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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Bonds (as defined below) are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) and/or the Guarantor (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Bonds are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange of Hong Kong Limited on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR

PIONEER REWARD LIMITED
(incorporated in the British Virgin Islands with limited liability)
(the "Issuer")

**U.S.$100,000,000 1.30 PER CENT.
GUARANTEED BONDS DUE 2024 (THE "NEW BONDS")
CONSOLIDATED AND FORM A SINGLE SERIES WITH THE
U.S.$800,000,000 1.30 PER CENT. GUARANTEED BONDS DUE 2024
ISSUED ON 9 APRIL 2021 (TOGETHER, THE "BONDS")**

(Stock Code: 40643)

unconditionally and irrevocably guaranteed by

**HUATAI SECURITIES CO., LTD.
（華泰證券股份有限公司）**

HTSC

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

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Reference is made to the Notice of Listing of the New Bonds on The Stock Exchange of Hong Kong Limited dated 20 April 2021. The offering circular dated 13 April 2021 in relation to the issue of the New Bonds (the "**Offering Circular**") is appended herein. The Offering Circular is published in English only. No Chinese version of the Offering Circular have been published.

21 April 2021

As at the date of this announcement, the sole director of Pioneer Reward Limited is Mr. Chung Chi Chuen Ryan.

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

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IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so. The securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. This offering is made solely in offshore transactions pursuant to Regulation S under the Securities Act.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION, OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor and Huatai Financial Holdings (Hong Kong) Limited and Industrial and Commercial Bank of China Limited, Singapore Branch (together, the "**Joint Lead Managers**") that you and any customers you represent are not, and the e-mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

Prohibition of Sales to EEA Retail Investors – The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the New Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Prohibition of Sales to UK Retail Investors – The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the New Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the New Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the New Bonds (as defined in the Offering Circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Offering Circular has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the Offering Circular.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor or the Joint Lead Managers (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of its affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. Documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers, nor any person who controls any of them, nor their respective directors, officers, employees, representatives, agents, or affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

PIONEER REWARD LIMITED

(incorporated in British Virgin Islands with limited liability)

U.S.$100,000,000 1.30 PER CENT. GUARANTEED BONDS DUE 2024 TO BE CONSOLIDATED AND FORM A SINGLE SERIES WITH THE U.S.$800,000,000 1.30 PER CENT. GUARANTEED BONDS DUE 2024 ISSUED ON 9 APRIL 2021

unconditionally and irrevocably guaranteed by

华泰证券
HUATAI SECURITIES

HUATAI SECURITIES CO., LTD.
(華 泰 證 券 股 份 有 限 公 司)

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

(Stock code: 601688.SH, 6886.HK, HTSC.LI)

ISSUE PRICE: 99.906 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NEW BONDS PLUS ACCRUED INTEREST IN RESPECT OF THE PERIOD FROM (AND INCLUDING) 9 APRIL 2021 TO (BUT EXCLUDING) 20 APRIL 2021

The U.S.$100,000,000 in the aggregate principal amount of 1.30 per cent. guaranteed bonds due 2024 (the "**New Bonds**") to be consolidated and form a single series with the U.S.$800,000,000 in the aggregate principal amount of 1.30 per cent. guaranteed bonds due 2024 issued on 9 April 2021 (the "**Original Bonds Issue Date**") (the "**Original Bonds**, and together with the New Bonds, the "**Bonds**") will be issued by Pioneer Reward Limited (the "**Issuer**"). The New Bonds will be issued on 20 April 2021 (the "**New Bonds Issue Date**") and will have the same terms and conditions as the 2024 Bonds in all respects except for the issue date, the principal amount, issue price (if applicable) and the deadline for completion of the NDRC Post-issue Filing and the Cross-Border Security Registration (each as defined in the Terms and Conditions) and the New Bonds will be unconditionally and irrevocably guaranteed by Huatai Securities Co., Ltd. (華泰證券股份有限公司) (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (the "**MOF Circular**") promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day.

The Bonds will bear interest from and including the Original Bonds Issue Date at the rate of 1.30 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 9 April and 9 October each year, commencing on 9 October 2021. Unless previously redeemed or purchased and cancelled, the Bonds will mature at their principal amount on 9 April 2024. The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations. Payments on each series of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in "*Terms and Conditions of the Bonds – Taxation*".

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Original Bonds and the Trust Deed dated 9 April 2021 (the "**Original Bonds Trust Deed**") entered into by the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**"). Its obligations in that respect are contained in the Original Bonds Deed of Guarantee dated 9 April 2021 (the "**Original Bonds Deed of Guarantee**") entered into between the Guarantor and the Trustee. The Issuer and the Guarantor will enter into a supplemental trust deed with the Trustee on or about the New Bonds Issue Date in relation to the New Bonds (the "**Supplemental Trust Deed**"). The Original Bonds Trust Deed, as supplemented by the Supplemental Trust Deed, is referred to herein as the "**Trust Deed**". The Guarantor will enter into a supplemental deed of guarantee with respect to the New Bonds with the Trustee (the "**Supplemental Deed of Guarantee"**) on the New Bonds Issue Date (the Original Bonds Deed of Guarantee as supplemented by the Supplemental Deed of Guarantee and as further amended and/or supplemented from time to time, the "**Deed of Guarantee**"). Unless otherwise specified herein, references to the "**Guarantee**" shall mean the guarantee contained in each Original Bonds Deed of Guarantee and Supplemental Deed of Guarantee. The Guarantor will register or cause to be registered with the State Administration of Foreign Exchange of the PRC ("**SAFE**") the Original Bonds Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions) after the execution of the Original Bonds Deed of Guarantee and the Supplemental Deed of Guarantee within 15 PRC Business Days after the execution of the Supplemental Deed of Guarantee in accordance with the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定), complete the Cross-border Security Registration and obtain a registration certificate from SAFE on or before the day falling 90 PRC Business Days after the Original Bonds Issue Date and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "**NDRC Circular**") promulgated by National Development and Reform Commission (the "**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 20 January 2021 evidencing such registration. Pursuant to the NDRC Circular, the Guarantor will cause relevant information relating to the issue of the Original Bonds to be reported to the NDRC within 10 PRC Business Days after the Original Bonds Issue Date and cause relevant information relating to the issue of the New Bonds to be reported to the NDRC within 10 PRC Business Days after the New Bonds Issue Date.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time at their principal amount together with interest accrued to, but excluding, the date fixed for redemption in the event of certain changes affecting taxes of British Virgin Islands or the PRC. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at a redemption price equal to 100 per cent. of their principal amount, together with accrued interest to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice (which notice shall be irrevocable at a redemption price equal to their Make Whole Amount (as defined in the Terms and Conditions) together with interest accrued to the date fixed for redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Make Whole Redemption*".

