications for quota registration business service and valuation accounting business service), China Asset Management Associate

(83) In 2019, qualification of core dealer for Credit Protection Contract, the Shenzhen Stock Exchange

(84) In 2019, business qualification for main market maker of listed funds, the Shanghai Stock Exchange

(85) In 2019, a member of China Banking Association, China Banking Association

(86) In 2019, business qualification for conducting margin financing on the Sci-Tech Innovation Board, the CSF

(87) In 2019, business qualification for conducting market making of commodity options, the CSRC

(88) In 2019, qualification of stock options brokerage and prop-trading, the Shenzhen Stock Exchange

(89) In 2020, pilot for consolidated regulatory capital framework, the CSRC

(90) In 2020, pilot to conduct fund investment advisory business, the CSRC

(91) In 2020, business qualification as lead underwriter, National Association of Financial Market Institutional Investors

(92) In 2020, qualification to conduct foreign exchange settlement and sales business, the SAFE

(93) In 2020, member of inter-bank foreign exchange market, the SAFE