

# 2020

SHENWAN HONGYUAN GROUP CO., LTD.

## Environmental, Social and Governance Report



SHENWAN HONGYUAN GROUP CO., LTD.

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# Notes

This is the 2020 Environmental, Social and Governance (ESG) Report published by Shenwan Hongyuan Group Co., Ltd. (hereinafter referred to as "Company", "we" or "Shenwan Hongyuan Group"), which presents the ESG philosophy, key practices and performance of Shenwan Hongyuan Group during the reporting period. This report was released after being approved by the Board of Directors of our Company. The Board and all the Directors of our Company guarantee that there are no false representations, misleading statements or major omissions regarding the contents of this report.

## Reporting boundanries

- Reporting organizations: Shenwan Hongyuan Group, headquarters, Shenwan Hongyuan Securities and major branch offices, etc.
- Reporting period: ranging from January 1, 2020 to December 31, 2020, some contents may not fall into the aforesaid reporting period
- Reporting cycle: annual report

## Preparation standards

- CSRC *Code of Corporate Governance for Listed Companies (2018)*
- SZSE *Social Responsibility Guidelines for Companies Listed on the Shenzhen Stock Exchange (2006)*
- HKEX *Environmental, Social and Governance Reporting Guide (2020)*
- Global Reporting Initiative *Sustainability Reporting Standards*

## Notes on data

- The report sees no significant change in the methodology for obtaining and calculating data compared with previous annual reports
- All the data in this report come from the official documents and statistical reports of Shenwan Hongyuan Group
- All monetary amounts stated in the report are denominated in RMB, unless otherwise specified



## Reporting principles

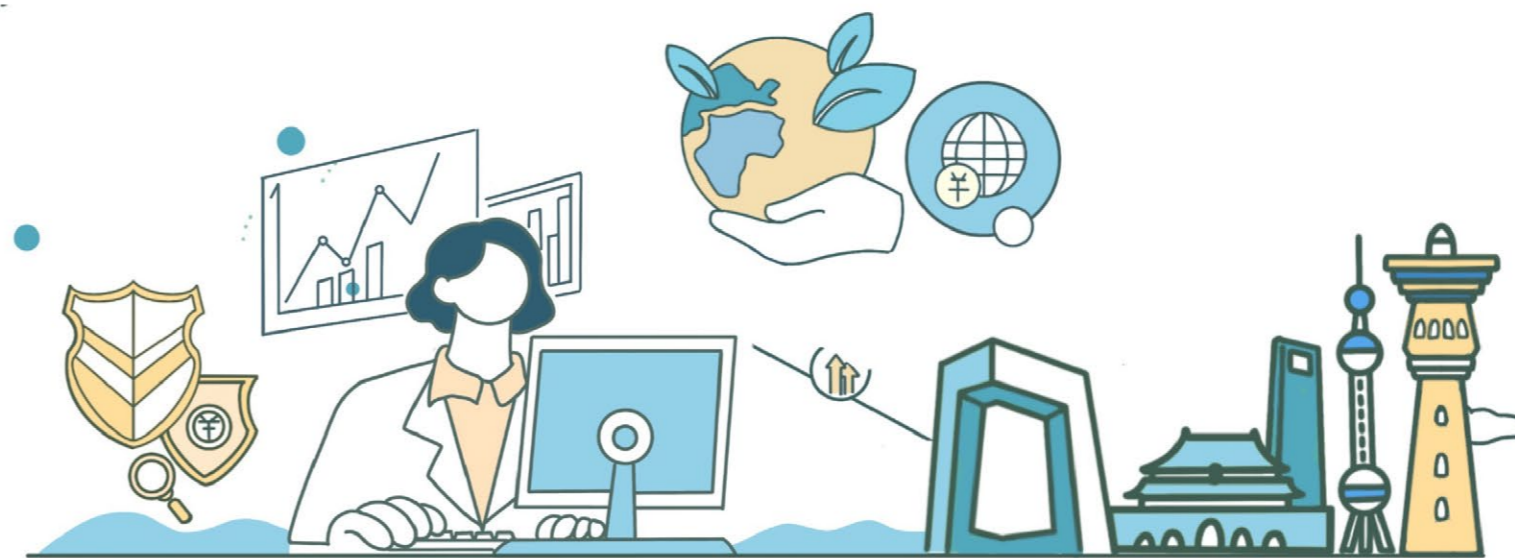
- Materiality: the report identifies and responds to important ESG issues affecting the Company's sustainability based on online stakeholder surveys, data analysis, etc. The materiality analysis process and results are detailed in this report P16
- Quantitative: the Company's quantitative key ESG performance data has been disclosed in this report P87-P91
- Consistency: the report keeps indicators used in different reporting periods as consistent as possible and explains changed indicators to present changes in performance
- Balance: The report reflects objective facts while disclosing positive and negative indicators

## Access to the e-report

- Official website of Shenwan Hongyuan Group Co., Ltd. ([www.swhygh.com](http://www.swhygh.com))
- Official website of HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk))

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## Chairman's Speech



2020 was a quite eventful and extraordinary year. The COVID-19 outbreak has imposed a profound impact on the global political, economic, and technological landscapes. In the face of severe and complex global challenges, we reaffirms its position as a company with "belief and responsibility", sticking to the spirit of "responsibility, professionalism, collaboration, openness, and enterprising", and the core values of "seeking truth and innovations while pursuing integrity and sincerity in practice". We worked hard to fulfill the corporate social responsibility, actively responded to the national strategies and proceed with the "Six Stabilizations" and implement the "Six Guarantees"<sup>1</sup>. Moreover, we proactively integrated social responsibility into our core value framework to standardize corporate governance, protect the legitimate rights and interests of customers, and help employees realize their individual values. The ultimate goal is to better serve the real economy, capital market and the general public in a professional and effective manner.

In the past year, we, relying on financial expertise, launched a variety of financial products and tools, including the first COVID-19 prevention and control bond in China, the first batch of SSE-listed specialized COVID-19 prevention and control bonds, and the first anti-epidemic REITs in China, sparing no effort to help enterprises to resume work and production and ensure the stability of industrial and supply chains as a whole. On the one hand, the "Inclusive Finance Head Quarter" was established, dedicated to build a full industry chain serving SMEs in an all-round way, such as policy-based reductions and exemptions, relief funds, NEEQ Select listing, and the synergy of stocks and bonds. On the other hand, we actively responded to the needs of state-owned large and SMEs as well as industry-leading enterprises, signing cooperation agreements with 69 strategic clients to support them in M&As, transformation, upgrading and overall listing. We continued to increase investment in poverty-alleviation programs, donating over RMB 48 million throughout the year. A great variety of measures were taken to help Huining County, Gansu Province, a state-level poverty-stricken county out of poverty successfully in October 2020. As a result, we was selected as the "Top 50 Comprehensive Typical Cases of Targeted Poverty Alleviation by Enterprises" by the State Council Leading Group Office of Poverty Alleviation and Development, and granted with "2020 Poverty Alleviation Enterprise Award" by the People's Daily. With regard to investor education, we organized nearly 300 online and offline investor education activities throughout the year. More than 3 million investors have benefited from such activities, making full use of the investment education bases in Xinjiang and Shanghai. These efforts improved the investor experience and bridged the gap between the capital market and investors, which is the "first line of defense" for market stability.

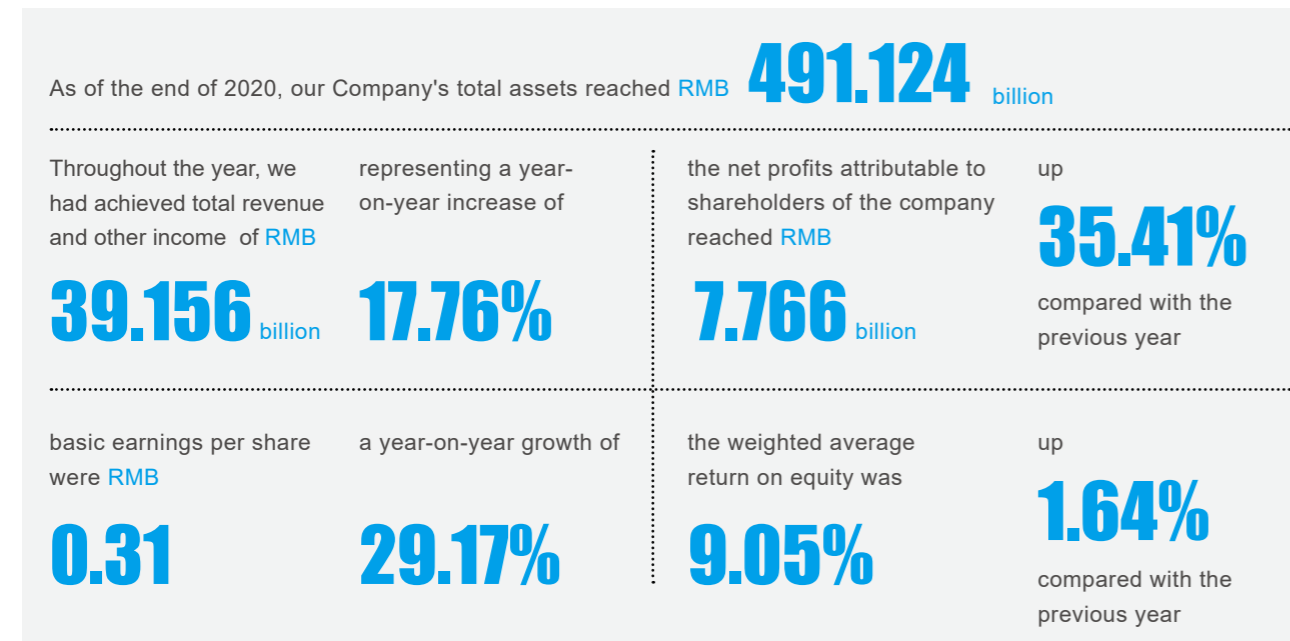
While fully fulfilling our social responsibilities in 2020, we always adhered to an overall guideline of making progresses while maintaining stability. To complete the tasks in a "year of reform and management", we mobilized all executives and employees to overcome the adverse effect of the epidemic and market fluctuations. We worked hard to overcome difficulties, implement overall strategies, and deepen system reforms. We spared no effort to seize market opportunities and improve internal management. As a result, our revenue and net profit reached a five-year high. Both our operational performance and competitiveness have been raised to a new level, constantly enhancing our industry position and facilitating our transition to a high-quality development model.

The road ahead is long and we are ready to work harder. In 2021, we will continue to rise to challenges and forge ahead, seizing major opportunities presented in the capital market reform and development during the 14th Five-Year Plan period. First, positioned as a company with "belief and responsibility", we will diligently implement the Three Financial Tasks (serving the real economy, preventing financial risk and deepen financial reforms), pursuing a greater market presence in serving the new development trends, capital market reforms and investors. Second, by accelerating the improvement of the top-level design of "Four Beams and Eight Pillars" while making strategic arrangements, we aim to build core competitiveness, reinforce our market position continuously and achieve high-quality development. Third, we will improve our risk management capabilities and corporate systems and mechanisms to resist macro policy and economic fluctuation risks. We insist on making progresses while maintaining stability and strive to prioritize the things that must and mustn't be done, so as to strike a long-term balance between growth and risk prevention. Fourth, we will promote the integration of investment and investment banking, and two-wheel driven development by improving complementary relationship between capital-light and capital-intensive investments. We aspire to maximize returns to our shareholders and to become a more professional, market-oriented and world-class investment bank.

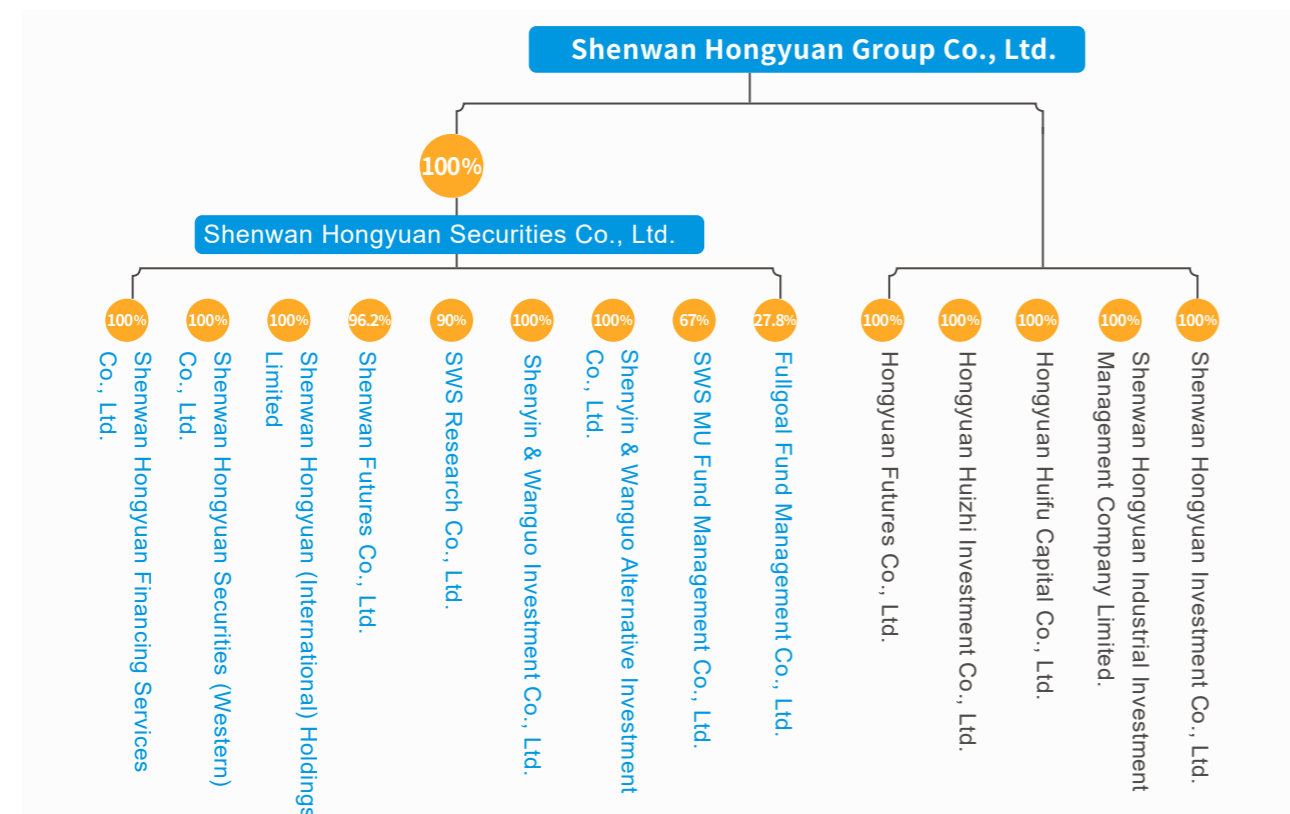
<sup>1</sup> "six stabilisations" refer to stabilisation of employment, finance, foreign trade, foreign investment, investment, and expectations; "six guarantees" refer to guarantee of resident employment, basic people's livelihood, main market players, food and energy security, stability of industrial chain and supply chain, and grassroots operation.

# Company Profile

Shenwan Hongyuan Group is a merger of Shenyin & Wanguo Securities Co., Ltd., the first joint-stock securities company in China, and Hongyuan Securities Co., Ltd., the first securities company listed in China. As a diversified leading financial conglomerate with securities at the core, it has gone public on the SZSE and HKEX in January 2015 and April 2019 successively.



## Organizational structure

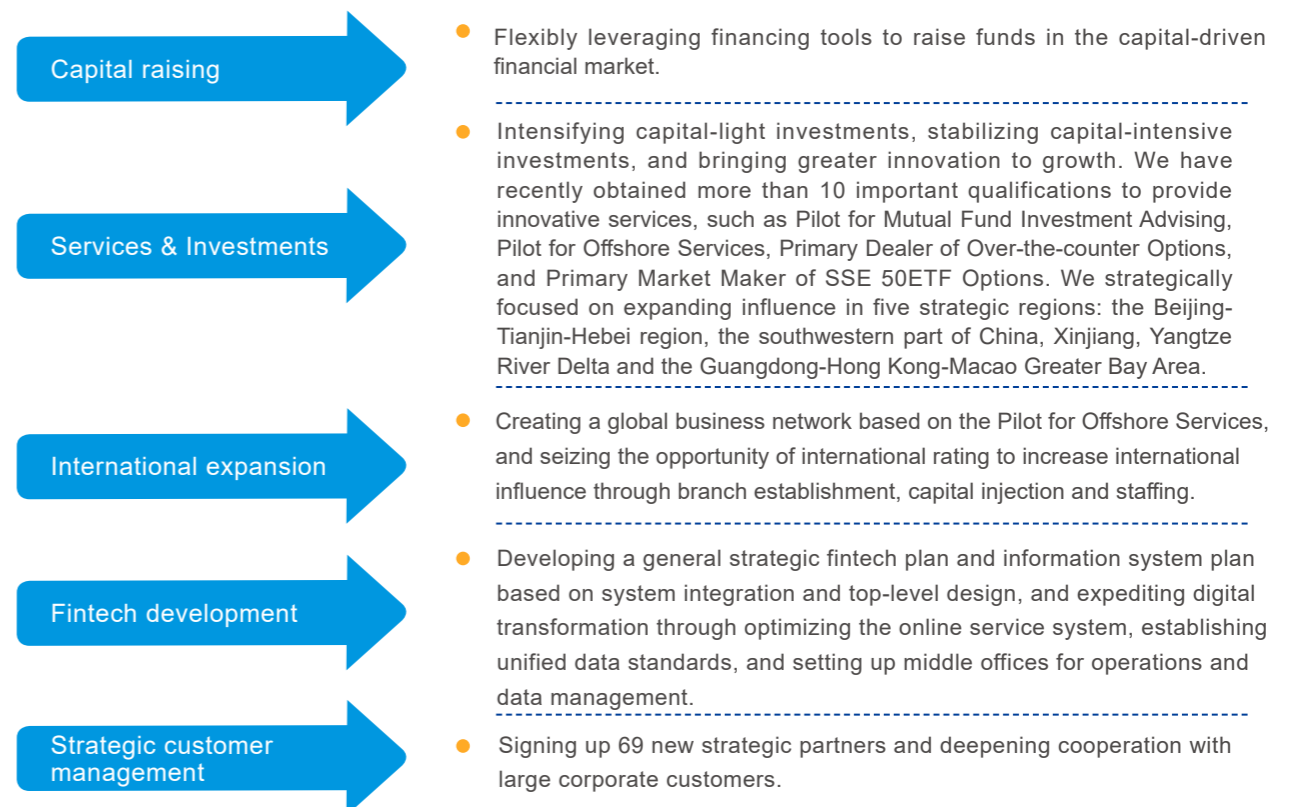


## Main businesses

Under the structure of “parent investment company + securities subsidiaries”, Shenwan Hongyuan Group mainly provides services that cover corporate finance, personal finance, institutional services and trading, and investment, contributing to the growth of the real economy.