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 13 for a discussion of certain risk factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction, and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in offshore transactions in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain other restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the New Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on The Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The New Bonds are expected to be rated "Baa1" by Moody's Investors Service, Inc. ("**Moody's**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The New Bonds will be represented initially by beneficial interests in a global certificate (the "**New Global Certificate**", and together with the global certificate representing the Original Bonds, the "**Global Certificates**", and each, a "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on the New Bonds Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for interests in the Global Certificates.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Huatai International **ICBC Singapore**

Offering Circular dated 13 April 2021

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. Hong Kong Exchanges and Clearing Limited and Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the New Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the New Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the New Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the New Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the New Bonds and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain restrictions on offers, sales and resales of the New Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the New Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the New Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the New Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the New Bonds or the Guarantee, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or any of their respective affiliates, directors, employees, agents or advisors. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the New Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Guarantor since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase any of the New Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the New Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the New Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and the Guarantor. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Bonds offered by this Offering Circular is prohibited. Each offeree of the New Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

Prohibition of Sales to EEA Retail Investors – The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the New Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the New Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the New Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the New Bonds (as defined in the Offering Circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the New Bonds or the Guarantee and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents or advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the issue and offering of the New Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the New Bonds. Each potential purchaser of the New Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the New Bonds should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the New Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the New Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the New Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the New Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the New Bonds).

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor.

IN CONNECTION WITH THE ISSUE OF THE NEW BONDS, ANY JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF ANY JOINT LEAD MANAGER) (THE "**STABILISATION MANAGER(S)**") MAY OVER-ALLOT THE NEW BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NEW BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NEW BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NEW BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NEW BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGE(S) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Listing of the New Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the New Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering of the New Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the New Bonds. The Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents and their respective directors, advisers, employees, agents and affiliates are not making any representation to any purchaser of the New Bonds regarding the legality of any investment in the New Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, advisers, employees, agents and affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. In addition to statistics, market share information and industry data from publicly available government sources and industry associations, certain information and data contained in this section is derived from Wind Info and Dealogic. As a leading integrated service provider of financial data, information and software in the PRC domestic market, Wind Info serves financial enterprises, including securities companies, fund management companies, insurance companies and banks. The financial database of Wind Info contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivative financial instruments and the macro-economy. Historical data provided by Wind Info are collected by Wind Info independently from various public information sources, including, among others, the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Dealogic is an international financial data and information provider. The database of Dealogic encompasses information on equity and debt capital markets, syndicated lending, M&A transactions and institutional investors. Although the Issuer and the Guarantor believe this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents or advisers, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents or advisers makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular has been extracted from the Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which were prepared and presented pursuant to International Financial Reporting Standards (as in effect from time to time, "**IFRS**") included elsewhere in this Offering Circular. The Guarantor's audited consolidated financial statements have been audited by KPMG, Certified Public Accountants, Hong Kong ("**KPMG**").

The Group has adopted the new standard, IFRS 16 "Leases" at 1 January 2019, using the modified retrospective approach and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information as at 31 December 2018 (which was presented under IAS 17 and related interpretations). As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of RMB725 million, lease liabilities of RMB707 million and prepaid lease payments of RMB18 million as at 1 January 2019. Also in relation to those leases under IFRS 16, when measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Other than the recognition of lease liabilities, prepaid lease payments and right-of-use assets, the adoption of IFRS 16 does not result in any impact on the Group's equity as at 1 January 2019. See "*Risk Factors – Changes in accounting standards, procedures or policies may materially affect the Group's financial condition and results of operations*" and Note 3 to the Group's consolidated financial statements for the year ended 31 December 2019 included elsewhere in this Offering Circular.

CERTAIN DEFINITIONS AND CONVENTIONS

The following definitions apply throughout this document unless the context requires otherwise:

A share(s)	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
A Shares	domestic shares of the Guarantor, with a par value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
ABS	asset-backed securities
AMAC	Asset Management Association of China
AssetMark	AssetMark Financial Holdings, Inc.
AUM	the amount of assets under management
Board or **Board of Directors**	the board of directors of the Guarantor
Bohai Rim	the region in China comprising Beijing, Tianjin, Hebei, Liaoning and Shandong provinces
Bondholders	the holders of the Bonds
China Securities Finance	China Securities Finance Corporation Limited, a joint stock company established under the direction of the State Council to provide, among other functions, margin and securities refinancing services to support the margin financing and securities lending businesses of PRC securities firms
CNY, RMB or **Renminbi**	the legal currency of the PRC
collateral coverage ratio	for securities-backed lending business, it refers to the ratio of the market value of equity pledged by clients to the loans and accrued interests of the clients; for stock repurchase business, it refers to the ratio of the market value of underlying securities sold by clients to the transaction amount
collective asset management scheme	an asset management contract entered into with multiple clients by a securities firm in China, pursuant to which the clients' assets are placed in the custody of commercial banks qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the securities firm provides asset management services to the clients through designated accounts
CRM	Customer Relationship Management

CSDC	China Securities Depositary and Clearing Corporation Limited
CSI 300 Index	a capitalisation-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which is compiled by the China Securities Index Co., Ltd.
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
equity return swap	an OTC derivatives transaction, through which a securities firm and a qualified client agree to conduct an income swap in accordance with the agreed amount of nominal principal and income within a fixed period in the future. Income under such swap shall be linked with the performance of the subject equity securities including stocks and indexes
ETFs	exchange-traded funds
FICC	fixed-income, currencies and commodities
Group	the Guarantor and its consolidated subsidiaries
Guarantor or **Huatai Securities**	Huatai Securities Co., Ltd., a joint stock company incorporated in the People's Republic of China with limited liability under the corporate name (華泰證券股份有限公司) (Huatai Securities Co., Ltd.), converted from its predecessor (華泰證券有限責任公司) (Huatai Securities Limited Liability Company) on 7 December 2007, the A Shares of which are listed on the Shanghai Stock Exchange on 26 February 2010 (Stock Code: 601688), and the H shares of which are listed on the main board of the Hong Kong Stock Exchange on 1 June 2015 (Stock Code: 6886), or HTSC (if being referred to in Hong Kong) and the GDRs of which are listed on the London Stock Exchange on 20 June 2019 (Stock Code: HTSC)
H share(s)	overseas-listed shares of PRC companies that are traded on the Hong Kong Stock Exchange
H Shares	overseas-listed foreign shares in the share capital of the Guarantor with a par value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
HKSCC	Hong Kong Securities and Clearing Limited
HKSE or **Hong Kong Stock Exchange**	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
Hong Kong	Hong Kong Special Administrative Region of the PRC

Huatai Financial Holdings	Huatai Financial Holdings (Hong Kong) Ltd.
Huatai Futures	Huatai Futures Co., Ltd.
Huatai International	Huatai International Financial Holdings Co., Ltd.
Huatai-PineBridge	Huatai-PineBridge Fund Management Co., Ltd.
Huatai Purple Gold Investment	Huatai Purple Gold Investment Co., Ltd.
Huatai United	Huatai United Securities Co., Ltd.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards issued by the IASB
IPO	initial public offering
Issuer	Pioneer Reward Limited, a wholly-owned subsidiary of the Guarantor
IT	information technology
KPMG	KPMG, a firm of certified public accountants registered in Hong Kong
M&A	mergers and acquisitions
maintenance margin ratio	for margin loan and securities lending business, it refers to the ratio of the fair value of the collateral, including cash and securities in the margin accounts of the customers, to the total amount of receivables from the customers, including margin loan balance, market value of securities lent and accrued interest and fees
MAU	monthly active users
MOFCOM	Ministry of Commerce of the PRC
NAFMII	National Association of Financial Market Institutional Investors
NDRC	National Development and Reform Commission of the PRC
NEEQ	National Equities Exchange and Quotations, also known as the New OTC Board

Net Capital	the sum of a securities firm's core net capital and ancillary net capital. Core net capital is measured by subtracting from net assets the risk adjustments required to be made to a securities firm's assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorised by the CSRC. Ancillary net capital is measured by long-term subordinated debt multiplied by the stipulated percentages, and further adding or subtracting any other adjustments determined or authorised by the CSRC
NSSF	National Council for Social Security Fund
OTC	over-the-counter
PBOC	People's Bank of China, the central bank of the PRC
PC	personal computer
Pearl River Delta	the region in China comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing, all located in Guangdong province
PRC	the People's Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, Hong Kong and the Macau Special Administrative Region
PRC government	the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them
province	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
QDII	qualified domestic institutional investor
QFII	qualified foreign institutional investor
RQFII	RMB qualified foreign institutional investor
SAC	Securities Association of China
SAFE	State Administration of Foreign Exchange of the PRC or its competent local counterpart
SASAC	State-owned Assets Supervision and Administration Commission of the PRC
SAT	State Administration of Taxation of the PRC
securities-backed lending	a transaction in which a securities firm provides financing to qualified customers who pledge their securities as collateral

SFC	The Hong Kong Securities and Futures Commission
Shanghai-Hong Kong Stock Connect	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
Shanghai Stock Exchange or **SSE**	the Shanghai Stock Exchange
Shares	A Shares or H Shares (as the case may be)
Shenzhen-Hong Kong Stock Connect	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shenzhen
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
single asset management scheme	an asset management contract entered into by a securities firm in China with a single client, pursuant to which the securities firm provides asset management services to the client through accounts under the client's name
specialised asset management scheme	a specialised asset management contract entered into with clients by a securities firm in China, pursuant to which the securities firm manages clients' certain assets for specific purpose
stock index futures	cash-settled standardised futures contracts with a particular stock market index as the underlying asset
stock repurchase	a transaction pursuant to securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on a future date
structured notes	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
TMT	telecommunications, media and technology
U.S.$ or **U.S. dollars**	the legal currency of the United States
Wind Info	Wind Information Co., Ltd., a company with limited liability incorporated in the PRC and a service provider of financial data, information and software
Yangtze River Delta	the region comprising Jiangsu and Zhejiang provinces and Shanghai

The Guarantor records and publishes its financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.5250 to U.S.$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2020. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate, or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Guarantor compiled on a consolidated basis.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

In this Offering Circular, amounts may have been rounded up or down. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the business strategy, revenue and profitability and planned projects. Forward-looking statements involve known and unknown risks, including those disclosed under the caption "*Risk Factors*", assumptions, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause our actual results, performance and achievements of to be materially different include:

- the macroeconomic and political environment of the PRC and those jurisdictions in which the Group operates;
- capital market volatility and developments, inflation, interest rate and exchange rate fluctuations;
- changes in the regulatory framework in which the Group operates;
- the failure of third parties to provide their services or meet their obligations;
- unforeseen court, regulatory and arbitration developments;
- developments in the jurisdictions in which the Group operates, including regime change, expropriation, terrorist attacks and armed conflict;
- changes in tax, subsidy and other incentive frameworks in the jurisdictions in which the Group operates;
- changes in industry developments and trends;
- technological changes impacting the sectors in which the Group operates or the Group itself; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

This list of important factors is not exhaustive. When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Issuer and the Guarantor operates. Such forward-looking statements speak only as of the date on which they are made and are not intended to give any assurances as to future results.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision.

OVERVIEW

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, cutting-edge digital platforms, and an extensive and engaging client base. From 2012 to 2020, the Group's number of wealth management customers increased approximately threefold to more than 17 million. From 2012 to 2020, the Group's total revenue and other income increased more than fivefold. For the year ended 31 December 2020, the Group's total revenue and other income was RMB40,534.4 million.