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

## Strategic roadmap





Annual honors and awards

Social responsibility honors and awards		
Winner	Honor/Award	Awarded by
Chu Xiaoming	•2020 Socially Responsible Representative	International Finance News
Shenwan Hongyuan Group Co., Ltd.	•Socially Responsible Listed Company Award	People's Daily Financial Media Group, Securities Times
Shenwan Hongyuan Securities Co., Ltd.	•2020 Award for Outstanding Enterprises in Targeted Poverty Alleviation	People's Daily
	•2020 Award for Outstanding Enterprises in Poverty Alleviation	International Finance News
Shenwan Hongyuan Financing Services Co., Ltd.	•Securities Company Inclusive Finance Award	China Securities Journal
Shenwan Futures Co., Ltd.	•2020 Junding Award for Outstanding Futures Brokers in Poverty Alleviation in China	Securities Times
	•2020 Junding Award for Outstanding Futures Brokers in the Fight against COVID-19 in China	
	•Targeted Poverty Alleviation and Public Welfare Award	Futures Daily, Securities Times

Others		
Winner	Honor/Award	Awarded by
Chu Xiaoming	•16th Golden Roundtable Award for Best Chairman with Strategic Vision	Directors & Boards (journal)
Shenwan Hongyuan Securities Co., Ltd.	•2020 Junding Award for NEEQ Designated Broker-Dealers in China	Securities Times, Broker-Dealers in China
	•2020 Best Market Maker	National Equities Exchange and Quotations Co., Ltd.
	•2019 Outstanding Participant in Settlement Operations (Broker-Dealer)	Shanghai Clearing House
	•2019 Active Dealer in the Interbank Local Currency Market	China Foreign Exchange Trade System
	•2019 Outstanding Bond Investment and Trading Institution	Shenzhen Stock Exchange
	•2019 Outstanding Rate Securities Underwriter	
	•2019 Institution with the Greatest Marketability in the RFQ Market	Shanghai Gold Exchange
	•2019 Non-bank Underwriters of Local Bonds Best Contributor	China Central Depository & Clearing Co., Ltd. (CCDC)
	•2019 SSE Outstanding Local Government Bond Underwriter	Shanghai Stock Exchange
	•Award for Investor Education	
	•Outstanding Bond Underwriter	
	•Risk Prevention and Resolution of Stock Pledge Business Award	
	•Golden Bull Award for Top Ten Broker-Dealers	China Securities Journal
	•Golden Bull Award for the Best Assets Management Team	
Shenwan Hongyuan Financing Services Co., Ltd.	•2020 Most Promising Investment Bank in China	China Business Network, CAIJING.COM.CN, Times Media Group, Value Line Research Institution
	•2020 Golden Bull Award for the Best Investment Banking Team	China Securities Journal
	•2019 Outstanding Corporate Bond Underwriter	Shenzhen Stock Exchange
	•Inclusive Finance Division Business Department I won the 2020 Junding Award for Outstanding NEEQ Service Team	Securities Times, Broker-Dealers in China
	•Acquisition of Ningbo Culture & Tourism listed on the NEEQ by the Inclusive Finance Division won the 2020 Junding Award for NEEQ Projects in China	

Others		
Winner	Honor/Award	Awarded by
Shenwan Futures Co., Ltd.	·Outstanding Member	Zhengzhou Commodity Exchange
	·Outstanding Member in Talent Development	
	·PTA Variety Service Excellent Member	
	·Methanol Variety Service Excellent Member	
	·Outstanding Member Award	Shanghai Futures Exchange
	·Steel Industry Service Award	
	·Energy and Chemical Industry Service Award	
	·Option Market Service Award	
	·Outstanding Member Gold Award	Dalian Commodity Exchange
	·Outstanding Technological Support Award	
	·2019 Platinum Award for Outstanding Member	China Financial Futures Exchange
	·Product Development Award (Index Futures)	
	·2020 Pioneering Wealth Management Mobile Client	International Finance News
	·The Seventh Securities and Futures Science and Technology Award for Excellencea	Securities and Futures Science and Technology Award Committee
	·Best Futures Broker in China	Futures Daily, Securities Times
·Best Commodity Futures Service Provider Award (metals, agricultural products, energy and chemicals)		
·Best Financial Futures Service Provider Award		
·Best Corporate Brand Builder Award		
·Best Asset Management Pilot Award		
·Best Capital Operator Award		
·Most Popular Futures Broker as We Media		
·Best Futures IT System Builder Award		
·Best Comprehensive Derivatives Service Innovator Award		
·Gold Medal Management Team of Futures Broker in China		
·Gold Futures research institute in China		
SWS Research Co., Ltd	·First place in Best Banking Analysts Competition	Shanghai Securities News
	·Second place in Best Utility Analysts Competition	
	·Second place in Best Light Industry & Textile Analysts Competition	
	·Third place in Best Computer Analysts Competition	Securities Market Weekly
	·Third place in Local Gold Medal Research Team Competition	
	·Most Competitive Gold Medal Research Team	

Others		
Winner	Honor/Award	Awarded by
SWS Research Co., Ltd	•Fifth place in Local Gold Medal Research Team Competition  •Fourth Place for Most Influential Institution  •First Place in Light Industry and Textile and Garment  •First Place in Public Utilities  •Second Place in Banking  •Second Place in Chemical Industry  •Second place in Energy Extraction  •Second place in Computer	New Fortune
	• Third place in Gold Qilin Best Analyst and Best Research Institution Competition	Sina
SWS MU Fund Management Co., Ltd.	•Seven-Year Sustained Superiority Taurus Award (Quantitative Small Market Stock)	China Securities Journal
	•Asset Management Association Donation Certificate	Shanghai Asset Management Association
	•The 17th "Golden Fund" Awards Equity Fund Seven-Year Award (Quantitative Small Market Stock)	Shanghai Securities News
	•The Second China Public Offering Fund Awards 2019 Best Index Enhanced Fund	China Fund News
	•Outstanding Channel Support Award for 2020	Agricultural Bank of China Shanghai Branch
Hongyuan Futures Co., Ltd.	•Outstanding Member  •Industry Service Excellent Member	Zhengzhou Commodity Exchange
	•Outstanding Member Gold Award  •Outstanding Options Market Service Award  •Advanced Contribution Award for Futures Market Makers	Dalian Commodity Exchange
	•Outstanding Member Award  •Steel Industry Service Award  •Outstanding Trader of Shanghai Standard Warehouse Receipt Trading Platform	Shanghai Futures Exchange
	•Outstanding Member Award	Shanghai International Energy Trading Center
	•China Futures Risk Management Subsidiary Junding Award	Securities Times
	•Outstanding New Media Marketing Award	Futures Daily
	•Top 100 Brand Power Enterprise List	Economic Observer

# Social Responsibility Management

We think that it is important to grow with stakeholders, implement corporate citizenship, and actively incorporate social responsibility into our development.

## Improving social responsibility management mechanism

### Social responsibility philosophy

We always adhered to core values of “seeking truth and innovations while pursuing integrity and sincerity in practice”, upheld the corporate spirit of “responsibility, professionalism, collaboration, openness, and enterprising”, and proactively integrated social responsibility into our core value framework. We step up efforts to proceed with the “Six Stabilizations” and implement the “Six Guarantees”, to enhance the ability of finance to serve the real economy. Moreover, we took various measures to promote green finance, protect consumer interests and rights, help employees realize self-fulfillment, and create decent returns for shareholders.

#### Creating value for customers

We have been building up our ability to increase the quality and value of the assets of our customers, so that we share earnings and achievements with them based on a win-win relationship.

#### Creating value for employees

We believe that employee development promotes the growth of the company. To this end, we provided opportunities to employees for career development, helped them improve performance and realize self-fulfillment, and satisfied their needs for pleasant working and healthcare.

#### Creating value for shareholders

We exerted efforts to promote corporate growth by size, assets and profits, in a move to maximize shareholder value.

#### Creating value for society

We believe that a socially responsible enterprise “grows in and also for society”. With this in mind, we actively engaged in public welfare and poverty alleviation, making contributions to society out of our sense of social responsibility.

### Social responsibility management

ESG assesses enterprises’ abilities of sustainable development and abilities of bringing stable value returns for investors from three dimensions. We comprehensively integrated ESG into our operational decision making to achieve ESG-oriented development. In 2020, we created an ESG indicator system composed of over 300 economic, environmental, social, and corporate governance indicators. Measurement scopes and approaches, as well as departments involved, were specified to ensure effective ESG implementation.

#### Creating an ESG management organizational structure

- **The Board of Directors** is responsible for developing ESG policy, making material ESG-related decisions, and supervising and examining ESG implementation.
- **The management** is responsible for implementing major tasks assigned by the board regarding ESG, assisting the board in ESG decision-making, identifying and managing ESG opportunities and risks, establishing an effective ESG mechanism, and supervising the ESG implementation of various departments and subsidiaries.
- **Departments and subsidiaries** are responsible for performing ESG tasks within the scope of responsibility, engaging with stakeholders, and regularly reporting ESG performance to the management.

#### Comprehensively integrating ESG into corporate management

- **Environmentally**, departments and subsidiaries pushed forward green finance and sustainable investment, and intensified environmental and social risk management; and offices focused on environmental protection and low-carbon operations.
- **Socially**, the HR Department, Labor Union, Poverty Alleviation Office, Party Committee Office, Disciplinary Committee Office and other relevant entities pulled together to promote employee healthcare and safety, supplier review, community investment, etc.
- **In terms of corporate governance**, in accordance with supervision requirements, the frameworks, mechanisms and processes were constantly optimized to ensure effective corporate governance.

#### Improving ESG capacities at all levels

- Measures like ESG training, peer-to-peer exchanges, ESG rating communication, and external consulting were taken to interpret ESG compliance requirements, align with ESG rating requirements, and continuously improve ESG capacities at all levels.

## Enhancing engagement with stakeholders

We think that engagement with our stakeholders is crucial, so we identified and actively responded to their needs in multiple ways.

Stakeholder	Requirements and expectations for us	Responses and measures	Engagement channels
 <b>Governments and regulators</b>	<ul style="list-style-type: none"> <li>• Maintaining sustainable development</li> <li>• Serving the real economy</li> <li>• Implementing targeted poverty alleviation</li> <li>• Participating in the fight against COVID-19</li> </ul>	See <b>Economy-powered participation in high-quality development, Targeted poverty alleviation, Participating in the fight against COVID-19</b>	<ul style="list-style-type: none"> <li>• Cooperation with regulators</li> <li>• Regular information disclosure</li> <li>• Meetings and reports</li> <li>• Participation in China Wealth Management 50 Forum</li> </ul>
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Maintaining sustainable development</li> <li>• Strengthening Corporate Governance</li> <li>• Comprehensive Risk Management</li> <li>• Improving internal compliance control</li> </ul>	See <b>Governance-based steady operations</b>	<ul style="list-style-type: none"> <li>• General Meeting of Shareholders</li> <li>• Regular information disclosure</li> <li>• Investor conferences</li> <li>• Annual results announcement</li> </ul>
 <b>Clients/ Customers</b>	<ul style="list-style-type: none"> <li>• Protecting client/customer rights and interests</li> <li>• Improving service level</li> <li>• Fintech empowerment</li> </ul>	See <b>Customer-oriented excellent services</b>	<ul style="list-style-type: none"> <li>• Investor education</li> <li>• Client/customer inquiries and complaints</li> <li>• Client/customer satisfaction survey</li> <li>• Official website, WeChat Public Account</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>• Protecting the rights and interests of employees</li> <li>• Promoting employee development and training</li> <li>• Ensuring employee health and safety</li> <li>• Enriching the lives of employees</li> </ul>	See <b>Employee-driven development</b>	<ul style="list-style-type: none"> <li>• Labor union activities</li> <li>• Employee training</li> <li>• Cultural activities</li> <li>• Employee care</li> </ul>
 <b>Suppliers and partners</b>	<ul style="list-style-type: none"> <li>• Supply Chain Management</li> </ul>	See <b>Supplier chain management</b>	<ul style="list-style-type: none"> <li>• Strategic cooperation and exchange</li> <li>• Business communication</li> <li>• Bidding</li> </ul>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>• Participating in public-spirited community-oriented activities</li> <li>• Organizing volunteer programs</li> </ul>	See <b>Public welfare</b>	<ul style="list-style-type: none"> <li>• Concerted Party building</li> <li>• Public-spirited community-oriented activities</li> <li>• Volunteering</li> <li>• Conducting poverty alleviation programs</li> </ul>
 <b>Ecosystem</b>	<ul style="list-style-type: none"> <li>• Operating in a low-carbon way</li> <li>• Promoting green finance</li> </ul>	See <b>Addressing climate change</b>	<ul style="list-style-type: none"> <li>• Green operations</li> <li>• Promoting green finance</li> </ul>



## Annual materiality analysis

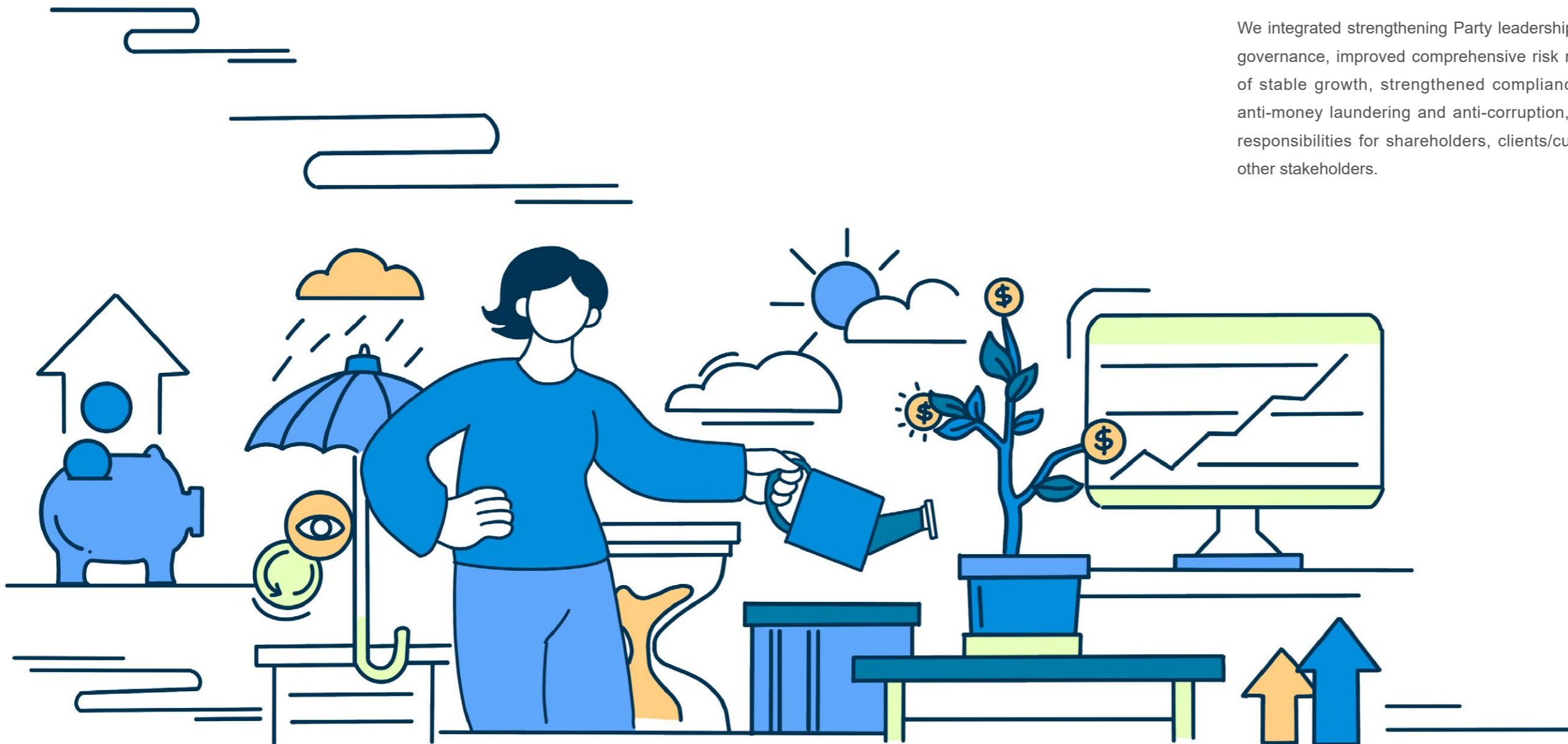
Based on a comprehensive consideration of our operational and development strategies, industry characteristics, and the priorities and expectations of stakeholders, we identified several material issues that matter to the Company and stakeholders through evaluation and screening, and disclosed and explained such issues in this report.



>>> Matrix analysis of materiality

# Governance-based Steady Operations

We integrated strengthening Party leadership with improving corporate governance, improved comprehensive risk management on the basis of stable growth, strengthened compliance management such as anti-money laundering and anti-corruption, and actively fulfilled our responsibilities for shareholders, clients/customers, employees and other stakeholders.