Over its 30 years of operating history, the Group has achieved rapid growth by successfully capitalising on the transformation and development opportunities of the PRC securities industry. The Group has completed a series of successful mergers and acquisitions, completed IPOs of the Guarantor's A Shares on the Shanghai Stock Exchange, H Shares on the Hong Kong Stock Exchange and GDRs on the London Stock Exchange, and navigated various market and business cycles and regulatory reforms. The Group has achieved market-leading positions in multiple business lines

The Group operates four principal business segments:

- *Wealth management business*, which offers convenient online wealth management solutions and customised advisory solutions, including securities and derivatives brokerage, financial products sales and capital-based intermediary services;

- *Institutional services business*, which provides comprehensive financial services to various types of corporate and institutional clients, including investment banking, institutional investor services and investment and trading;

- *Investment management business*, which provides full-service asset management solutions, including securities firm asset management, private equity fund management and mutual fund management; and

- *International business*, which provides full-scope financial services in Hong Kong through Huatai Financial Holdings, and wealth management and technology solutions in the United States through AssetMark.

For the years ended 31 December 2018, 2019 and 2020, the Group's total revenue and other income was RMB24,506.7 million, RMB32,436.8 million and RMB40,534.4 million, respectively, and its profit for the respective years was RMB5,160.9 million, RMB9,057.2 million and RMB10,870.4 million, respectively.

COMPETITIVE STRENGTHS

The Group is expected to benefit from the following favourable developments in the PRC securities industry:

- The increasing adoption of advanced technology in the financial services industry;
- The rapid accumulation of personal wealth and increasing needs for wealth management solutions;
- Rising demand for financial services from emerging new economy sectors; and
- Rising participation of institutional investors in the capital markets and increasing demand for specialised institutional client services.

In addition, the Group believes that it enjoys the following competitive strengths:

- Strong support from the government and strategic shareholders;
- The Group is a technology-driven pioneer in China's transforming securities industry;
- The Group's open digital wealth management platform provides efficient and professional services to a mass market;
- The Group has leading business rankings with a first-class investment banking franchise capturing new economy opportunities, the registration system reform;
- The Group has a comprehensive asset management platform with significant scale;
- The Group's global footprint has created new growth opportunities;
- The Group has exercised effective risk management enabled by technology and talent;
- Diversified financing channels provide sufficient liquidity for the Group; and
- Experienced management team with a highly proficient professional workforce.

BUSINESS STRATEGIES

The Group is firmly convinced that technology is a key variant in breaking traditions and triggering the reform of business models. The technology-empowered "two-pronged" development strategy of wealth management and institutional services, which was officially determined in 2019, has become a core driving force for reshaping the Group's business systems and operation models and the business model, innovation led by digital transformation started to create value.

The Group intends to continue to deepen the technology-empowered "two-pronged" strategy, refine the full-service chain system with the platform-based and ecological development philosophy and build unique brand and competitiveness. The Group has a client-based organisational mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and is committed to becoming a leading investment bank with strong domestic advantages and global influence.

The Group intends to pursue the following business strategies in order to strengthen its market position:

- Enhancing client centricity to generate long-term value;
- Continuing to pursue product and service innovation;
- Strategically expanding and integrating international business;
- Attracting, retaining and developing first class talent; and
- Strengthening technology leadership to drive future growth.

RECENT DEVELOPMENTS

Change of Non-executive Director

On 8 February 2021, the Guarantor announced that Mr. Ke Xiang would replace Mr. Xu Qing to serve as a non-executive Director of the fifth session of the Board of the Guarantor from 8 February 2021 to the end of the term of the current session of the Board. With effect from the same date, Mr. Xu Qing ceased to serve as a non-executive Director of the fifth session of the Board of the Guarantor due to work arrangements. Please see "*Directors, Supervisors and Senior Management*" for the biography of Mr. Ke Xiang.

Establishment of a Partnership to set up the Industrial Fund

On 29 January 2021, the Guarantor passed a proposal on the establishment of industrial fund (the "**Fund**") by Huatai Purple Gold Investment Co., Ltd. ("**Huatai Purple Gold Investment**"), a Wholly-owned Subsidiary of the Company (《關於公司全資子公司華泰紫金投資有限責任公司投資設立產業基金的議案》) to approve Huatai Purple Gold Investment (as general partner) and Jiangsu Investment Management Co., Ltd. ("**Jiangsu Investment Management**") (as general partner), Nanjing Industrial Development Fund Co., Ltd. ("**Nanjing Industrial Fund**") (as limited partner) and Nanjing Beilian Venture Capital Co., Ltd. ("**Beilian Venture Capital**") (as limited partner) to establish the partnership (the "**Partnership**") to set up the Fund, which mainly focuses on investing in the medical and health industry, including biomedicine, medical equipment, medical services and other fields. Pursuant to the partnership agreement, Huatai Purple Gold Investment serves as the fund manager, providing investment consulting, investment management and other services to the Partnership, and the Partnership shall pay the fund management fee to Huatai Purple Gold Investment. The total capital contribution by all partners to the Partnership shall be RMB3,000,000,000, being initial subscription scale for the Fund, 20 per cent. of which is going to be contributed by Huatai Purple Gold Investment, 40 per cent. by Jiangsu Investment Management, 20 per cent. by Nanjing Industrial Fund and 20 per cent. by Beilian Venture Capital.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Group's summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from the Group's published audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020. Such financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto, together with the auditor's report in respect of such financial years or periods in each case as included elsewhere in this Offering Circular.

The Group's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 were audited by KPMG and have been prepared and presented in accordance with the prevailing IFRS.

The Group has adopted the new standard, IFRS 16 "Leases" at 1 January 2019, using the modified retrospective approach and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information as at 31 December 2018 (which was presented under IAS 17 and related interpretations). As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of RMB725 million, lease liabilities of RMB707 million and prepaid lease payments of RMB18 million as at 1 January 2019. Also in relation to those leases under IFRS 16, when measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Other than the recognition of lease liabilities, prepaid lease payments and right-of-use assets, the adoption of IFRS 16 does not result in any impact on the Group's equity as at 1 January 2019. See "Risk Factors – Changes in accounting standards, procedures or policies may materially affect the Group's financial condition and results of operations" and Note 3 to the Group's consolidated financial statements for the year ended 31 December 2019 included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
		(RMB in thousands)	
NON-CURRENT ASSETS			
Property and equipment	3,548,153	4,668,116	5,014,084
Investment properties	586,334	527,089	408,338
Goodwill	2,099,412	2,333,862	2,260,945
Other Intangible assets	5,462,012	5,711,457	5,276,069
Interest in associates	12,527,828	14,974,547	17,691,161
Interest in joint ventures	649,833	664,458	1,641,846
Debt investment at amortised cost	13,854,878	15,128,953	19,230,660
Financial assets at fair value through other comprehensive income	10,098,382	11,232,633	14,401,106
Financial assets held under resale agreements	2,812,194	–	–
Financial assets at fair value through profit or loss	5,155,176	6,966,333	9,229,523
Refundable deposits	7,836,506	12,653,540	24,763,790
Deferred tax assets	225,135	202,825	339,502
Other non-current assets	259,751	260,669	283,320
TOTAL NON-CURRENT ASSETS	65,115,594	75,324,482	100,540,344
CURRENT ASSETS			
Accounts receivable	3,090,165	5,511,168	9,095,561
Other receivables and prepayments	1,555,090	880,271	1,131,408
Margin accounts receivable	46,188,885	69,006,280	102,574,007
Debt investment at amortised cost	2,419,286	4,610,805	11,180,848
Financial assets held under resale agreements	40,744,371	18,466,280	19,536,413
Financial assets at fair value through profit or loss	117,089,156	245,829,339	282,577,589
Financial assets at fair value through other comprehensive income	358,361	1,125,342	1,545,266
Derivative financial assets	1,933,958	1,858,041	7,295,357
Clearing settlement funds	3,023,370	6,755,604	6,988,396
Cash held on behalf of brokerage clients	58,947,013	82,959,838	124,635,007
Cash and bank balances	28,200,625	49,853,188	49,651,039
TOTAL CURRENT ASSETS	303,550,280	486,856,156	616,210,891
TOTAL ASSETS	368,665,874	562,180,638	716,751,235
CURRENT LIABILITIES			
Short-term bank loans	3,015,791	5,724,131	11,299,859
Short-term debt instruments issued	21,124,000	46,425,196	43,951,388
Placements from other financial institutions	5,813,487	11,362,598	4,815,236
Accounts payable to brokerage clients	59,492,176	89,817,920	136,387,634
Employee benefits payable	2,869,042	2,573,753	4,156,895
Other payables and accruals	53,793,086	86,836,626	105,880,311
Contract liabilities	7,442	19,179	92,366
Current tax liabilities	284,436	388,154	1,275,589
Financial assets sold under repurchase agreements	40,095,054	109,719,045	139,899,968
Financial liabilities at fair value through profit or loss	2,874,584	4,689,620	12,196,234
Derivative financial liabilities	776,102	1,278,399	13,398,830
Long-term bonds due within one year	24,844,616	14,716,533	11,428,893
Long-term bank loans due within one year	15,820	–	–
TOTAL CURRENT LIABILITIES	215,005,636	373,551,154	484,783,203
NET CURRENT ASSETS	88,544,644	113,305,002	131,427,688
TOTAL ASSETS LESS CURRENT LIABILITIES	153,660,238	188,629,484	231,968,032

	As at 31 December		
	2018	2019	2020
	(Audited)	(Audited) (RMB in thousands)	(Audited)
NON-CURRENT LIABILITIES			
Long-term bonds	38,046,114	49,899,825	85,624,295
Long-term bank loans	1,682,949	850,997	475,414
Non-current employee benefits payable	5,045,990	6,360,633	6,974,615
Deferred tax liabilities	1,810,176	2,566,800	2,545,647
Financial liabilities at fair value through profit or loss	2,325,405	2,690,563	3,185,296
Other payables and accruals	–	605,958	850,730
TOTAL NON-CURRENT LIABILITIES	48,910,634	62,974,776	99,655,997
NET ASSETS	104,749,604	125,654,708	132,312,035
EQUITY			
Share capital	8,251,500	9,076,650	9,076,650
Treasury shares	–	–	(1,626,546)
Reserves	75,725,973	90,282,418	92,622,778
Retained profits	19,416,104	23,178,411	28,998,618
Total equity attributable to shareholders of the Company	103,393,577	122,537,479	129,071,500
Non-controlling interests	1,356,027	3,117,229	3,240,535
TOTAL EQUITY	104,749,604	125,654,708	132,312,035

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
		(RMB in thousands)	
Fee and commission income	10,819,910	13,011,269	18,457,811
Interest income	9,482,368	8,682,693	10,963,881
Net investment gains	3,374,651	9,179,944	10,159,587
Total revenue	23,676,929	30,873,906	39,581,279
Other income and gains	829,805	1,562,875	953,157
TOTAL REVENUE AND OTHER INCOME	24,506,734	32,436,781	40,534,436
Fee and commission expenses	(2,757,773)	(3,723,642)	(4,849,322)
Interest expenses	(6,466,970)	(6,561,019)	(8,358,703)
Staff costs	(5,372,341)	(7,693,154)	(10,403,649)
Depreciation and amortisation expenses	(625,897)	(1,197,068)	(1,341,384)
Tax and surcharges	(139,711)	(151,890)	(209,157)
Other operating expenses	(2,791,986)	(3,533,560)	(4,765,630)
Net provision for impairment loss on financial assets	(862,694)	(719,549)	(1,306,208)
Net (provision for)/reversal of impairment loss on other assets	(5,295)	2,617	346
TOTAL EXPENSES	(19,017,372)	(23,577,265)	(31,233,707)
Operating profit	5,489,362	8,859,516	9,300,729
Share of profit of associates and joint ventures	959,309	2,726,449	4,203,647
Profit before income tax	6,448,671	11,585,965	13,504,376
Income tax expense	(1,287,784)	(2,528,752)	(2,633,930)
Profit for the year	5,160,887	9,057,213	10,870,446
Attributable to:			
Shareholders of the Company	5,032,738	9,001,644	10,822,497
Non-controlling interests	128,149	55,569	47,949
	5,160,887	9,057,213	10,870,446
Basic earnings per share (in Renminbi per share)	0.66	1.04	1.20
Diluted earnings per share (in Renminbi per share)	0.66	1.03	1.19