## Enhancing Party building to guide development

### Strengthening political development

- We promoted the Party's political, capacity, conduct and integrity development, ensuring that the Party guides the whole company.
- We increased the leading role of the Party in "setting the right direction, keeping in mind the big picture, and ensuring the implementation of Party policies and principles". Furthermore, we strictly implemented prior procedures, revised the *Party Committee Meeting Rules of Procedure and Method for Collective Decision Making on Major Corporate Issues*, and formulated the *Implementation Measures for Studying and Discussing Prior Procedures by the Party Committee (Trial)*, to make sure that our efforts focus on major issues.

### Enhancing Party building

- Focusing on Party member ideal and belief education, we established a long-term education mechanism that aims to "raise awareness of staying true to the Party's founding mission", and provided training themed on "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" and "five personal qualities and four kinds of love".
- We developed standards for the establishment of primary Party organizations, and implemented the *Regulations on the Work of Primary Party Organizations of State-owned Enterprises*, so as to standardize the establishment of entities involved in Party building, and develop standardized procedures for Party branches.

### Strengthening conduct and discipline development

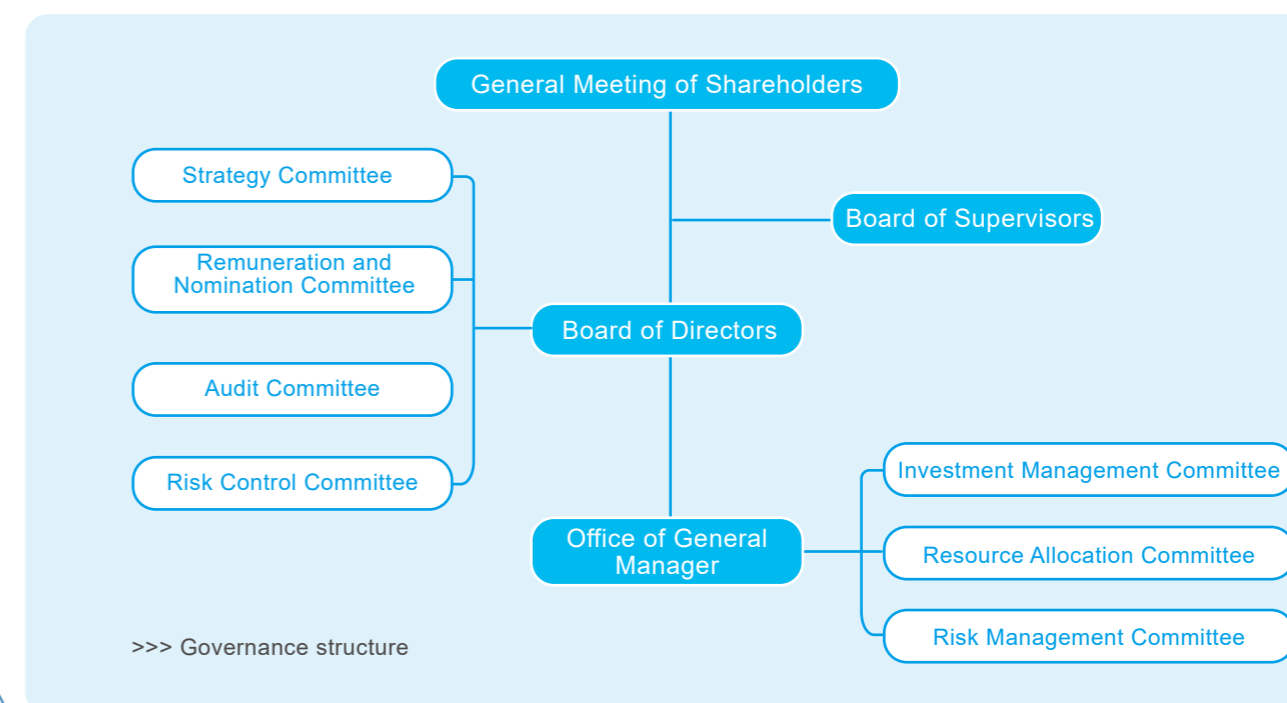
- We reviewed key tasks, and ensured effective organization, responsibility assignment, task decomposition, and supervision and assessments.
- We formulated and implemented the discipline inspection commission reform plan, and encouraged the committee to carry out political and peer supervision.
- We implemented the central Party leadership's eight-point decision on improving work conduct, intensified the rectification of formalism and bureaucracy, and established a long-term mechanism for preventing food waste.
- We stuck to the principle of "investigating all cases and punishing all violations", and enhanced integrity education.



## Strengthening corporate governance

### Improving the governance system

To promote corporate governance, we strictly followed the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines on the Governance of Listed Companies* and other laws and regulations and related requirements; established a corporate governance structure mainly composed of shareholders' meetings, Board of Directors, Board of Supervisors and Office of General Manager; created a diversified and complementary board of directors; improved the governance mechanism; and clearly defined the rights, obligations and behaviors of shareholders, directors, supervisors and managers.



As of the end of 2020, the Board of Directors had **11** directors: **2** executive directors, **5** non-executive directors, and **4** independent non-executive directors and **4** female directors; and the Board of Supervisors had **8** supervisors including **4** employee supervisors.

In 2020, we held **2** shareholders' meetings, **9** board meetings, **4** meetings of the Board of Supervisors, **6** meetings of the Audit Committees, **5** meetings of the Remuneration and Nomination Committee, **2** meetings of the Risk Management Committee and **2** meetings of professional committee of the supervisory board.

## Compliance information disclosure

We formulated the *Shenwan Hongyuan Group Information Disclosure Management System*, clarified the basic principles of information disclosure, and established an information disclosure management process involving a clear assignment of responsibilities and detailed procedure. Also, we standardized information disclosure in multiple dimensions, to improve disclosure management and quality, and at the same time, protect the rights and interests of the Company, shareholders, clients/customers, creditors and other stakeholders.

2020

A total of 412 temporary announcements and 4 periodic reports were disclosed to ensure timely, true, accurate and complete information disclosure.

No disclosure violations occurred, and in the annual disclosure assessment of SZSE, we were rated A since 2015.

## Intensifying engagement with investors

Through consulting hotlines, online interactive platforms, emails, performance briefings, investor meetings, roadshows, etc., we answered the questions of domestic and foreign customers, interpreted our business profile and explained changes in performance, ensuring that they are well informed.

# Comprehensive risk management

## Improving the risk management system

We further improved our risk management system, which was created based on the basic system of *Regulations on Risk Management*, and enriched by various professional risk management methods, operational procedures and operational risk management rules.

In 2020, we formulated the *Rules for Implementing Risk Management in Subsidiaries* and *Risk Project Accountability Regulations (trial implementation)* and other systems to strengthen risk penetration management and improve the risk project accountability system; revised the *Internal Rating Management Measures* to standardize internal rating operations and processes, expanded the coverage of internal ratings, and improved the accuracy, objectivity and timeliness of internal rating results.



>>>Risk management organizational structure

## Improving the risk management organizational structure

## Focusing on main issues relate to risk prevention and control

- We adjusted the Risk Tolerance Implementation Program 4 times to strengthen the proactive nature of risk management.
- We formulated and issued the *Economic Capital Allocation Plan for 2020* to strengthen the capital return concept, optimized business structure, and enhanced the forward-looking management of risk coverage ratio indicators.
- We established and continuously improved control measures and mechanisms such as internal credit rating system, same customer control mechanism and negative public opinion monitoring mechanism. We procured external Consulting's database of high default risk bond subjects to enhance the forward-looking early warning and prevention capability of credit risk. In 2020, for the 31 new defaulting subjects in the whole market, the system included 30 of them into high-risk subjects in advance, and warned 8.7 months earlier on average than the actual default occurrence.
- We continuously strengthened the forecast and analysis of the market environment, actively adjusted the asset allocation strategy, and strengthened the risk management of cross-border business and various innovative businesses.
- Through three tools of risk control self-assessment, loss data collection, and key risk indicators, we managed operational risk and improved front-end control.
- We incorporated the risk management of subsidiaries into our comprehensive risk management system that covers all employees and processes, and strengthened risk consolidation management and centralized penetrating control of business exposures of subsidiaries.
- We formulated the *Regulations for the Verification of Risky Projects of Shenwan Hongyuan Group*, *Management Measures for the Reporting and Disposal of Risk Events of Shenwan Hongyuan Group (trial implementation)*, *Project Management Measures of Shenwan Hongyuan Securities*, *Guidelines for the Classification of Risk Levels of Projects of Shenwan Hongyuan Securities* and other systems and norms to strengthen the protection of project management system and accelerate the resolution and disposal of risky projects.
- Investment departments, branches and subsidiaries steadily promoted the integration of ESG factors into customer due diligence and follow-up management, and formulated specific implementation plans. According to the characteristics of different services, they developed customer ESG risk assessment standards covering standardized management, environmental protection, employee health and safety, ethics, and other key factors, and also improved ESG risk triggering and reporting mechanisms, and clarified corrective measures.

## Strengthening the culture of risk management

We conducted comprehensive risk management system training and special training for new employees and risk management personnel to enhance the professional capacity of risk management personnel by publishing risk management-related articles in the Division newspaper, issuing newsletters, preparing the *Risk Case Handbook* and conducting special analysis sessions on risk cases, etc.

In 2020, we organized **11** themed risk training sessions, including **1** risk case analysis session, **1** comprehensive risk management system session for new employees, and **9** sessions for risk management professionals.



## Improving internal compliance control

### Compliance management

#### Measure 1

We watched closely the latest regulatory updates and implemented them based on thorough analysis; improved compliance systems according to external and internal regulatory requirements; and created a compliance management institutional framework composed of basic and supplementary compliance management systems.

#### Measure 2

We established compliance management teams at the leadership (Board of Directors, Board of Supervisors, Office of General Manager), compliance director/senior management, compliance department, department, branch and subsidiary levels. These teams played their specified roles in a collaborative way to jointly promote compliance management.

#### Measure 3

We established sound systems for compliance consulting, reviews, monitoring, inspections, reporting and assessments, as well as for anti-money laundering and information barriers; and developed measures for the management of information barriers, to ensure standardized compliance management.

#### Measure 4

We evaluated and improved compliance management through internal control and compliance effectiveness evaluations, to ensure effective compliance management.

#### Measure 5

- We organized various forms of informative compliance training sessions to promote compliance culture and management.
- In 2020, the Legal Compliance Department periodically collected regulatory cases across the industry, and informed and warned employees about risks via the *Legal Compliance Information Express*. Various internal organizations also organized compliance management training according to their own characteristics. More than 9 training sessions were organized over the year to interpret the new *Securities Law*, and analyze typical cases.



**Case:** New *Securities Law* knowledge competition ended successfully

To help employees understand and abide by relevant laws and regulations, and improve their awareness of compliance, the Labor Union Office launched the Employee Skills Festival New *Securities Law* Competition. The event received company-wide support. Totally 5,428 employees from 293 labor unions of various business units, divisions, branches, subsidiaries and business departments participated in the competition, recording a participation rate of over 70%.



## Anti-money laundering and anti-corruption measures

In 2020,

Totally

**33,561** hours

anti-money laundering and anti-corruption training were provided.

Distributed

**5,960**

anti-money laundering and anti-corruption manuals,

**18,334**

brochures, and

**2,320**

self-made promotion items.

Sent

**2,265,045**

text messages and

**167,231**

WeChat messages.

Produced

**24**

micro-animations and short videos.

No corruption lawsuits against the Company or any employees occurred.

## Anti-money laundering measures

Based on the *Measures for the Supervision and Administration of Anti-Money Laundering by Financial Institutions (Trial)*, and *Guidelines for the Management of Money Laundering and Terrorist Financing Risks in Legal Person Financial Institutions*, we formulated the *Shenwan Hongyuan Securities Money Laundering and Terrorist Financing Risk Management System*, *Measures of Shenwan Hongyuan Securities for Money Laundering and Terrorist Financing Risk Management*, and *Shenwan Hongyuan Securities Money Laundering and Terrorist Financing Risk Assessment Procedures*.

We created an anti-money laundering framework composed of the Board of Directors, Office of General Manager, Compliance Department, business units, divisions, branches, and related functional management departments.

We optimized the anti-money laundering system to ensure the safety of customer identification, suspicious transaction reports, customer information and transaction records, and to promote money laundering risk assessment and control.

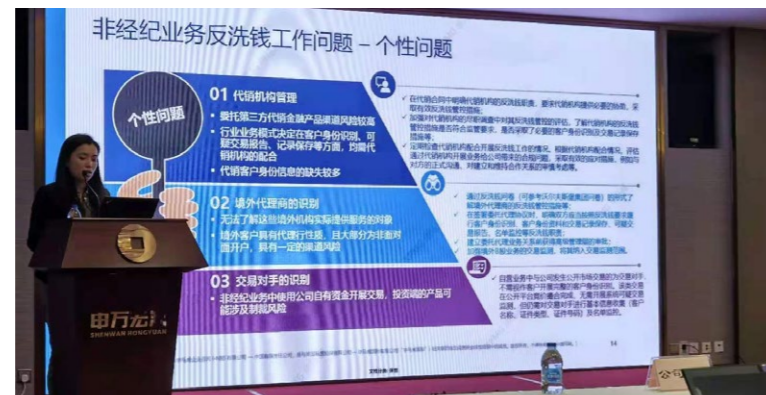
We organized various forms of anti-money laundering training and promotion activities.

## Anti-corruption measures

We strengthened anti-corruption management across the Company, including formulating the *Anti-corruption Management System*, setting up the Party Conduct Office, and creating an integrated anti-corruption system, to crack down on corruption.

We closely tracked key projects, areas and job positions through interviews, letters, visits, etc.

We normalized anti-corruption education via the “Shenwan Hongyuan Party Conduct and Anti-corruption” WeChat official account, arranged training and tests for new employees to prevent corruption from the very beginning, and regularly held anti-corruption case study meetings to inform anti-corruption requirements and increase employees’ anti-corruption awareness.



>>>Non-brokerage anti-money laundering training

## Protecting intellectual property

## Supply chain management

We attached great importance to intellectual property rights protection. For software or procedures designed and developed by a third party entrusted by us, the ownership and protection of intellectual property rights will be explicitly stipulated in the business contracts; moreover, we use third-party intellectual property rights with permission to purchase legitimate office software, pictures and fonts, and continue to promote the standardized use of picture fonts.

Based on the *Law of the Bidding Law of the People’s Republic of China*, *Government Procurement Law of the People’s Republic of China* and other laws and regulations, we formulated the *Measures of Shenwan Hongyuan Group for Procurement Management*, to further optimize the processes of supplier access review and dynamic management, standardize procurement management, and improve supplier management.

We continued to promote responsible procurement, created equal opportunities for SME suppliers, and integrate supplier ESG responsibility requirements — particularly on environmental protection, labor health and safety, public welfare and standardized management — into supplier management. Contracts for suppliers specified our requirements on intellectual property protection and anti-commercial bribery.

In 2020

our pooled  
procurement involved  
domestic suppliers

**164**

overseas suppliers  
(including Hong Kong,  
Macao and Taiwan)

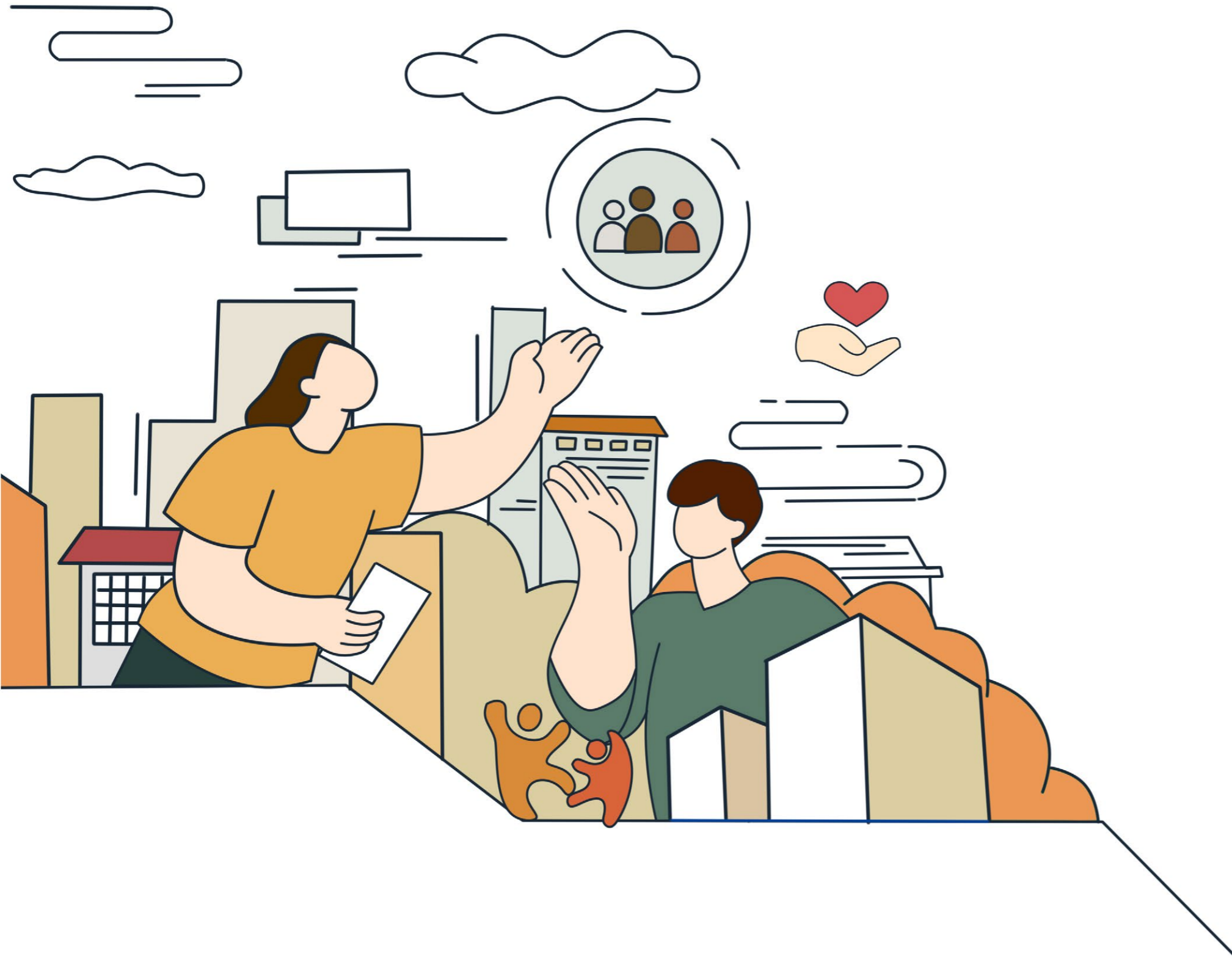
**155**

supplier review  
rate

**100%**



Note: The scope of statistics includes the Group company, Shenwan Hongyuan (Hong Kong), SWS Research Co., Ltd., Shenwan Futures and Hongyuan Futures, increasing the statistics related to Shenwan Hongyuan (Hong Kong), SWS Research Co., Ltd., Shenwan Futures and Hongyuan Futures compared to 2019.