Note:

(1) For the purpose of presenting the Group's consolidated financial statements in RMB, the assets and liabilities for the Group's consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the Group's consolidated statement of comprehensive income are translated at the average exchange rates for the financial period. The share capital, the share premium and reserves are translated at the exchange rate at the date of transaction. The non-controlling interests for the Group's consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
		(RMB in thousands)	
Profit for the year	5,160,887	9,057,213	10,870,446
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
– Net change in fair value	(1,311,689)	494,709	248,725
Income tax impact	327,923	(123,677)	(58,771)
Items that may be classified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income	22,043	5,460	77,974
Reserve from cash flow hedging instruments	–	–	(34,348)
Share of other comprehensive income of associates and joint ventures	72,640	95,531	(55,583)
Exchange differences on translation of financial statements in foreign currencies	339,244	162,258	(717,314)
Total other comprehensive income for the year, net of tax	(549,839)	634,281	(539,317)
Total comprehensive income for the year	4,611,048	9,691,494	10,331,129
Attributable to:			
Shareholders of the Company	4,479,437	9,611,074	10,402,443
Non-controlling interests	131,611	80,420	(71,314)
TOTAL	4,611,048	9,691,494	10,331,129

Selected Other Financial Data of the Guarantor

	As at and for the years ended 31 December		
	2018	2019	2020
Debt to Assets Ratio[(1)]	66.12%	73.40%	77.20%
Current Ratio[(2)]	1.57	1.40	1.38
Profit to Income Ratio[(3)]	21.06%	27.92%	26.82%

Notes:

(1) Debt to assets ratio equals to total liabilities less accounts payable to brokerage clients, divided by total assets less accounts payable to brokerage clients as at the year end of 31 December 2018, 2019 and 2020, respectively.

(2) Current ratio equals to total current assets less amounts payable to brokerage clients, divided by total current liabilities less accounts payable to brokerage clients as at the year end of 31 December 2018, 2019 and 2020, respectively.

(3) Profit to income ratio equals to profit for the year divided by total revenue and other income for the years ended 31 December 2018, 2019 and 2020.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a more complete description of the Terms and Conditions of the Bonds, see "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form". Some of the terms described below are subject to important limitations and exceptions. Defined terms used in this summary have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	Pioneer Reward Limited.
Legal Entity Identifier	213800S7P8CY8UE2TH93.
Guarantor	Huatai Securities Co., Ltd. (華泰證券股份有限公司).
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer in respect of the New Bonds pursuant to the Deed of Guarantee. The Guarantor undertakes that it will register or cause to be registered with SAFE the Original Bonds Deed of Guarantee within 15 Registration Business Days after the execution of the Original Bonds Deed of Guarantee and the Supplemental Deed of Guarantee within 15 PRC Business Days after the execution of the Supplemental Deed of Guarantee in accordance with the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) (the "**Cross-Border Security Registration**"), complete the Cross-Border Security Registration and obtain a registration certificate from SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.
Issue	U.S.$100,000,000 in aggregate principal amount of 1.30 per cent. guaranteed bonds due 2024 (the "**New Bonds**"), to be consolidated and form a single series with the U.S.$800,000,000 in aggregate principal amount of 1.30 per cent. guaranteed bonds due 2024 issued on 9 April 2021 (the "**Original Bonds**", and together with the New Bonds, the "**Bonds**").
Issue Price	99.906 per cent. of the aggregate principal amount of the New Bonds plus accrued interest in respect of the period from (and including) 9 April 2021 to (but excluding) 20 April 2021.
Form and Denomination	The New Bonds will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Interest	The New Bonds will bear interest from and including 9 April 2021 at the rate of 1.30 per cent. per annum, payable semi-annually in arrear on 9 April and 9 October in each year, commencing on 9 October 2021.
Issue Date	20 April 2021.

Fungible Date .... Issue Date, whereupon the New Bonds shall be consolidated and form a single series with the Original Bonds.

Maturity Date .... 9 April 2024.

Status of the Bonds .... The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Status of the Guarantee .... The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds.

Its obligations in that respect are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Events of Default .... The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions.

Taxation .... All payments of principal, premium and interest by or on behalf of the Issuer in respect of each series of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions. In such event, the Issuer shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.

Final Redemption .... Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 April 2024.

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders at their principal amount (together with interest accrued up to but excluding the date fixed for redemption), in the event of certain changes affecting taxes of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), as further described in Condition 6(b) of the Terms and Conditions.
Make Whole Redemption	The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at a redemption price equal to their Make Whole Amount together with interest accrued to the date fixed for redemption, as further described in Condition 6(c) of the Terms and Conditions.
Redemption for Relevant Events	At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date at a redemption price equal to 100 per cent. of their principal amount, together with accrued interest to but excluding such Put Settlement Date, as further described in Condition 6(d) of the Terms and Conditions.
Clearing Systems	The New Bonds will be issued in registered form and represented initially by beneficial interests in the New Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the relevant Global Certificates, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificates.
Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream under the International Securities Identification Number ("**ISIN**") of XS2326954398. The Common Code of the Bonds is 232695439.
Governing Law	English law.
Rating	The New Bonds are expected to be rated "Baa1" by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Trustee	Citicorp International Limited.

Principal Paying Agent, Registrar and Transfer Agent...	Citibank, N.A., London Branch.
Listing...	Application has been made to Hong Kong Stock Exchange for the listing of and permission to deal in the New Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 21 April 2021.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them and the timing for complying with the requirements set out in the Terms and Conditions in relation to NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the Outstanding Bonds.
Use of Proceeds	See "*Use of Proceeds*".
Risk Factors **................................**	For a discussion of certain risk factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. Each of the Issuer and the Guarantor believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Bonds. Additional risks and uncertainties not presently known to the Group or which each of the Issuer and the Guarantor currently deems or, as the case may be, the Guarantor's ability to fulfil its obligations pursuant to the Guarantee of the Bonds immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and each of the Issuer and the Guarantor is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Guarantor believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer, or as the case may be, the Guarantor to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds and the Guarantee of the Bonds may occur for other reasons and each of the Issuer and the Guarantor does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS AND THE PRC SECURITIES INDUSTRY

General economic and market conditions could materially and adversely affect the Group's business

The Group's business is highly dependent on economic and market conditions in China, as a substantial majority of its revenue is derived from the securities markets in China. Like other businesses operating in the same industry, the Group's business is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in the trading volume and the credit capacity or perceived creditworthiness of the securities industry in the marketplace. For instance, the PRC stock market has experienced significant fluctuations in recent years and there can be no assurance that such volatility would not continue in the future. The business is also subject to general economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. For instance, the unfavourable economic and financial conditions globally, such as financial instability in the U.S. and the imposition of new bilateral tariffs between China and the U.S. have also had a material impact on the market conditions in China and may affect the Group's results and financial conditions. China's securities industry and the Group's results of operations are affected by the monetary policies and inflation in the PRC and the volatility in the PRC securities markets. In addition, the United Kingdom's exit from the European Union formally took place on 1 January 2021. There is also substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Further, the 2019 novel coronavirus pandemic ("**COVID-19**") has resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and global and have led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

The Group's businesses, financial condition and results of operations may be adversely affected by general economic and market conditions in many ways, including, among others:

- The Group's wealth management business heavily depends on trading volumes and market performance. Unfavourable economic, geopolitical and market conditions can adversely affect investor sentiment and investment and trading activities, resulting in declining brokerage fee and commission income. Market downturns will also negatively impact the value of the customers' investment portfolio, which may result in a loss of customer confidence in the Group and even reputational harm.

- The Group's institutional services business integrates investment banking, institutional investor services and investment trading resources, for various types of enterprises and financial institutions, which has been and may continue to be affected by market conditions. Unfavourable economic and geopolitical conditions may negatively impact investor confidence and corporate finance activities, resulting in significant declines in the size and number of M&A and capital raising transactions. This may adversely impact the revenue and profitability of the Group's investment banking business.

- In addition, the Group has net long trading positions in various equity and fixed-income securities as part of its investment and trading business. As a substantial portion of these financial instruments is marked to market, declines in fair values could directly impact the Group's profit and capital position. However, it may not be feasible or economical for the Group to entirely hedge such exposures. Sudden declines and significant volatility in the asset prices may cause the Group to record significant realised and unrealised losses.

- The Group's investment management business mainly consists of securities firm asset management, private equity fund management and mutual fund management. Under its investment management business, the Group receives asset management fees based on the value of its clients' portfolios or their assets under investment accounts that it manages. In addition, the Group also earns performance fees on certain asset management schemes. Market volatility and adverse economic conditions may reduce the Group's AUM, and affect the performance of the assets or funds it manages, which could cause decline in management fees or performance fees.

- The Group engages in the operation of international business including investment banking, private wealth management and retail brokerage, research and equity sales, FICC, cross-border and structured finance, equity derivatives, and asset management business through Huatai Financial Holdings and AssetMark, which are the Guarantor's subsidiaries in Hong Kong and the United States respectively. The Group's international business is exposed to risks inherent in operating any international business, such as economic uncertainties and recessions in overseas markets, more stringent regulatory requirements and unpredictability in the local political environment, among other things, which could have material repercussions on the Group's business, financial condition and results of operations.

The Group is subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect its business operations and prospects

As a participant in the financial services industry, the Group is subject to extensive regulation in mainland China, Hong Kong, U.S. and other jurisdictions where the Group has substantive operations. Regulators limit business activities by imposing capital requirements, limiting the types of products and services which may be offered and restricting the types of possible security investments.

The relevant regulatory authorities above conduct inspections, examinations and inquiries in respect of the Group's compliance with the relevant regulatory requirements. For example, the CSRC assigns a regulatory rating to each securities firm based on their risk management capabilities, competitiveness and compliance with regulatory requirements. The Guarantor was among a few securities firms that received an "AA" grade in regulatory rating (the highest rating attained by any PRC securities firm so far) from the CSRC for six consecutive years from 2010 to 2015. However, in 2016, the Guarantor's regulatory rating was downgraded to "BBB" mainly due to a non-compliance with the CSRC's Know-Your-Client requirements, which required the Group to maintain a higher portion of its capital for the securities investor protection fund mandated by PRC laws and adhere to more stringent capital adequacy and risk control requirements, among other things. Such regulatory rating was restored to an "AA" grade in 2017 and the Group has maintained its "AA" grade since then. However, there can be no assurance that the CSRC will not downgrade the Group's regulatory rating in the future, which may cause the Group to lose its eligibility in conducting certain new businesses or business permits for operating its existing businesses and result in a higher risk capital reserve ratio or a higher reserve ratio for its securities investor protection fund. If the Group cannot fully comply with the various requirements stipulated by the regulators, its business, financial conditions and results of operations may be adversely affected.