## Assuming Social Responsibility to Create a Better Life

With a strong sense of social responsibility, we actively participated in diverse public welfare activities such as COVID-19 prevention and control and targeted poverty alleviation to help vulnerable groups, promoting harmonious social development.

## Participating in the fight against COVID-19

### Setting up a response team and developing response measures

- Soon after the outbreak of COVID-19, we set up a COVID-19 response leading group and the subordinate COVID-19 office to lead infection prevention and control across the Company.
- We issued the *Notice on the Prevention and Control of Pneumonia Epidemic Caused by COVID-19* and developed an emergency response plan to ensure effective prevention and control of the disease.

### Implementing response measures to ensure employee, customer and operational safety



>>>Employee safety was our priority during the outbreak of COVID-19

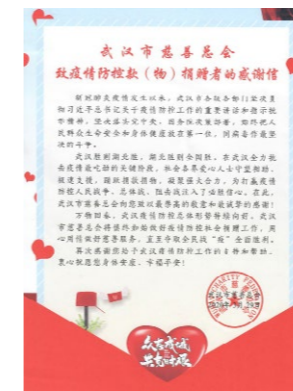
- Employee safety:** We established a strict information collection and analysis system to track employee movements and health conditions, enhanced workplace access and hygiene management, ensured material supply and employee care, and reserved emergency funds at the Labor Union.
- Customer safety:** We shifted trading from offline to online, including issuing an APP user manual and an online transaction guide; integrated the customer service centers in Shanghai, Chengdu and Xinjiang to ensure online consulting and trading; enabled remote agent login so that continuous brokerage services were provided even in extreme cases; and took strict epidemic prevention and control measures, including developing appointment scheduling and registration processes and making hygiene preparations, to ensure the safety of necessary visits.
- Operational safety:** We enhanced communication between the client-facing front office and the middle & back offices which support the former, and between the headquarters and branches, to ensure smooth operations and trading, and prevent risks in margin trading and equity pledged lending. Furthermore, T+1 and human customer services were provided, and plans for using the emergency server room and dealing room were developed.

### Making donations to support the fight against COVID-19 as a socially responsible

- We donated money and items to the Wuhan Charity Federation, Homage to Nurses Fund, Wuhan Red Cross, Organization Department of the CPC Central Committee, etc.

### Providing professional support to the real economy in the fight against the pandemic

- We funded enterprises related to disease prevent and control under diverse business models, such as setting up funds, over-the-counter options, warehouse receipts, cum-rights trading, basis trading, underwriting bonds related to COVID-19 prevention and control, and launching special products for bonds prevention and control.



Nearly **40** COVID-19 prevention and control meetings were held.

Approximately RMB **13.62** million was donated.

Masks, ambulances, protective suits, disinfectant and other anti-epidemic materials were donated to regions including Hubei province, Huining county of Gansu province and Maigaiti county of Xinjiang autonomous region.

RMB **8.106** billion of COVID-19 prevention and control bonds were sold.

**Case:** Shenwan Hongyuan Securities led the underwriting of the first tranche of the COVID-19 prevention and control bond issued by Industrial Securities through the Shanghai Stock Exchange, becoming the first broker-dealer as the lead underwriter of such bonds

In February 2020, Industrial Securities issued the first tranche of a COVID-19 prevention and control corporate bond to qualified investors with Shenwan Hongyuan Securities as the lead underwriter. Funds raised were first used to support enterprises affected by the pandemic and enterprises related to pharmaceutical R&D, medical device manufacturing, goods transportation and warehousing, and facility construction in COVID-19-affected areas. In this case, we supported the prevention and control of COVID-19 relying on our expertise and products.




>>>Online COVID-19 prevention and control promotion


Yibin State-owned Assets Industry Fund was started by Hongyuan Huifu with RMB

**2.02** billion

of AUM

 **Case:** Yibin State-owned Assets Industry Fund was set up to support COVID-19 prevention and control

Yibin State-owned Assets Industry Fund was started by Hongyuan Huifu with RMB 2.02 billion of AUM which had been fully contributed by the end of 2020. The fund has invested in a number of projects such as Yibin Siliya Group Co., Ltd. (RMB 350 million). Yibin Siliya Group Co., Ltd. acted soon after the COVID-19 outbreak. It built production lines according to national medical supply manufacturing standards, providing personal protective equipment such as masks and gowns urgently needed in disease prevent and control.

 **Case:** Hongyuan Hengli helped guarantee a stable cotton supply chain

Hongyuan Hengli purchased

**141,400** tons

of cotton for RMB

**1.9** billion

The ongoing Sino-US trade frictions and COVID-19 pandemic have hit China's cotton textile industry hard. In such a context, cotton price risk management is critical for maintaining a stable cotton supply chain. Hongyuan Hengli signed warehousing agreements with five futures delivery warehouses and made deals with 40 cotton buyers and 171 cotton processing companies based on the model of "basis plus customer pricing". On the other side, it purchased 141,400 tons of cotton for RMB 1.9 billion. This created an all-win situation for cotton farmers, processing enterprises and buyers, ensuring the stability of the cotton supply chain.

 **Case:** Hongyuan Huizhi supported the "Vegetable Basket" project

Hongyuan Huizhi invested RMB

**200** million

in a standalone trust loan to supported the "Vegetable Basket" project

In January 2020, Hongyuan Huizhi invested RMB 200 million in a standalone trust loan to Lanzhou Construction Investment (Holdings) Group Co., Ltd. The Lanzhou International Plateau Summer Vegetables and Non-staple Food Purchasing Center built by the financier is the largest "Vegetable Basket" project in Lanzhou. During the COVID-19 outbreak, the center took various prevention and control measures, and promoted the supply, trading and storage of agricultural and sideline products, especially vegetables and fruits, and tenants were exempted from rent and utility bills. The center fully fulfilled its social responsibility as "vegetable basket", "rice bag" and "fruit plate".

## Targeted poverty alleviation

According to the One Company for One County paired assistance initiative of the Securities Association of China and the general plan of the China Investment Corporation (CIC), we provided financial supports to six counties, one district and one village, including Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang Uygur Autonomous Region, Xi County in Shanxi Province, Baiyu County and Jinyang County in Sichuan Province, Qianjiang District in Chongqing Municipality, and Gaobei Village in Shibing County, Guizhou Province.

In 2020

Provided nearly RMB

**37** million

of financial aid to our targets

Bought more than RMB

**12** million

of agricultural products

Sell over RMB

**28.7** million

of agricultural products

Introduced more than RMB

**5.6** million

of investments

Provided training for

**1,429**

grassroots civil servants

and

**840**

technical personnel



- "Top 50 Comprehensive Typical Cases of Targeted Poverty Alleviation by Enterprises" by the State Council Leading Group Office of Poverty Alleviation and Development in 2020
- Third prize of the "My Poverty Alleviation Stories" by the State Council Leading Group Office of Poverty Alleviation and Development e
- "2020 Poverty Alleviation Enterprise Award" at the Social Responsibility Evaluation organized by People's Daily

## Enhancing leadership

### Staffing in poverty alleviation

- Poverty alleviation was led by the Party committee, organized and guided by the Poverty Alleviation Leading Group, and implemented by the Poverty Alleviation Office which further expanded to 8 full-time employees and 1 part-time employee.
- The 3 employees temporarily assigned to help Huining County in poverty alleviation in 2018 still stuck with their job in Huining.

### Poverty alleviation planning and implementation

- We formulated the *2020 CIC One-on-one Aid to Huining Plan*, created an annual budget which particularly focused on “two no worries” (food and clothing problem), “three guarantees” (guaranteed access to education, medical care and housing) and “insurance poverty alleviation”.
- Across the year, we held 1 meeting of the Poverty Alleviation Leading Group, and 14 meetings of poverty alleviation, to break down and implement poverty alleviation tasks.

## Improving accountability

### Promoting epidemic prevention and control and poverty alleviation

- **Increasing medical supplies.** We donated RMB 1.124 million of medical supplies to Huining to alleviate the shortage of medical supplies; and 100,000 medical masks worth RMB 299,400 to the Maigaiti County Education Bureau in Xinjiang, increasing the safety of local middle and high school students after returning to school.



>>>We donated 100,000 masks to Maigaiti County

- **Innovating financial methods to promote the prevention and control of COVID-19 in enterprises and the resumption of work and production.** Through a variety of over-the-counter option products, we helped breeding enterprises in Huining stabilize the price of feed for nearly 2,000 Angus cows, and helped Gansu Ganfu Fruit Industry Group Co., Ltd. hedge against price risk arising from nearly 300 tons of stocked apples, benefiting more than 6,000 local registered poor households. Also, we provided “Price Fluctuation Risk Prevention and Control Management” training for businesses and produced a video about *Guidelines for the Resumption of Work and Prevention and Control of COVID-19 in Huining*.
- **Promoting the labor transfer from poverty-stricken areas using external resources.** We linked the labor need of our customers with the labor market in Huining, promoting the employment of poor people.
- **Addressing surplus inventory of agricultural products caused by COVID-19.** We bought high-quality apples and millet with RMB 390,000 from Huining and donated them to front-line healthcare workers in Wuhan. Furthermore, we directly purchased and helped sell agricultural products from the epidemic-stricken areas in Hubei.



## Addressing “two no worries and three guarantees”

- **Ensuring the safety of drinking water in poverty-stricken areas.** We spent RMB 10.17 million to build valve pits, reservoirs and other drinking water facilities in 26 villages and towns in Huining, benefiting nearly 14,000 poor people from 3,111 households.
- **Increasing investment for compulsory education.** In Huining County, we donated RMB 6.2 million to build Xinbei Primary School in Huining County for 1,620 children from relocation sites, shantytown reconstruction areas and surrounding households; spent RMB 400,000 to set up more Shenwan Hongyuan Classes; helped 100 excellent students from registered poor households obtain RMB 368,000 of subsidies from the China Foundation for Poverty Alleviation; and continued to organize the “Big Hands in Small Hands” charity program which received RMB 112,000 donated by employees and about RMB 237,400 from the Guangdong Times Foundation. In Maigaiti County, Xinjiang, we donated RMB 1.55 million to renovate the Maigaiti Teacher Training Center; set up an RMB 150,000 scholarship fund to assist 150 excellent needy students; and spent RMB 200,000 to upgrade Lianxinqiao Kindergarten Garden. In Jimunai County, Xinjiang, we donated RMB 80,000 to promote entrepreneurship and employment. In Baiyu County, Sichuan, we bought RMB 200,000 of winter school uniforms for needy students. In Jinyang County, Sichuan, we provided RMB 80,000 of subsidies to excellent needy students in Deji Village and Xinjiang Village based on a supervision agreement.



>>>Siyuan Shenwan Hongyuan Electronic Book Reading Room held unveiling ceremony



>>>26 ambulances were donated to Huining County, Gansu



In October 2020, the “Golden Sunshine” research hosted by CIC and organized by Shenwan Hongyuan Securities was held. More than 80 students and teachers from CIC-targeted counties, including Huining County and Jingning County in Gansu Province, Xunhua County in Qinghai Province, and Shibing County in Guizhou Province participated in the event. Various education activities were organized to broaden the horizons of these students and promote their patriotism.

- **Improving medical services and service guarantee capabilities of grassroots organizations.** In Huining, we donated ambulances worth RMB 5.2 million to 26 township healthcare centers and hospitals; and used RMB of 1.74 million of Party membership dues to build public facilities in 12 villages to comprehensively enhance the cohesion and capabilities of Party organizations in poor villages.

## Implement the Four Not Removal work requirements

- **Promoting anti-poverty insurance and “futures + insurance” for agricultural products to help poor people hedge against risks.** In Huining, We provided RMB 3.4 million of anti-poverty comprehensive insurance covering 170,000 people from 39,000 households; and expand the corn “futures + insurance” project by providing RMB 1.5 million of “Futures + insurance” covering nearly 100,000 mu (approx. 6,700 ha) of core fields in 15 towns, benefiting more than 57,000 registered poor people from 12,000 households. In Maigaiti County, we provided RMB 500,000 of “beef cattle breeding insurance” for poor households. In Jimunai County, we made RMB 20,000 donations to poor households such as low-income households and five-guarantee households.
- **Intensify efforts to increase the income of the poor through e-commerce and consumption.** Through its e-commerce platform, CIC Poverty Alleviation Center sold agricultural products for RMB 35.7 million from Huining County and Jingning County in Gansu Province, Shibing County in Guizhou Province, and Xunhua County in Qinghai Province.
- **Enhancing training for grassroots civil servants and technical personnel in poverty-stricken areas.** In Huining, we spent RMB 300,000 of Party membership dues to provide targeted poverty alleviation training for more than 1,400 grassroots Party secretaries and first secretaries of villages; and organized a 12-day e-commerce training program focusing on e-commerce operations and management for the heads of e-commerce enterprises.

## Cultivating industries to promote poverty alleviation

- **Develop characteristic industries relying on local conditions to consolidate the foundation for stable poverty alleviation in poverty-stricken areas.** In Huining, we subsidized RMB 2 million to cooperatives in nine-township, directly lifting 381 poor households out of poverty. In Jimunai County, we donated RMB 300,000 to Borqystai Village to purchase agricultural and animal husbandry machinery.
- **Promoting the growth of industrial leaders.** We customized support strategies for target enterprises according to the “One Strategy for One Company” strategy, so that they play an increasing role in poverty alleviation while growing bigger and stronger. Also, we continued to provide internal and external investments through more diversified financing channels to leaders in the steel pipe manufacturing, beef cattle, apple and other industries in Huining.



**Case:** Gansu Qunye Technology Co., Ltd. went public on the NEEQ

In July 2020, with the help of Shenwan Hongyuan Securities, Gansu Qunye Technology Co., Ltd. went public on the NEEQ, becoming the first NEEQ-listed company in Huining County. As the main pipeline manufacturer in Huining, Gansu Qunye Technology Co., Ltd. has participated in many poverty alleviation projects in recent years, such as the Yellow River Diversion Project, Tao River Diversion Project, and Vegetable Greenhouse Project, playing a significant role in improving people’s livelihoods and eliminating poverty in Huining County.

- **Helping improve industrial development plan.** We assisted Huining in improving its Medium and long term industrial development plan focusing on “developing red cultural and educational industries and featured green agriculture with ecological improvement as the core”. The plan calls for a transformation from red resources into economic benefits, and more efforts to promote green poverty alleviation.



### Case: Huining County in Gansu launched its CIC-assisted poverty alleviation information system

In 2020, CIC assisted Huining County in Gansu in launching its poverty alleviation information system. It is the first CIC-assisted poverty alleviation information system, and another creative step made under the initiative of “Creating Memories about Poverty Alleviation” proposed by the Party committee.

>>>3,500 packages of products in 6 types were sold out at a poverty alleviation live stream



### Conducting in-depth poverty alleviation investigations

We conducted investigations to get a clear picture of poor areas, thus developing targeted measures to address challenges in poverty alleviation. In 2020, executives of our Company organized in-depth investigations to track the progress of projects, the use of funds and relevant supervision work.



>>>Chu Xiaoming investigated poverty alleviation in Huining



### Supervising and guiding poverty alleviation projects

In 2020, an audit expert team went to Huining to investigate the management of poverty alleviation funds in recent years. In addition, according to the *Regulations of CIC on the Audit of Poverty Alleviation Funds*, we investigated the management of poverty alleviation funds.



### Case: Launching innovative poverty alleviation e-commerce platform

We created an innovative e-commerce model for poverty alleviation. We established an e-commerce working group to work with CSRC in consumption-driven poverty alleviation, including creating an e-commerce platform. We participated in the Capital Market One Product from One County (Company) Online Exhibition launched by CSRC, and organized 48 capital market-related units, 76 counties, 180 enterprises, set up a “capital market poverty alleviation zone” in four shopping malls including Bank Mall China construction bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, as well as five e-commerce platforms including 360 buy, Tencent WeCounty, Avic yitong, COFCO womai, Benlai, to help enterprises in poor areas to become larger and stronger in market-oriented professional ways.



>>>Capital Market One Product from One County (Company) Online Exhibition was launched



### Subsequent targeted poverty alleviation plan

In the next stage, the Company will continue to exert great efforts on four aspects, i.e. organisational personnel, funds, project and assessment, to boost the poverty alleviation in six counties, one district and one village. First, we will implement the work requirements of “removing poverty without removing responsibilities, policies, assistance, and supervision”. Second, we will continue to assist Huining and other poverty-stricken areas in addressing “two no worries and three guarantees”. Third, we will implement the “One company, One policy” strategy, and give play to the leading role of leading enterprises in driving the local economy. Fourth, further effects shall be made in the operation of e-commerce platform and sales of agricultural products. Fifth, we shall comprehensively optimise the use and supervision mechanism for the funds used for poverty alleviation. Lastly, we will create a poverty alleviation atmosphere within the Company that “everyone is willing to, has the ability to and is able to participate in poverty alleviation” to form the characteristic culture.

## Public welfare

Relying on our strengths as a financial institution, we actively participated in public welfare, such as aiding disadvantaged groups, volunteering and environmental protection. We believe that it is our mission to assume social responsibility.

In 2020



a total of

**431** employees

volunteered

for more than

**3,392** hours

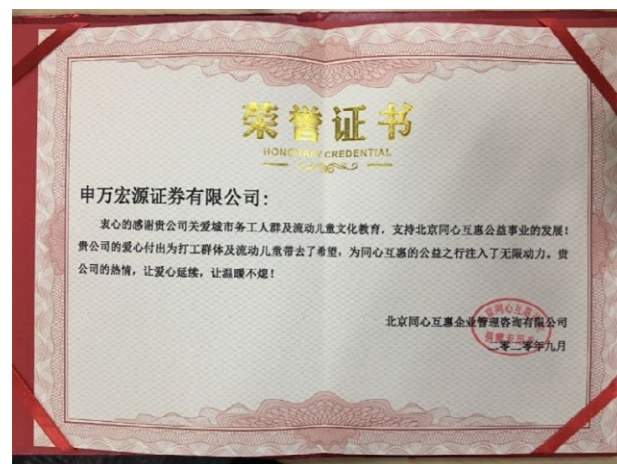
## Aiding disadvantaged groups

Urumqi Beijing South Road Branch in Western China had visited children's homes for 19 consecutive years. As a part of a socially responsible enterprise, they generously donated both money and items. In May 2020, they donated school supplies and daily necessities worth RMB 5,150 to the Urumqi Children's Home, in hope of supporting the growth and rehabilitation of orphans and disabled children.



>>>Urumqi Beijing South Road Branch aided a children's home

In April 2020, Shenwan Hongyuan Communist Youth League Committee launched the "Be Young, Be Hopeful, Be Undefeatable" 10,000 Needy Youths Aid Program. So far, 128 groups and individuals, both League members and non-League members, have participated in the program, to offer one-to-one psychological, financial and employment supports to 157 needy youths in Shanghai, helping them overcome difficulties in the special period.



>>>Shenwan Hongyuan Securities donated 899 items of clothing and 538 books during the "Love for All" public welfare program



>>>Guangdong Branch donated 1,000 surgical masks to a visually impaired people massage charity

## Volunteering

In July and August 2020, affected by COVID-19, many communities in Xinjiang were closed off, hampering the normal lives of the residents. During this special period, outlets under Shenwan Hongyuan Securities (Western) Co., Ltd. actively participated in COVID-19 prevention and control, volunteering to assist community workers and civil servants responsible for specific buildings in disinfecting buildings, dumping household garbage, buying foods, receiving packages, distributing medicines, organizing nucleic acid tests, and measuring residents' temperatures every day. After the shutdown, they received volunteering certificates from the communities.



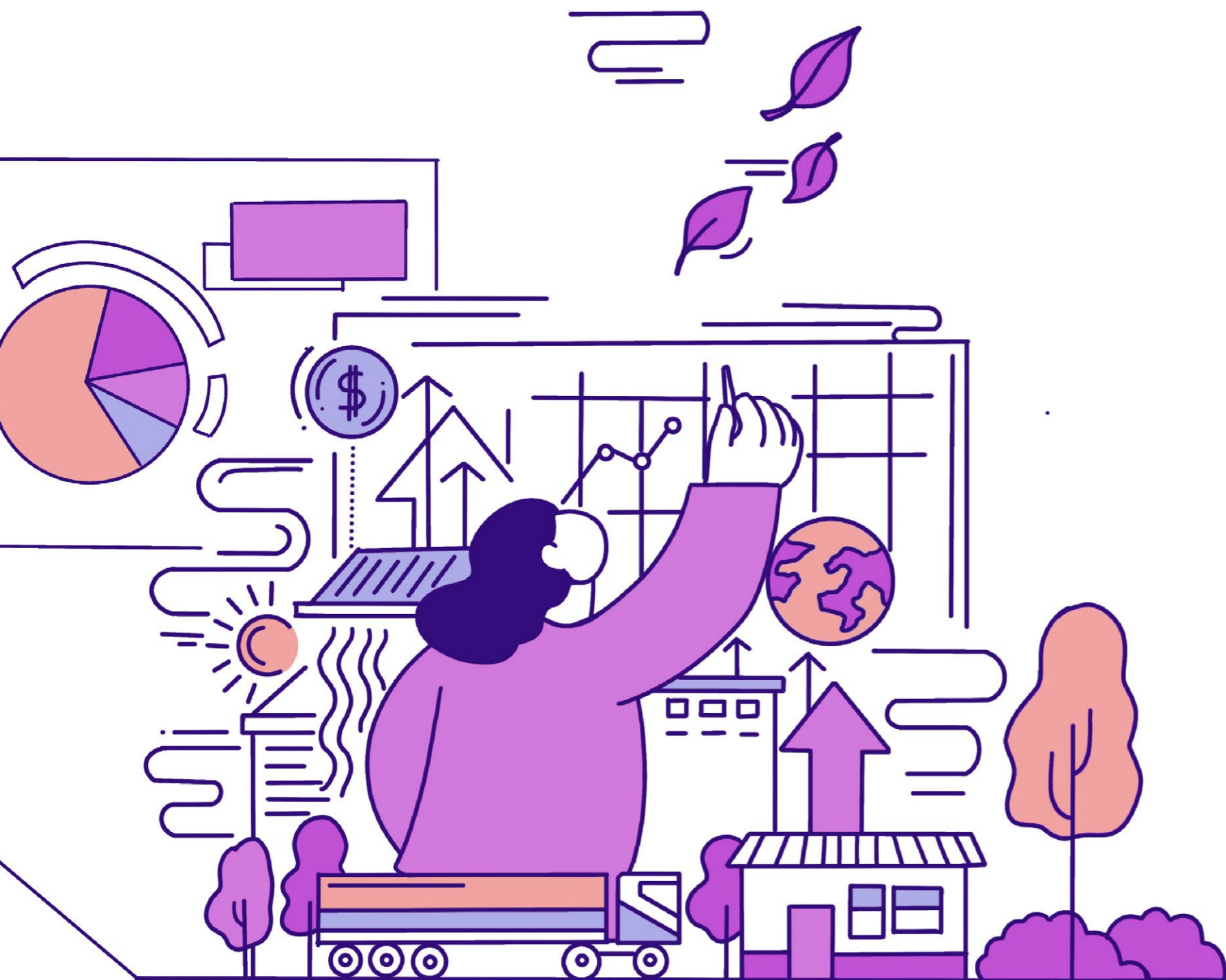
>>>Employees were volunteering during the shutdown

## Environmental protection

In January and November 2020, Xiamen Branch organized the "Clean Home" Environmental Protection Program near the Jinbang Park and at Shanhai Footpath to collect garbage on roads and tree lawns, in a bid to promote a green and healthy lifestyle.



>>>Xiamen branch organized "Clean Home" environmental protection program



## Economy-powered Participation in High-quality Development

Relying on the capital market, we stepped up efforts to proceed with the “Six Stabilizations” and implement the “Six Guarantees” task, in a move to promote China’s economic growth and opening up, support regional development, and accelerate industry transformation, fulfilling our economic and political responsibilities as a state-owned company.

# Contributing to the proactive implementation of the “Six Stabilizations” and “Six Guarantees”

We formulated the *Work Plan on Proceeding with “Six Stabilizations” and Implementation of the Tasks of “Six Guarantees”* and set up a special work leading group. Through providing comprehensive financial services, we guided regulate operations of private enterprises and SMEs, promoted people’s wellbeing and poverty alleviation, and helped address Three Rural Issues. In addition, supervision and dynamic evaluation were carried out as always to ensure that measures promoting the real economy were implemented, especially in keeping businesses and employment stable.

## Supporting private enterprises and SMEs

- Measure 1
- Measure 2
- Measure 3
- We strengthened financial support for manufacturing and industries linked to people’s basic needs and consumption upgrades, for the purpose of promoting social and economic development and meeting public needs.
  - We supported local governments in key areas such as transportation infrastructure, energy, agriculture, forestry, hydraulic engineering, environmental protection, urban and rural logistics infrastructure such as cold chains, and municipal and industrial park infrastructure. We also strengthened cooperation with local government platforms and key enterprises to help local governments reduce debt pressure, and promote local economic development.
  - We promoted financial policy and services through training, and upgraded lifecycle services, helping private enterprises and SMEs to grow at a steady pace.

### Performance in serving private enterprises and SMEs

In 2020, group company fully supported projects relating to “Six Stabilizations” and “Six Guarantees”, and the financing amount for private enterprises and SMEs increased by compared to that of 2019.

128%

As of December 31, 2020, Shenwan Hongyuan Financing Services had provided

62 private placements

for private enterprises and SMEs for RMB

1.341 billion

recommended 5 private enterprises and SMEs for listing

provided M&A service for 2 private enterprises and SMEs

and supervised a total of 639 private enterprises and SMEs

Hongyuan Huifu had invested in 10 private enterprises and SMEs through private equity funds

Provided market-making services for total

339 private enterprises and SMEs on NEEQ

- As of December 31, 2020, Shenwan Hongyuan Securities provided market-making services for total 339 private enterprises and SMEs on NEEQ.



>>>Chu Xiaoming attended the Ceremony of Select Establishment and NEEQ Upgrading and gave a speech as a sponsor representative

Organized 21 inclusive policy promotion and training activities

- Shenwan Hongyuan Financing Services offered training for SMEs in economically underdeveloped areas, and provided professional consulting services such as tax planning, equity incentives, corporate norms and capital planning for non-public companies. In 2020, it organized 21 inclusive policy promotion and training activities in Jiangsu, Jiangxi, Sichuan, Anhui, Jilin, Hebei, etc.
- Based on visits to and investigations into more than 100 enterprises, Hongyuan Huifu formulated the *SMEs Service Manual* to address problems and confusions faced by SMEs, promoting their development.



**Case:** Shenwan Hongyuan Securities completed the first bail-out by addressing equity pledge risk through negotiated equity transfer

Shenwan Hongyuan Securities completed the negotiated equity transfer and registration under the Merrill Lynch Group Holdings Ltd. and Dezhan Healthcare Co Ltd. Negotiated Equity Transfer Project. Shenwan Hongyuan Securities Asset Management Plans for the Development of Private Enterprises was the transferee. It bought a stake from Dezhan Healthcare held by Merrill Lynch for RMB 250 million which was used to repay the equity pledge loan offered by Shenwan Hongyuan Securities using its self-owned capital. The success of the transfer addressed the potential equity pledge risk faced by Merrill Lynch. It also marked a step towards the goal of better serving the real economy and supporting the high-quality development of private enterprises.

## Addressing Three Rural Issues

Serving the real economy is the social responsibility of financial institutions. Following the Rural Revitalization strategy, we launched "Insurance + Futures" service, and invested in bonds related to agriculture, rural areas, and rural resident, in a bid to support rural people in starting up businesses and increasing incomes.

### In 2020

- Hongyuan Futures launched "Insurance + Futures" projects in Mengla County in Yunnan, Yuanzhou District in Ningxia, Manas County in Xinjiang, Fanchang County in Anhui, Beijing and other regions, underwriting value reaching RMB 223 million. These projects benefited 3,917 rural households, including 1,568 registered poor households, involving product varieties of rubber, corn, cotton, egg, pig feed indexes, etc.
- Shenwan Futures and its subsidiary Shenyin & Wanguo Fortune Investment carried out "insurance + futures" projects and over-the-counter option projects in Zhenkang County of Yunnan, Huining County of Gansu, Lingao County of Hainan, Wanzhou District of Chongqing, Fengqiu County of Henan, etc. The total insured value reached RMB 354 million, involving pig feed, sugar, soybeans, cotton, corn, apples and many other agricultural products. Agricultural products, benefiting more than 42,000 poor households and planters with a total payout of more than RMB 10.54 million.
- Shenwan Hongyuan Securities invested in bonds and provides market making services for enterprises in relation to agriculture, rural areas, and rural resident

#### **Case:** DCE Corn "Insurance + Futures" Diversification Project in Yuanzhou District, Guyuan, Ningxia

Hongyuan Hengli and Shenwan Hongyuan Securities applied for the DCE Corn "Insurance + Futures" Diversification Project in Yuanzhou District, Guyuan City, Ningxia Hui Autonomous Region. The project covered about 8,400 tons of corn across 21,300 mu in two townships in Yuanzhou District, benefiting 1,535 poor households. Nominal principal and option premiums totalled RMB 19.128 million and RMB 750,100 respectively. The project aims to help poor households hedge against potential risks.

#### **Case:** Natural Rubber Industry "Insurance + Futures" Pilot Project in Shanghai Futures Exchange.

Shenwan Futures and its subsidiary Shenyin & Wanguo Fortune Investment participated in the declaration of Hainan and Yunnan natural rubber "insurance + futures" pilot project, of which Hainan natural rubber insurance futures project covers a land area of 68,965.4 mu, 11,447 farmers; Yunnan natural rubber insurance futures project covers a land area of 25,000 mu, 4,233 farmers. The project achieved a total payout of RMB 7.5656 million, with a payout rate of 136.24%, contributing to managing the price risk of gum and protecting the income of local farmers.

Total insurance premiums

RMB **84** million

Covering cotton fields about

**38,000** mu

#### **Case:** Xinjiang cotton industry investment project

Hongyuan Futures greatly supported the development of Xinjiang's cotton industry. By the end of October 2020, it had purchased 130,000 tons of cotton for RMB 1.5 billion, promoting the agricultural development in Xinjiang. It also pushed forward the commercial "Insurance + Futures" cotton project which collected RMB 84 million of premiums, and covered about 38,000 mu of cotton fields. The project ensured reasonable pricing and timely payment for cotton farmers and cotton processing enterprises.

## Innovating ways to provide services

### Issuing China's first central government-owned enterprise quasi REIT related to COVID-19 prevention and control and the resumption of work and production

#### **Case:** Shenwan Hongyuan and PowerChina Langold Real Estate Post-pandemic Recovery Financial Support Special Plan

In December 2020, Shenwan Hongyuan and PowerChina Langold Real Estate Post-pandemic Recovery Financial Support Special Plan, China's first central government-owned enterprise quasi REIT related to COVID-19 prevention and control and the resumption of work and production was issued on SZSE for RMB 1.81 billion. Shenwan Hongyuan Securities managed and sold the plan which was issued after only four months' preparation. The plan provides an innovative way to financially support COVID-19 prevention and control, and at the same time, liquidizes remnant assets of enterprises, and opens a direct financing channel, promoting post-pandemic recovery.


### Helping companies resume work and production through warehouse receipts and basis trading



#### **Case:** Hongyuan Hengli addressed the "quake lake" of aluminum ingots, helping SMEs to recover


Affected by the deteriorating trade environment in 2020 and the COVID-19 pandemic, many small and medium-sized aluminum ingot trading enterprises faced a temporary inventory backlog, which lowered their liquidity. To help these enterprises, Hongyuan Hengli customized a service plan. The first step was to increase their liquidity, avoiding the impact of inventory on the market. The second step was to provide basis trading for these SMEs, and use futures contracts to hedge against the risk of price fluctuations and thus promoted employment and social stability indirectly.

- Helping companies improve risk management capabilities with structured over-the-counter options tools

 **Case:** Tailor-made structured option products to mitigate the production and operation risks of copper downstream enterprises effectively

Affected by the COVID-19 and trade frictions between China and the U.S., China's non-ferrous metal market consumption and industrial investment weakened in 2020, posing a phase pressure on the stable operation of copper downstream enterprises. After fully understanding the risk management requirements of a fiber optic power processing company, Shenwan Futures and its subsidiary Shenyin & Wanguo Fortune tailored a structured over-the-counter option product to meet the fundamental background of the moment. The smooth operation of the project not only can avoid certain sales risk when the price falls; it can also avoid part of the procurement risk when the price rises, effectively reducing the impact of copper price fluctuations on the stable operation of enterprises, contributing to a win-win situation for both financial enterprises and real enterprises.

- Using over-the-counter options to reduce the cost risk of COVID-19 to farming companies

 **Case:** Locking in cattle feed costs and reducing the impact of the COVID-19 on small and medium-sized breeders.

Affected by the COVID-19, corn and soybean meal prices fluctuated considerably, which had a greater impact on the smooth operation of local cattle and sheep feeding enterprises. To help local enterprises resume work and production and to protect the operating costs of SMEs, Shenwan Futures and its subsidiary Shenyin & Wanguo Fortune provided cattle feed over-the-counter options services to Jinling Cultivation Co., Ltd to help protect it against the risk of rising feed costs for nearly 2,000 cows and to escort the smooth operation of the enterprise.

- Reasonably surrendering profits

We adopted differentiated pricing for customers in special areas. We adopted measures to reduce or exempt hedging fees on futures and options, restructuring and listing fees or guidance fees for enterprises in areas hardest hit by COVID-19 and poverty-stricken areas, to help them overcome difficulties.

 **Case:** Hongyuan Hengli provided free call option service

As COVID-19 spread, Mingri Holding realized that it was urgent to adjust its polypropylene inventory, increase the supply of fiber-grade polypropylene to nonwoven mask fabric manufacturers, and sell polypropylene at an insured price to prevent the rapid rise of polypropylene prices from bringing cost pressures to downstream companies. Hongyuan Hengli provided Mingri Holding with free PP2005 call options linked to the Dalian Commodity Exchange PP2005 contract through cum-rights trading, to hedge against the risk caused by rising procurement cost faced by medical mask manufacturers. The deal maintained the procurement cost of 300 tons of polypropylene which can turn into 270 million surgical masks or 60 million N95 masks.

The deal size of polypropylene

**300** tons

which can turn into

**270** million

surgical masks or


**60** million

N95 masks


## Supporting regional development relying on superior resources

### Supporting the construction of the Guangdong-Hong Kong-Macao Greater Bay Area

We expanded strategic growth in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). In the *Opinions on Accelerating the Strategic Growth in the Guangdong-Hong Kong-Macao Greater Bay Area*, we proposed more supports to the outlet establishment, leadership building, staffing, institutional assurance and resource supply in the GBA and internal-external collaboration, in a bid to promote the development of the area.

 **Case:** Shenwan Hongyuan Securities and Guangdong Technology Financial Group signed a strategic cooperation agreement

In September 2020, Shenwan Hongyuan Securities and Guangdong Technology Financial Group, the first provincial fintech group in China, held a strategic cooperation signing ceremony in Guangzhou. The two parties agreed to cooperate in venture capital, restructuring and listing, M&As, bond financing, among others, in accordance with the national strategies that the financial sector should serve the real economy and promote supply-side financial reforms, jointly broadening financing channels for enterprises. These measures will greatly promote the development of the GBA.

 **Case:** Shenwan Hongyuan and China Merchants Shekou Taige Ming Wah Asset-backed Special Plan

Successfully issued an Asset-backed Special Plan for

RMB **4.15** billion

In December 2020, the Shenwan Hongyuan and China Merchants Shekou Taige Ming Wah Asset Support Special Plan was issued on SZSE for RMB 4.15 billion. China Merchants Shekou Industrial Zone Holdings Co., Ltd. was the original stakeholder and credit enhancement agency of the plan which was managed and sold by Shenwan Hongyuan Securities. The project investment was RMB 500 million. The target properties are Taige Apartment and Ming Wah International Convention Center which are located in the heart of China Merchants Group, and also the overlapping area of the Shekou Special Economic Zone, Qianhai Bay Free Trade Port Zone and GBA overlap. This project is a step towards implementing the GBA development strategy.

### Providing in-depth services to southwest China

We formulated the *Opinions on Accelerating the Expansion to Southwest China*, and established the Southwest China Working Committee, announcing our ambition to develop southwest China into a business model demonstration area and a pilot innovation area. To this end, we set out to build a comprehensive financial service platform that focuses on strategic customers, empowers key industries, pools high-quality capital, and highlights our investment research characteristics, thus improving our influence and comprehensive financial service capacity in southwest China.

## Set up

RMB **2** billion  
industry fund of Yibin  
Municipal SASAC



**Case:** Hongyuan Huifu enhanced financial services that integrate investment, investment banking and research

In 2020, Hongyuan Huifu further improved the investment-securities collaboration mechanism, optimized the Extensive Sichuan Development Model, and advanced a range of key projects for example RMB 2 billion industry fund of Yibin Municipal SASAC to promote the development of Sichuan's real economy. Furthermore, Hongyuan Huifu increased investments in SMEs, among which Chengdu Hongming Electronics Co., Ltd. and Sichuan Ai-link Technology Co., Ltd. were included in the Technological Reform Demonstration Program as the only two enterprises from Sichuan.



**Case:** Shenwan Hongyuan and CQ Water Conservancy Investment Group Water Rates Revenue Right ABS

The 2019 Shenwan Hongyuan and CQ Water Conservancy Investment Group Water Rates Revenue Right Asset-backed Special Plan was launched, with Shenwan Hongyuan Securities as the manager, and CQ Water Conservancy Investment Group as original stakeholder. As the first municipal facility ABS in Chongqing, the plan raised RMB2 billion in total, the largest size of water rates revenue right ABS in the market. The project marked the first cooperation of Shenwan Hongyuan Securities with an AA state-owned enterprise in Chongqing after its restructuring, and thus is an important step to expanding business in southwest China.



**Case:** Shenwan Hongyuan Securities participated in the unveiling ceremony of the NEEQ Southwest Base

In August 2020, the Unveiling Ceremony of the National Equities Exchange and Quotations (NEEQ) Southwest Base was held in Chengdu. Shenwan Hongyuan Securities attended the unveiling and strategic cooperation signing ceremonies. The strategic cooperation framework aims to provide customized professional capital market services for the target enterprises of the NEEQ Southwest Base. Seizing this opportunity, Shenwan Hongyuan Securities will improve services to support the NEEQ Southwest Base, and deepen collaboration with other market players to jointly promote the integration of capital, projects and other production factors in western China, improving the securitization ratio of regional economy.



>>>Shenwan Hongyuan Securities participated in the unveiling ceremony of the NEEQ Southwest Base



## Expanding international business

The bond was issued in two tranches for

RMB **2.5** billion

In July 2020, we received a letter from CSRC on matters related to piloting offshore services. The qualification for offshore services will improve our comprehensive competitiveness, and our offshore asset allocation and risk management capabilities. It also marks an important and solid step towards internationalization. In addition, we formulated the *Plan and Implementation Measures for Participating in and Serving the "Belt and Road Initiative" in 2020*, for the purpose of providing diversified and convenient investment and financing services for enterprises in countries and regions along the "Belt and Road", improving our core competitiveness in off-shore services, and promoting two-way openness.



**Case:** Shenwan Hongyuan Financing Services underwrote the first "Belt and Road" corporate bond

In 2020, the "Belt and Road" corporate bond non-publicly issued by Chongqing Southern New City Industrial Investment Group Co., Ltd. and underwritten by Shenwan Hongyuan Financing Services was listed on the Shanghai Stock Exchange. The bond was issued in two tranches for RMB 2.5 billion. This project marked a successful start of us in issuing "Belt and Road" corporate bonds, and also set a good example for others.



**Case:** Shenwan Hongyuan Securities opened an account for listed foreign customer GRIFOLS

In May 2020, Shenwan Hongyuan Securities opened an account for a strategic investment from GRIFOLS, S.A., the world's leading blood products manufacturer listed on the Madrid Stock Exchange and NASDAQ, in Shanghai RAAS. The deal was the largest foreign investment in Chinese enterprises in 2019, and also the first foreign acquisition of private Chinese enterprises in the history of China's capital market.



**Case:** Shenwan Hongyuan Securities launched its first offshore product

The Shenwan Hongyuan Securities launched revenue receipts linked to an overseas target, announcing its first step towards internationalization. The tranche involved RMB 100 million of nominal principal with a term of 12 months, and embedded snowball options. The project enables customers to allocate assets abroad, starting the international expansion of the Shenwan Hongyuan Securities. As a result, our offshore asset allocation and risk management capabilities have been further improved.




## Brainstorming to promote industrial restructuring

In line with the Made in China 2025 strategy, we increased support for key industries and emerging strategic industries, and launched innovative products to promote the restructuring of conventional industries.

- We supported professional and comprehensive technology services such as business incubation and technology finance, and increased support to technological innovation and industrial development.
- We focused on key industries such as high-end manufacturing, health care, transportation and logistics, financial and information technology, energy and environmental protection, and heavily invested in the technological innovation of relevant enterprises.
- We innovated the supply chain financing model, financially enabled enterprises to consolidate, supplement and strengthen supply chains, and helped enterprises to smooth price fluctuations and maintain supply chain security. We also promoted coordinated resumption of work and production across supply chains, ensuring supply chain stability.
- Following China's manufacturing strategy, we increased supports to manufacturing enterprises through equity investments, industrial funds, etc., promoting the transformation of the manufacturing industry.

We prepared to set up five industrial and technological innovation funds in five technology intensive regions including Shanghai (Zhangjiang Hi-Tech Park and Lingang New Area), Wuhan (Optics Valley), Shenzhen, Beijing (Zhongguancun) and Suzhou, so as to integrate our professional competencies with local resources, propelling the growth of innovative technological enterprises.

 Case: Shenwan Hongyuan Financing Services helped SUPCON go public on the STAR Market

In November 2020, SUPCON launched its IPO and went public on the STAR Market. The project was developed by Shenwan Hongyuan Securities Hangzhou branch and Shenwan Hongyuan Financing Services and the latter also acted as the sponsor and lead underwriter. A total of 49.13 million shares were issued at RMB 35.73 per share for RMB 1.755 billion. The IPO was oversubscribed, despite the downside market.



## Popularizing wealth management

We continued to optimize the wealth management system, innovate service models, improve customer service and product systems, enhance advisor team building, and increase the market shares of core indicators such as agency trading and margin trading. Also, we focused on competitive services like quantitative trading and securities lending, and expedited wealth management transformation. These measures aim to further meet the wealth management requirements of investors.

In 2020, we were assigned as a Pilot for Mutual Fund Investment Advising. Later, we launched investment advising brand Xingjihui, announcing our entry into the investment advising market. To seize this rare opportunity, we fully prepared in system and mechanism establishment, service design and preparation, and compliance and risk management, ensuring the steady progress of the project.



# Customer-oriented Excellent Services

As a customer-centric company, we strengthened customer protection, including improving customer complaints and personal information security, and promoting investor education. We also adopted new technologies to improve the quality of channel services, providing customers with a better experience.



## Protecting client rights and interests

### Protecting customer privacy

- We further improved internal rules and regulations, including formulating the *User Agreement and Privacy Policy*, and required employees with access to confidential information to keep it secret and sign confidentiality agreements, thus protecting customer privacy.

### Ensuring information security

- We created a multi-layer information security network composed of anti-denial-of-service attack system, intrusion prevention system, and Web application firewalls at the Internet border to intercept and block penetration attacks from in real time.
- We installed several audit systems and anti-virus systems on the intranet to monitor and detect potential safety hazards.
- To ensure the security of various information systems, we closely tracked information security, and purchased professional information security services.
- To strengthen information security management, we passed the ISO 27001 audit, and participated in annual follow-up audits and BSI audit.

### Establishing a multi-channel customer engagement mechanism

- We engaged with customers through online and offline channels such as 400 hotline, customer service hotline, Smart Customer Service System, and online customer service. In 2020, we responded to more than 640,000 customer inquiries.
- In September 2020, we launched the AI Smart Customer Service System which integrates the capacities of APP, official website, and WeChat official account.
- In October 2020, the Intelligent Outbound Call System came into use, providing services of outbound call platform access, robotic agents, artificial agents, call recording storage, business conversation scene modeling, single-deal conversation model optimization, customized conversation recording, etc. The system has so far provided standardized customer services to more than 3,000 customers, saving a great deal of labor.

### Improving the customer feedback and complaints handling mechanism

- We formulated the *Customer Complaints Handling Procedure*, according to which, we handled direct and indirect customer complaints through hotline 95523, branches, e-mails and other channels.
- Through case-based training and case study, we improved complaints handling quality and efficiency, and standardized the complaints handling procedure.
- In 2020, we handled all the 85 customer complaints received, with a handling rate of 100%.

## Promoting investor education

### Improving investor suitability management

#### Regulations

We formulated the *Measures for Investor Suitability Management*, based on which relevant product and service management departments developed rules to implement these measures, and specified requirements on investor suitability access, comprehensive suitability evaluation, risk disclosure, continuity management and protection measures. These measures ensure that investors are well informed and able to bear corresponding risks.

#### Process management

We developed a comprehensive product/service investor suitability assessment procedure, in which investor suitability access conditions are controlled at the front end. Assessment indicators include abnormal assets changes in investors' accounts, asset status, investment experience, risk tolerance, knowledge level, integrity status, etc.

#### Supporting measures

We reviewed our investor suitability management work regularly, and conducted on-site investor suitability management inspections from time to time, so as to find problems and solve them in a timely manner. We also, in accordance with the latest regulatory requirements and industry practices, optimized investor suitability management systems and procedures.





## Educating investors

Relying on our professional strengths, we helped investors have a basic understanding of securities, and develop the sense of rational investing and risk prevention, both online and offline.



## Improving the investor education platform

Through the investor education column, investor protection promotion tables at outlets, and online platforms like WeChat public account, official website, mobile APP, Douyin and SMS, we provided various forms (e.g., posters, articles and videos) of effective and easily accessible education information for investors, expanding the influence of investor education.



>>>Shenwan Hongyuan (H. K.) designed an interesting cartoon poster to introduce mainstream products such as stocks, fund investments, bonds, and structured products to investors.



## Building investor education bases

As proposed by the China Securities Regulatory Commission, we built offline investor education bases to protect investors and build our image as well. So far, we have set up two bases: Xinchang Road Investment Education Base in Shanghai and Urumqi Investment Education Base in Xinjiang



**Case:** Xinjiang Urumqi Investor Education Base was rated “Excellent” by Xinjiang Securities Regulatory Bureau

In June 2020, Xinjiang Securities Regulatory Bureau announced the results of investor education base assessment in Xinjiang Uygur Autonomous Region. The Xinjiang Urumqi Investment and Education Base was rated “Excellent” for the third consecutive year. During the assessment period, the base developed and introduced 436 types (745 products) of informative investor education products, including 58 types of originals which recorded 240,000 clicks.



**Case:** Shanghai Xinchang Road Investor Education Base opened

In October 2020, Shanghai Xinchang Road Investor Education Base opened to the public. Themed on “Future Finance”, the base provides three display areas, two experience areas and one exchange area, trying to educate investors through smart visits, technological interactions and exchange of ideas.



>>>Shanghai Xinchang Road Investor Education Base



## Organizing various investor education activities

We created a step-by-step investor education service model composed of a wide range of promotion channels, such as themed lecture series, high-end salons, annual wealth management summit, self-media, live videos, online sessions, professional books, internal and external articles, and knowledge quizzes.

In 2020, we organized **92** “Wealth Management” activities, **109** “Industry-Finance Integration” activities,

**57** “Equity World” activities, and **2** “Win the Future” activities.

We also conducted **5** offline market investigations.

 **Case:** “Ambition and Opportunity” 2020 Summer Wealth Management Summit kicked off

In July 2020, the Shenwan Hongyuan 2020 Summer Wealth Management Summit was held on the Shenwan Hongyuan Big Winner APP platform. Themed on “Ambition and Opportunity”, the summit attracted more than 3,000 high-net-worth clients. At the summit, analysts shared opinions on macro policies and market strategies in 2020, as well as trends in China’s capital market in the post-epidemic era.



>>>Shenwan Hongyuan Securities general manager Yang Yucheng made a speech at the successfully-held Summer Wealth Management Summit

## Fintech empowerment

### ● Developing a three-year plan

- To promote the integration of technology into offerings, we developed the *Fintech Three-year Plan (2020-2022)* which set goals towards product and service innovation within three years.

### ● Improving customer experience

- We built a cloud value-added index service platform for customer mobile APP, adding the capacities of market data mining, market early warning, and conditional order placement.
- We upgraded the Product Center, including building up product labeling, and improving retail CRM (Customer Relationship Management) intelligent customer service.
- We optimized and promoted the transaction settlement system, fast transaction system and transaction service middle platform to meet urgent customer needs. **In 2020, we integrated the most complex and unprecedented transaction settlement system ever in the industry, without seeing any customer complaints, system failures, or impacts on transactions. Customers felt comfortable with the transformation.**

### ● Setting up intelligent outlets

- We launched the counter intellectualization project. VTMs (smart teller machine) were used to reduce the pressure of tellers. VTMs identify customers through face recognition, living body detection and password, and enable customers to enjoy microservices at four network terminals and WeChat public account, anywhere, anytime.



**Case:** Matrix Speedy Trading Platform was launched

At the Shenwan Hongyuan Private Equity Prime Broker Service Conference held in October 2020, Matrix Speedy Trading Platform made its debut, attracting wide attention from the market. Targeting professional institutional and individual customers, this integrated solution provides a wide range of products and services such as professional ordering tools, strategy programming, algorithm docking, ten best asks/bids, risk management, and extreme trading channels. Supported by mainstream technologies such as memory transactions, embedded offers, low latency and high concurrency, the platform provides customized products and capabilities for customers with different transaction needs.



>>>Matrix Speedy Trading Platform was launched



# Employee-driven Development

As an employee-oriented company, we followed the principles of equal employment, workplace diversity, and employee protection. We comprehensively promoted employee development and offered care to employees as always, in a bid to achieve employee-driven growth.



## Employment environment

### Employment and promotion

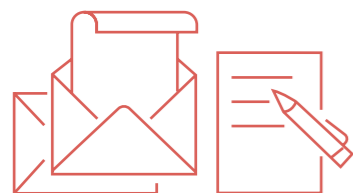
According to labor laws and regulations, we steadily promoted the five-pronged reform which covers staffing, job evaluation, position review, performance appraisal and incentives, so as to protect the rights and interests of employees based on improved employment, remuneration and attendance systems.

- In accordance with the Labor Law of the *People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Provisions on Prohibition of Child Labor* and other relevant laws and regulations, and guided by the strategy of equal employment and workplace diversity, we prevented employment discrimination, child labor and forced labor, and excluded the consideration of race, belief, gender, religion, nationality, ethnicity, age, marital status, disability, social status, etc. from employment.

By the end of 2020, we had **9,627** employees, including

**5,206** males, **4,421** females, **7** foreigners,

**370** ethnic people, and **37** disabled people.



No child labor or forced labor was involved.

- We established a competence-oriented promotion system in which opportunities are provided for employees with ambitions, competencies and performance.
- We created a dual-channel position system to ensure that competitive employees can grow, through the channel of management or professionalism, according to their self-positioning and ambitions.
- We improved the position classification mechanism in a fair and performance-oriented manner, encouraging the whole company to improve competencies.



**Case:** Job creation through cloud-based recruiting during the COVID-19 outbreak

At the beginning of 2020, to stabilize employment in the shadow of the COVID-19 struck, we created a cloud-based employment platform. From February to April, we held two job fairs looking for management and fintech talent on the platform. Our tweets recorded more than 40,000 clicks, and nearly 2,000 valid resumes were received. The enthusiasm of job seekers was high despite the pandemic.



>>>Cloud-based recruiting during COVID-19 outbreak



### Increasing compensation and benefits

We created a competitive compensation and benefits package. Aside from abiding by laws and regulations regarding working hours, breaks and days off, we also covered employees with diversified benefits which guaranteed and promoted the compensation and benefits of employees.

Mandated benefits

- Social insurance
- Housing provident fund



- Comprehensive medical insurance
- Term life insurance
- Accidental injury insurance
- Women's health insurance
- Critical illness insurance

Commercial insurance

## Employment and promotiona

We provided systematic, classified and targeted training for all employees in a forward-looking manner, to develop multi-skilled employees required by innovation-driven sustainable development.



### Creating layered training system

- We provided training for all employees at corporate, department and individual levels according to their types of jobs, creating a comprehensive training framework.
- We intensified targeted training. Specifically, leadership training is provided for senior management, management and professional skills for middle management, systematic training for key professionals, and corporate culture training for new employees. More online training was organized due to the COVID-19 pandemic.

## Designing diverse training programs

### Featured training programs

#### Shenwan Hongyuan Lectures

- In 2020, we organized lectures themed on “Business Booster”, “Management Gas Stations”, “The Bund Academy” and “Best Practice Camp” relying on the conference system. More than 130 lectures lasting for nearly 200 hours were given across the Company.

#### Huichuang Forum

- We created training brand “Huichuang Forum”. Under the brand, 4 training courses covering the retirement industry, management of the Shenzhen Urban Renewal Fund, robotics industry, and logistics real estate industry were provided, to improve the expertise of the investment and industry research teams. About 200 people attended the forums.

#### Comprehensive Development New Stage Forum Series

- In 2020, we invited executives, experts and business leaders to give lectures about development strategies and trends in the financial industry. 7 forums were held.

#### Growth Series

- Sailing Program: Helping new employees understand corporate culture, fit into the Company, and improve competencies.
- Voyage Program: Helping managers, management trainees and professionals improve management and professional skills according to their needs.
- Pilotage Program: Helping middle and senior managers improve strategic, cross-border and forward-looking thinking skills, and top-level design and comprehensive control capacities.

#### Subsidiaries' classical training programs

- Subsidiaries designed training systems and programs. Classical programs such as “Industry Research Elites” were provided as before to empower investment research talent.

#### “Shenwan Hongyuan Securities Learning Corner” E-learning Platform

- The E-learning platform now offers nearly 1,000 courses, including nearly 600 courses designed by Shenwan Hongyuan Securities.
- In 2020, the E-learning platform recorded 6,077 logins, 270,595 visits, and 5,978 visitors, with a coverage of 98.37%. Visits for learning amounted to 503,391, up 70% compared to 2019.

### Overview



>>> Sailing Program



>>> Voyage Program



>>> Pilotage Program



**Case:** The first “Senior Management Face-to-face” training program was held

In September 2020, we launched the first “Senior Management Face-to-face” training program. Nearly 100 managers and employees participated in the event offline, and more than 400 managers and employees watched the live broadcast through the learning corner. The guests gave speeches themed on “Trends in the Development Strategies of Domestic and Foreign Investment Banks”, “Macroeconomics and Policy Environment”, “Role Positioning and Business Systems of Investment Banks”, “Competitive Landscape of Domestic and Foreign Investment Banks”, and “Industry Trends and Development Directions of Investment Banks”.



>>> “Senior Management Face-to-face” training class



>>> SWS Research chief economist Yang Chengzhang gave a lecture at the middle management training session



>>> “Shenwan Hongyuan Securities Learning Corner” E-learning Platform

## Health and Safety



### Diversifying employees' physical examination channels

We organize physical examinations for employees every year. In 2020, we further diversified access channels by adding private healthcare facilities to the original 3 public hospitals for employees to choose from.



### Setting up Shenwan Hongyuan Mutual Aid Fund for Employees with Major Illness

We provided extra insurance for employees suffering from serious illness.

In 2020, **RMB 870,000**  
of subsidies were  
provided to **5** applicants.



### Arranging clinics and first aid equipment

We set up clinics and arranged 4 automatic external defibrillators in Shanghai and Beijing office buildings to ensure the health of employees.



### Providing online psychology courses

We offered "Psychological Gas Station" courses on the Shenwan Hongyuan E-family APP, helping employees reduce stress and improve mental health. Totally 20 video courses and 80 audio courses covering stress management, mental health, anxiety relief, and sleep quality improvement were provided.



### Organizing regular safety training

We organized "National Security Education Day" training series to promote security-related laws and regulations, further improving the safety awareness of employees.



>>>Arranging clinics and automatic external defibrillators

## Employee care

### Caring for female employees

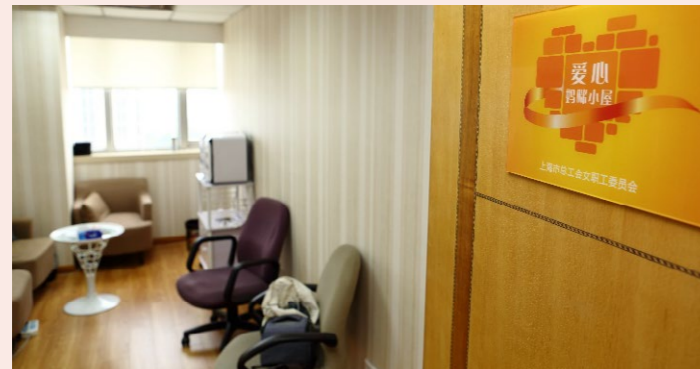
- We set up Mommy's Rooms with refrigerators, milk storage bags, wet wipes, paper towels, etc., creating a private and safe environment for nursing employees.
- On the International Women's Day, we organized "Blooming Flowers" celebration, and the "Online Queens" lecture where experts gave lectures on topics like "Sensitive Skin and Skin Care Products" that female employees are interested in.

### Helping needy employees

- We continued to carry out the "Five Interviews, Five Visits" program, helping employees or their immediate relatives suffering from serious illness or encountering accidents. In 2020, we provided assistance to 161 employees.
- During festivals and holidays like the New Year's Day and Spring Festival, we offered RMB 353,000 of financial assistance to 207 needy employees.

### Organizing diverse recreational activities and sports games

- During the outbreak of COVID-19, we organized "Could Health" and "Could Culture" where experts gave lectures related to the disease; "Could Gym" and "Cloud Class Room" to teach yoga, Tai Chi, photography, etc., and even a "Cloud Sports Game".
- We encouraged employees to establish and participate in various clubs managed by themselves, and launched a club member satisfaction survey on the Shenwan Hongyuan E-family APP.
- We participated in the "Cooking for You" Shanghai Financial Institution Online Cooking Competition, "Haitong Securities Cup" Shanghai Securities Firms Football Competition, "ICBC Cup" Chess and Cards Competition, "Agricultural Bank Cup" Swimming Competition, and "China Everbright Securities Cup" Basketball Competition, and performed well.



>>>Room for mommies



>>> Shenzhen Caitian Road Branch visited a retired employee diagnosed with craniopharyngiomas and provided financial assistance



>>>Ceremony to Welcome New Employees



>>> Federation Red City Orienteering Games



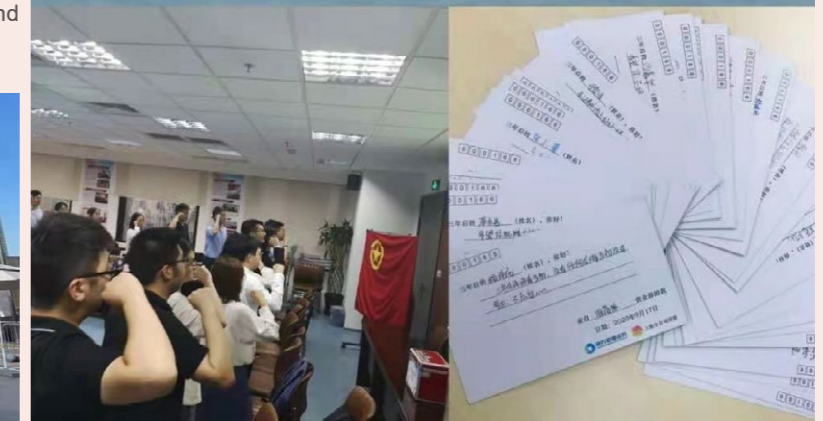
>>> "Struggle Cup" Shanghai Youth Financial Innovation Competition



>>>"Sharing Young Ideas" Youth Salon



>>> "Financial Service for 100 Communist Youth League Branches" Communist Youth League Branch Day Celebration



>>>Ceremony to Welcome New Employees



# Environmental Protection

In line with “Two Mountains” theory, we promoted green finance and incorporated environmental protection into operations according to our own characteristics and strengths, an effort towards the peak emissions and carbon neutrality goals.

## Addressing climate change

### Promoting green finance

China is calling for efforts to address climate change. We responded actively through a wide range of measures, including reviewing and implementing strategies and major decisions regarding green finance and low-carbon operations, tracking the progress of green finance, monitoring energy and resource consumption data, and measuring greenhouse gas emissions and energy conservation.

In accordance with the *Guiding Opinions on Building a Green Financial System*, we underwrote green bonds and invested in environmental protection enterprises, to provide comprehensive services for green business development and industrial upgrading, promoting the development of green finance.

- Shenwan Hongyuan Securities underwrote 20 green bonds for RMB 3.34 billion.
- Shenwan Hongyuan Securities invested in 58 green bonds for approximately RMB 8.8 billion.
- Shenwan Hongyuan Financing Services completed 3 IPOs (including the selective layer) and 1 acquisition, provided 7 environmental protection companies with private placement services for RMB 151 million.
- Shenwan Investment Company made equity investment in 8 green and environmental protection companies for RMB 348 million.



#### Case: Shenwan Hongyuan Securities underwrote 2020 Nanchang Rail Transit green bond

In November 2020, the 2020 Nanchang Rail Transit green bond was issued, with Shenwan Hongyuan Securities as the only lead underwriter. As the first AAA green corporate bond in Jiangxi since 2020, the bond raised RMB 2 billion, with a maturity of 5+5 years and a coupon rate of 4.35%. Funds raised will be used for the construction of rail lines to increase energy efficiency and reduce the intensity of carbon emissions and other pollutants.

#### 热烈庆祝2020年南昌轨道交通集团有限公司绿色债券成功发行



债券简称	期限	评级	发行规模	票面利率	全场倍数
20南昌轨交绿色债	5+5年期	AAA/AAA	20亿元	4.35%	2.27

独家主承销商/簿记管理人  
申万宏源证券有限公司  
SHENWAN HONGYUAN SECURITIES CO., LTD.



#### Case: Equity investment in Xinjiang Lixin Energy Co., Ltd.

Xinjiang Shenhong New Energy Equity Investment Partnership (Limited Partnership), managed by Hongyuan Huifu, made equity investment in Xinjiang Lixin Energy Co., Ltd. to help it build renewable energy power stations. Xinjiang Lixin Energy Co., Ltd. mainly focuses on the investment, operation and management of clean energy sources such as wind and solar power. It has installed about 670,000 KW of wind and solar energy systems, and 360,000 KW of systems are in process.

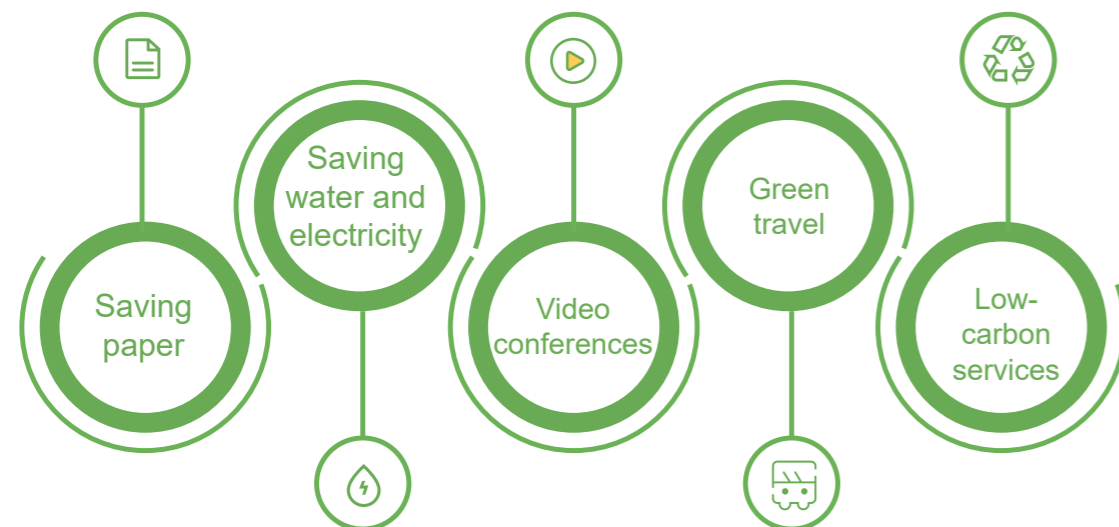




## Operating in a low-carbon way

In strict accordance with the *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, "13th Five-Year" Plan for Comprehensive Energy Saving and Emission Reduction, and other important laws and policies, we constantly improved and diversified measures to promote green operations, including energy conservation and emission reduction.

- Computer printing was defaulted to black and white and duplex printing.
- Employees were encouraged to use 70 gsm paper to print informal reporting documents with reduced font size, word spacing and line spacing, and to reuse copy paper printed on one side.
- At large conferences, paper materials were replaced by electronic materials.
- An all-round intelligent conference system that realizes the access of various terminals including conference rooms, computer desktops, tablets, and mobile phones, was promoted to reduce the number of on-site meetings.
- We expanded paperless office to more scenarios, and the fourth batch of branches have become paperless.



- Related stipulation on power management were implemented, including intensifying inspections to reduce aisle lighting power, and ensure that employees turn off lights when leaving offices.
- Home appliances were forbidden to be used without approval, and fewer electric water heaters were used on each floor.
- Air conditioner using frequency reduced. While the air conditioner in public areas was operated in the energy-save mode, effectively reducing office energy consumption.
- Employees were encouraged to save water, including using water-saving devices and fixing leaks in a timely manner.
- We formulated the *Interim Measures for Vehicle Management*, which clarifies the application and approval processes and cost accounting rules regarding the use of company cars.
- Employees were encouraged to travel eco-friendly, such as by public means of transport but using company cars for private purpose is forbidden.
- Old cars were eliminated and replaced by cars meeting China's exhaust emission standards in a timely manner.

In 2020

**3,261** video conferences were held, accounting for **63%** of the total number of conferences.

**1** eliminated old car.

A total of **197** branches and **40** services supported paperless business.



The 2021 Party Building and Party Conduct Conference and 2021 Working Conference were held in Beijing and Shanghai both online and offline. Employees from all over China participated in the conference through video sub-venues.

## Participating in green research

We cooperated with the National Green Development Fund to study the directions of green development, and guided social capital to air, water, soil, solid waste pollution control and other green development fields with strong externalities, so as to promote pollution control, ecological restoration, and high-quality economic development.

Annexes

Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and KPIs	Description	Chapter
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on:(a)the policies; and(b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Operating in a low-carbon way
A1.1	The types of emissions and respective emissions data.	Environmental performance
A1.2	Direct (Scope I) and energy indirect (Scope II) greenhouse gas emissions (in tons) and, where appropriate, intensity.	Environmental performance
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity.	Environmental performance
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity.	Environmental performance
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Operating in a low-carbon way
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Operating in a low-carbon way
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Operating in a low-carbon way
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Environmental performance
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental performance
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Operating in a low-carbon way
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	The company is a financial service provider and the indicator is thus not applicable.
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	The company is a financial service provider and the indicator is thus not applicable.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Promoting green finance
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Promoting green finance
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Addressing climate change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Addressing climate change

Aspects, General Disclosures and KPIs	Description	Chapter
B. Social		
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment environment
B1.1	Total workforce by gender, employment type, age group and geographical region.	Social performance
B1.2	Employee turnover rate by gender, age group and geographical region.	Social performance
Aspect B2: Health and Safety		
General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social performance
B2.2	Lost days due to work injury.	Social performance
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and promotion
B3.1	The percentage of employees trained by gender and employee category.	Social performance
B3.2	The average training hours completed per employee by gender and employee category.	Social performance
Aspect B4: Labour Standards		
General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employment environment
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment environment
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment environment

Aspects, General Disclosures and KPIs	Description	Chapter
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	The company is a financial service provider and the indicator is thus not applicable.
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	The company is a financial service provider and the indicator is thus not applicable.
Aspect B6: Product Responsibility		
General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Protecting client rights and interests
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The company is a financial service provider and the indicator is thus not applicable.
B6.2	Number of products and service related complaints received and how they are dealt with.	Protecting client rights and interests
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protecting intellectual property
B6.4	Description of quality assurance process and recall procedures.	The company is a financial service provider and the indicator is thus not applicable.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting client rights and interests
Aspect B7: Anti-corruption		
General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-money laundering and anti-corruption measures
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-money laundering and anti-corruption measures
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-money laundering and anti-corruption measures
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-money laundering and anti-corruption measures
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Public welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Public welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	Public welfare

GRI Sustainability Reporting Standards

GRI Indicator	Description	Chapter
General disclosure items		
General Disclosures		
G102-1	Name of the organization	Company Profile
G102-2	Activities, brands, products, and services	Company Profile
G102-3	Location of headquarters	Back cover
G102-4	Location of operations	The Company's 2020 Annual Report
G102-5	Ownership and legal form	The Company's 2020 Annual Report
G102-6	Markets served	Company Profile
G102-7	Scale of the organization	The Company's 2020 Annual Report
G102-8	Information on employees and other workers	Social performance
G102-9	Supply chain	The Company's 2020 Annual Report
G102-10	Significant changes to the organization and its supply chain	The Company's 2020 Annual Report
G102-11	Precautionary Principle or approach	Comprehensive Risk Management
G102-12	External initiatives	-
G102-13	Membership of associations	-
Strategy		
G102-14	Statement from senior decision-maker	-
G102-15	Key impacts, risks, and opportunities	-
Ethics and integrity		
G102-16	Values, principles, standards, and norms of behavior	Social responsibility
G102-17	Mechanisms for advice and concerns about ethics	-
Governance		
G102-18	Governance structure	The Company's 2020 Annual Report
G102-19	Delegating authority	-
G102-20	Executive-level responsibility for economic, environmental, and social topics	Social Responsibility Management
G102-21	Consulting stakeholders on economic, environmental, and social topics	Enhancing engagement with stakeholders

GRI Indicator	Description	Chapter
General disclosure items		
Governance		
G102-22	Composition of the highest governance body and its committees	The Company's 2020 Annual Report
G102-23	Chair of the highest governance body	-
G102-24	Nominating and selecting the highest governance body	-
G102-25	Conflicts of interest	-
G102-26	Role of highest governance body in setting purpose, values, and strategy	-
G102-27	Collective knowledge of highest governance body	-
G102-28	Evaluating the highest governance body's performance	-
G102-29	Identifying and managing economic, environmental, and social impacts	Social Responsibility Management
G102-30	Effectiveness of risk management processes	-
G102-31	Review of economic, environmental, and social topics	Annual materiality analysis
G102-32	Highest governance body's role in sustainability reporting	-
G102-33	Communicating critical concerns	Annual materiality analysis
G102-34	Nature and total number of critical concerns	-
G102-35	Remuneration policies	-
G102-36	Process for determining remuneration	-
G102-37	Stakeholders' involvement in remuneration	-
G102-38	Annual total remuneration ratio	-
G102-39	Percentage increase in annual total remuneration ratio	-
Stakeholder engagement		
G102-40	List of stakeholder groups	Enhancing engagement with stakeholders
G102-41	Collective bargaining agreements	-
G102-42	Identifying and selecting stakeholders	Enhancing engagement with stakeholders
G102-43	Approach to stakeholder engagement	Enhancing engagement with stakeholders
G102-44	Key topics and concerns raised	Enhancing engagement with stakeholders
Reporting practice		
G102-45	Entities included in the consolidated financial statements	Notes


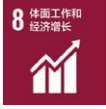
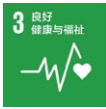

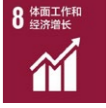




GRI Indicator	Description	Chapter
General disclosure items		
Reporting practice		
G102-46	Defining report content and topic boundaries	-
G102-47	List of material topics	Annual materiality analysis
G102-48	Restatements of information	-
G102-49	Changes in reporting	-
G102-50	Reporting period	Notes
G102-51	Date of most recent report	-
G102-52	Reporting cycle	Notes
G102-53	Contact point for questions regarding the report	Notes
G102-54	Claims of reporting in accordance with the GRI Standards	-
G102-55	GRI content index	GRI Sustainable Reporting Standards
G102-56	External assurance	Third Party Assurance Report
Economic performance		
G201-1	Direct economic value generated and distributed	The Company's 2020 Annual Report
G201-2	Financial implications and other risks and opportunities due to climate change	-
G201-3	Defined benefit plan obligations and other retirement plans	-
G201-4	Financial assistance received from government	-
Market performance		
G202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
G202-2	Proportion of senior management hired from the local community	-
Indirect economic impacts		
G203-1	Infrastructure investments and services supported	Economy-powered participation in high-quality development
G203-2	Significant indirect economic impacts	-
Procurement Practices		
G204-1	Procurement Practices	-
Anti-corruption		
G205-1	Operations assessed for risks related to corruption	-

GRI Indicator	Description	Chapter
General disclosure items		
G205-2	Communication and training about anti-corruption policies and procedures	Anti-money laundering and anti-corruption measures
G205-3	Confirmed incidents of corruption and actions taken	Anti-money laundering and anti-corruption measures
Anti-competitive Behavior		
G206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-
Materials		
G301-1	Materials used by weight or volume	-
G301-2	Recycled input materials used	-
G301-3	Reclaimed products and their packaging materials	-
Energy		
G302-1	Energy consumption within the organization	Environmental performance
G302-2	Energy consumption outside of the organization	-
G302-3	Energy intensity	Environmental performance
G302-4	Reduction of energy consumption	-
G302-5	Reductions in energy requirements of products and services	-
Water		
G303-1	Water withdrawal by source	-
G303-2	Water sources significantly affected by withdrawal of water	-
G303-3	Water recycled and reused	Environmental performance
Emissions		
G305-1	Direct (Category I) GHG emissions	Environmental performance
G305-2	Energy indirect (Category II) GHG emissions	Environmental performance
G305-3	Other indirect (Category III) GHG emissions	-
G305-4	GHG emissions intensity	Environmental performance
G305-5	Reduction of GHG emissions	-
G305-6	Emissions of ozone-depleting substances (ODS)	-
G305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions <sup>1</sup>	-

GRI Indicator	Description	Chapter
General disclosure items		
Effluents and waste		
G306-1	Water discharge by quality and destinatio	-
G306-2	Waste by type and disposal method	Environmental performance
G306-3	Significant spills	-
G306-4	Transport of hazardous waste	-
G306-5	Water bodies affected by water discharges and/or runoff	-
Environmental compliance		
G307-1	Non-compliance with environmental laws and regulations	-
Supplier Environmental assessment		
G308-1	New suppliers that were screened using environmental criteria	Supply Chain Management
G308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management
Employment		
G401-1	New employee hires and employee turnover	Social performance
G401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Increasing compensation and benefits
G401-3	Parental leave	Increasing compensation and benefits
Labor/Management Relations		
G402-1	Minimum notice periods regarding operational changes	-
Occupational health and safety		
G403-1	Occupational health and safety management system	-
G403-2	Hazard identification, risk assessment, and incident investigation	Health and safety
G403-3	Occupational health services	-
G403-4	Worker participation, consultation, and communication on occupational health and safety	Health and safety
Training and education		
G404-1	Average hours of training per year per employee	Employment and promotion
G404-2	Programs for upgrading employee skills and transition assistance programs	-
G404-3	Percentage of employees receiving regular performance and career development reviews	-

GRI Indicator	Description	Chapter
General disclosure items		
Diversity and equal opportunity		
G405-1	Diversity of governance bodies and employees	Employment environment
G405-2	Ratio of basic salary and remuneration of women to men	-
Non-discrimination		
G406-1	Incidents of discrimination and corrective actions taken	-
Freedom of association and collective bargaining		
G407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
Child labor		
G408-1	Operations and suppliers at significant risk for incidents of child labor	Employment environment
Forced or compulsory labor		
G409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Employment environment
Security practices		
G410-1	Security personnel trained in human rights policies or procedures	-
Rights of indigenous peoples		
G411-1	Incidents of violations involving rights of indigenous peoples	-
Human rights assessment		
G412-1	Operations that have been subject to human rights reviews or impact assessments	-
G412-2	Employee training on human rights policies or procedures	-
G412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
Local communities		
G413-1	Operations with local community engagement, impact assessments, and development programs	-
G413-2	Operations with significant actual and potential negative impacts on local communities	-
Supplier social assessment		
G414-1	New suppliers that were screened using social criteria	Supply Chain Management
G414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management
Public policy		
G415-1	Political contributions	-
Customer health and safety		
G416-1	Assessment of the health and safety impacts of product and service categories	-
G416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-
Marketing and labeling		
G417-1	Requirements for product and service information and labeling	-
G417-2	Incidents of non-compliance concerning product and service information and labeling	-
G417-3	Incidents of non-compliance concerning marketing communications	-
Customer privacy		
G418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-
Social and economic compliance		
G419-1	Non-compliance with laws and regulations in the social and economic area	-

United Nations SDGs

Factors	Main measures	Chapter	SDG
Corporate Governance	We established an effective, responsible and transparent corporate governance structure to realize compliant and stable operations.	See <a href="#">Strengthening corporate governance, Comprehensive risk management, Improving internal compliance control</a>	
Economic	We supported private enterprises and SMEs, and addressed Three Rural Issues	See <a href="#">Serving private enterprises and SMEs, Addressing Three Rural Issues</a>	
Social	•We covered employees with diversified benefits, including social insurance and housing provident fund required by law, commercial insurance like comprehensive medical insurance, term life insurance, accidental injury insurance, women's health insurance, and critical illness insurance, and a self-financed flexible benefit program.  •We regularly organized physical examinations for employees, set up the Shenwan Hongyuan Mutual Aid Fund for Employees with Major Illness, and paid attention to employees' mental health. The physical examination coverage was 100%.	See <a href="#">Employment environment, Health and safety</a>	
	During the COVID-19 outbreak, we established a strict information collection and analysis system to track employee movements and health conditions, enhanced workplace access and hygiene management, ensured material supply and employee care, and reserved funds for COVID-19 prevention and control at the labor union.	See <a href="#">Participating in the fight against COVID-19</a>	
	•We prevented employment discrimination, child labor and forced labor to create an equal employment environment.  •We offered various types of care and assistance to female and needy employees, and organized recreational activities and sports games to create a happy and harmonious working environment for employees.	See <a href="#">Employment environment, Employee care</a>	
	We recruited 9,627 employees, with a training coverage rate of 100%.	See <a href="#">Employment environment, Employment and promotion</a>	
	We donated RMB 648,000 to help 365 poor students, and RMB 7.95 million to improve education resources in poverty-	See <a href="#">Social performance</a>	
	We donated RMB 48,855,300 to targeted poverty alleviation through the channels of Party building, industrial development, financial support, and consumption.	See <a href="#">Social performance</a>	
	We made donations to disadvantaged groups, and organized volunteering and environmental protection activities. A total of 431 employees volunteered for more than 3,392 hours.	See <a href="#">Public welfare</a>	
	We underwrote green bonds and invested in environmental protection enterprises, to provide comprehensive services for green business development and industrial upgrading, promoting the development of green finance.	See <a href="#">Promoting green finance</a>	
	We incorporated green concepts into operations and increase energy efficiency and reduce emissions.	See <a href="#">Operating in a low-carbon way</a>	
Environmental			

Key Performance Data

Economic performance			
Indicator	Unit	2020	2019
Total assets	RMB 100 million	4,911.24	3,885.37
Total revenue and other income	RMB 100 million	391.56	332.52
Net profit attributable to shareholders of the company	RMB 100 million	77.66	57.35
Basic earnings per share	RMB	0.31	0.24
Weighted average return on equity	%	9.05	7.41
Social performance			
Employment			
Indicator	Unit	2020	2019
Total number of employees	Person	9,627	9,736
By gender	Number of male employees	Person	5,206
	Number of female employees	Person	4,421
By the type of employees	Percentage of senior management	Person	60
	Percentage of middle management	Person	1,358
	Percentage of grass roots employees	Person	8,209
By age	Number of employees aged 35 and below	Person	4,808
	Number of employees between 36--55	Person	4,628
	Number of employees aged 56 and above	Person	191
By region	Number of employees in China	Person	9,362
	Number of employees out of China	Person	265
By education background	Number of employees with a master's degree or higher	Person	3,213
	Number of employees with a bachelor's degree	Person	5,641
	Number of employees below bachelor's degree	Person	773
Total number of foreign employees	Person	7	/
Number of employees from Hong Kong, Macao and Taiwan	Person	198	/

Social performance				
Employment				
Indicator		Unit	2020	2019
Number of new male employees		Person	648	/
Number of new female employees		Person	404	/
Number of employees from ethnic groups		Person	370	373
Number of disabled employees		Person	37	/
Total Turnover rate		%	7.92	5.74
By gender	Turnover rate of male employees	%	8.11	/
	Turnover rate of female employees	%	7.69	/
By age	Turnover rate of employees aged 35 and below	%	9.38	3.35
	Turnover rate of employees between 36--55	%	6.03	2.31
	Turnover rate of employees aged 56 and above	%	16.75	0.26
By region	Turnover rate of inboard employees	%	7.25	/
	Turnover rate of outboard employees	%	31.32	/

Note:The statistics do not include brokers.

Employee rights				
Indicator	Unit	2020	2019	2018
Labor contract signing rate	%	100	/	/
Employee physical examination coverage	%	100	/	/
Work-related deaths	Person	0	0	0
Rate of work-related deaths	%	0	0	0
Lost days due to work injury	Day	164	/	/
Number of employment discrimination cases	/	0	/	/

Social performance				
Employee training and development				
Indicator		Unit	2020	2019
By gender	Male employee training rate	%	100	100
	Female employee training rate	%	100	100
By the type of employees	Senior management training rate	%	100	100
	Middle management training rate	%	100	100
	Primary-level employee training rate	%	100	100
Employee training expenses		RMB 10 thousand	482.36	2,049.96
Number of employee training sessions		/	941	1,101
By way of training	Number of offline training sessions	/	411	/ss
	Number of online training sessions	/	530	/
Number of trainees		Person-time	64,412	/
By way of training	Person-time	Person-time	15,912	/
	Number of online trainees	Person-time	48,500	/
Training hours		Hour	811,564	/
By gender	Male employee training hours	Hour	420,292	/
	Female employee training hours	Hour	391,272	/
By the type of employees	Senior management training hours	Hour	2,534	/
	Middle management training hours	Hour	42,216	/
	Primary-level employee training hours	Hour	766,815	/
Every training hours/employee		Hour	84	30.9
By gender	Male employees training	Hour	81	/
	Female employees training	Hour	88	/
By the type of employees	Senior management training	Hour	40	/
	Middle management training	Hour	31	/
	Primary-level employees training	Hour	93	/

Note: Most of the trainings in 2020 were completed on-line and the total expenditure on training was largely reduced compared to that of 2019.

Social performance			
Targeted Poverty Alleviation			
Indicator	Unit	2020	2019
Total funds for targeted poverty alleviation	RMB 10 thousand	4,885.53	4,791.46
The amount invested in projects for poverty alleviation through industrial development	RMB 10 thousand	380	1,812.94
The number of projects for poverty alleviation through industrial development	/	5	4
The amount invested in vocational skills training	RMB 10 thousand	30	30
The amount of people who have received vocational skills training	Person-time	2,269	998
The amount invested in helping the poor students	RMB 10 thousand	64.8	51
The number of poor students funded	/	365	305
The amount invested in improving educational resources in poor areas	RMB 10 thousand	795	514.75
The amount invested in medical and health resources in poverty-stricken areas	RMB 10 thousand	142.43	51.38
The amount invested in left-behind children, women and the elderly	RMB 10 thousand	390	/
The amount invested in targeted poverty alleviation programs	RMB 10 thousand	3,083.3	2,331.39
Products and services			
Indicator	Unit	2020	2019
Number of complaints	/	85	246
Complaint solving ratio	%	100	100
Environmental performance			
Indicator	Unit	2020	2019
Emissions			
Total GHG emissions (Scope 1 and Scope 2)	CO <sub>2</sub> equivalent (t)	8,988	9,513
Greenhouse gas emissions per unit area	CO <sub>2</sub> equivalent (t/ m <sup>2</sup> )	0.14	0.15
Direct GHG emissions (Scope 1)	CO <sub>2</sub> equivalent (t)	287	331
Indirect GHG emissions (Scope 2)	CO <sub>2</sub> equivalent (t)	8,701	9,182
Household waste	t	699	328
Food waste	t	413	258
Waste office paper	t	38	30
Toner cartridge	/	1,369	1,063

Environmental performance			
Indicator	Unit	2020	2019
Use of Resources			
Natural gas consumption	m <sup>3</sup>	104,193	114,228
Natural gas consumption per unit area	m <sup>3</sup> /m <sup>2</sup>	1.66	1.82
Mileage of company cars	km	188,748	204,236
Gasoline consumption	L	30,453	39,521
Gasoline consumption per unit area	L/m <sup>2</sup>	0.48	0.63
Diesel consumption	L	685	/
Diesel consumption per unit area	L/m <sup>2</sup>	0.01	/
Power consumption	MWh	11,456	11,282
Electricity consumption per unit area	MWh/m <sup>2</sup>	0.18	0.18
Water consumption	t	36,457	37,845
Water consumption per unit area	t/m <sup>2</sup>	0.58	0.60
Total circulating water consumption	t	660	670
Others			
Number of video conferences	/	3,261	4,000
Percentage of video conferences in total conferences	%	63	/
Number of eliminated old cars	/	1	19

Note:

1. Environmental performance statistical indicators only applied to the headquarters office buildings.
- 2.Emissions, energy consumption and waste density were measured based on employees in headquarters buildings and server rooms.
3. Greenhouse gases include carbon dioxide, methane and nitrous oxide. The nature of our business determines that our greenhouse gas emissions are mainly from purchased electricity and the burning of fossil fuels. Greenhouse gas emissions were converted into the equivalent amount of carbon dioxide, and measured according to the 2012 China Regional Grid Average Carbon Dioxide Emission Factors issued by the National Development and Reform Commission, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change.

Third Party Assurance Report



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Independent Limited Assurance Report

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

We were engaged by the Board of Directors of Shenwan Hongyuan Group Co., Ltd (“the Company”) to provide limited assurance on the 2020 Environmental, Social and Governance Report of the Company for the year ended December 31, 2020 (the “ESG Report”).

I. Responsibilities of the Board of Directors

The Board of Directors of the Company is solely responsible for the preparation and presentation of the 2020 ESG Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited’s Guidelines for Environmental, Social and Governance Reporting (“SEHK’s Guidelines”).

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

II. Responsibilities of KPMG

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

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

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

KPMG Huazhen LLP, a People's Republic of China partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

毕马威华振会计师事务所(特殊普通合伙) — 中国合伙制会计师事务所, 是英国私营担保有限公司 — 毕马威国际有限公司("毕马威国际")相关联的独立成员所全球性组织中的成员。



### Independent Limited Assurance Report (continued)

#### III. Summary of work performed

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

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

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

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

#### IV. Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Company's ESG Report for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with the SEHK's Guidelines.



30 MAR 2021

### Statement

Glossary	Statement
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SSE	Shanghai Stock Exchange
Shanghai Futures Exchange	Shanghai Futures Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
China Investment Corporation	China Investment Corporation Co., Ltd. (CIC)
Huijin Corporation	Central Huijin Investment Ltd.
The Company, Shenwan Hongyuan	The headquarters, Shenwan Hongyuan Securities and other main branches
Shenwan Hongyuan Securities	Shenwan Hongyuan Securities Co., Ltd.
Group company	The headquarter of Shenwan Hongyuan Group Co., Ltd.
Hongyuan Futures	Hongyuan Futures Co., Ltd.
Shenwan Investment Company	Shenwan Hongyuan Investment Co., Ltd.
Hongyuan Huifu	Hongyuan Huifu Capital Co., Ltd.
Shenwan Hongyuan Financing Services	Shenwan Hongyuan Financing Services Co., Ltd.
Hongyuan Hengli	Hongyuan Hengli (Shanghai) Industrial Co., Ltd.
Hongyuan Huizhi	Hongyuan Huizhi Investment Co., Ltd.
Shenwan Hongyuan (H. K.)	Shenwan Hongyuan (H. K.) Co., Ltd.
Shenwan Futures	Shenwan Futures Co., Ltd.
Shenyin & Wanguo Fortune Investment	Shenyin & Wanguo Fortune Investment Co., Ltd.