Failure to comply with the applicable regulatory requirements could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of regulatory rating and restrictions or prohibitions on the Group's future business activities. These actions may limit its ability to conduct pilot programmes and launch new businesses, harm its reputation, and consequently materially and adversely affect its business, financial condition and results of operations. Since 2015, the Guarantor and its subsidiaries and their employees were involved in a number of non-compliance incidents and regulatory investigations, and received warnings, downgrades of regulatory ratings or penalties from the relevant regulatory authorities. Following these incidents, the relevant regulatory authorities have issued warnings or penalties to the Group. For example, in February 2015, the CSRC examined the Group's margin financing and securities lending business and issued a regulatory letter identifying certain non-compliance incidents on 3 April 2015. In September 2015 and November 2016, the Guarantor received the investigation results from the CSRC which determined that the Group had failed to effectively manage the third-party trading terminal software connected to the Group's systems through software certification or effective control and failed to sufficiently know its customers' identity. The CSRC required the Guarantor to rectify its operation accordingly and confiscated RMB18.2 million from its income and imposed an additional fine of RMB54.7 million. This also led to a downgrade of the Guarantor's regulatory rating in 2016 from "AA" to "BBB", which subjected the Group to a higher payment ratio for the securities investor protection fund mandated by PRC laws and more stringent capital adequacy and risk control indicator requirements, among other things. On 13 February 2020, the Guarantor received the Decision on Administrative Punishment (Bank Punishment Decision [2020] No. 23) from the PBOC. Pursuant to the Anti-Money Laundering Law of the PRC, the PBOC imposed a fine in an aggregate amount of RMB10.1 million on the Guarantor. In addition, in September 2018, the Guarantor's Hong Kong subsidiary, was reprimanded and fined HK$0.8 million by the SFC for non-compliance with the short selling requirements which occurred in 2015. The Group has implemented remedial measures in response to the foregoing non-compliances and has not received any objection or follow-up actions from the relevant regulatory authorities. Material incidents of non-compliance may subject the Group to penalties, restrictions or prohibitions on its business activities, which could have a material adverse impact on the Group's business, financial condition and results of operations.

Moreover, the securities industry is highly regulated and relevant rules and regulations could be changed from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of the existing rules and regulations may directly impact the Group's business strategies and prospects. There are certain regulatory changes currently being contemplated in respect of the PRC securities industry. For example, the CSRC published the Rules on Administration of Equity Interests in Securities Firms (證券公司股權管理規定) on 5 July 2019, which imposes additional obligations on securities firms regarding the management of shareholders as well as changes in and transfer of their share capital. In another instance, on 13 June 2019, the Shanghai Stock Exchange STAR Market, a Nasdaq-style Sci-Tech

Innovation Board was opened and the pilot programme of registration-based listing was introduced, allowing start-ups to go public and get listed without requiring substantive review and approval from government regulators. On 28 December 2019, the National People's Congress Standing Committee approved the amendments to the Securities Law of PRC (the "**New Securities Law**"), streamlining the process for new listings on the stock markets in the PRC and marking a milestone in line with the fast-changing PRC capital markets. A key provision under the New Securities Law is to provide for the implementation of registration-based IPO system, and to allow stock exchanges instead of the CSRC to review and approve listing applications, which is expected to simplify and shorten the IPO approval process in the PRC. The New Securities Law came into force on 1 March 2020. Although the Guarantor does not believe such changes would have a material impact on the Group, there can be no assurance that enforcement of the regulatory changes would not materially and adversely affect the Group's business and financial condition. In addition, changes in the rules and regulations could result in restrictions on the business lines of the Group, revisions to its business practices and incur additional costs, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

Failure to meet the capital and other risk control measures requirements in China will adversely affect the Group's results of operations, financial condition and prospects

The Group is subject to minimum capital and other requirements under the Measures for the Risk Control Indexes of Securities Firms (《證券公司風險控制指標管理辦法》) in China. As at 31 December 2018, 2019 and 2020 and as at the date of this Offering Circular, the Guarantor was in compliance with all capital adequacy and risk control indicator requirements, and it did not experience any difficulty in complying with such requirements in 2018, 2019 and 2020 and up to the date of this Offering Circular, and it does not currently anticipate any difficulty to comply with them in the near future. However, if the Group fails to meet regulatory capital requirements in the future, the local regulatory authorities may impose penalties on the Group or restrict the scope of the Group's business, which could, in turn, have a material adverse effect on the Group's financial condition and results of operations.

Government measures for stabilising the PRC stock market and involvement by market participants in these measures could increase the Group's exposure to market and other risks

In 2015, the A share market experienced significant fluctuations, especially from mid-June to the end of August. As a result, the PRC government announced a series of measures to stabilise the stock market and restore investor confidence. In July and September 2015, along with many other PRC securities firms, the Group has contributed to the designated accounts at China Securities Finance Corporation Limited (the "**China Securities Finance**") for purchasing blue-chip ETFs in China. These stabilisation measures expose the Group to additional market and other risks. There is no publicly available information regarding how the Group's contributions to the designated accounts at China Securities Finance have been invested and when the Guarantor's contributions will be returned. The Group may incur losses from these contributions due to future disposal or impairment and its financial position may fluctuate as a result of revaluation. In addition, the Group may be unable to reduce it's A share proprietary trading positions or effectively hedge its exposures through short-selling to mitigate market risks in a highly volatile market.

The occurrence of any of the foregoing risks could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group is unable to predict the long-term impact of the foregoing measures on its operations. There is also no assurance that the PRC government will not introduce any additional measures to stabilise the stock market in the future.

The PRC securities industry is highly competitive and gradual deregulation may cause new market competitors to enter into the market which could adversely affect the Group's businesses and prospects

According to the CSRC, there were 138 registered securities firms in the PRC as at 31 December 2020. The PRC securities industry is highly competitive and as the securities sector is gradually becoming more accessible to foreign investors, the Group faces more intense competition in most of its business lines.

For its wealth management business, the Group competes primarily with other PRC securities firms in terms of pricing and the range of products and services offered. Intense price competition in recent years has led the Group to proactively reduce its fee and commission rates for securities brokerage. Also see "– *The Group's wealth management business is subject to various risks and there can be no assurance that brokerage fees and commission income can be sustained*".

For its institutional services business, the Group competes primarily with other PRC or Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and distribution capability, service quality, financial strength and pricing. Intense competition may result in lower underwriting and advisory fees for the Group's institutional services business.

For the Group's investment management business, it competes primarily with other securities firms, fund management companies, banks, insurance companies and other financial institutions in the PRC in terms of the range of products and services offered, pricing and quality of customer service.

Some of its competitors may have certain competitive advantages over the Group, including greater financial resources, stronger brand recognition, broader product and service offerings and a branch network with wider geographic coverage. They may also have more experience with a broader range of services and more complex financial products than the Group.

As China is taking steps to open up its financial industry through easing its limits to foreign stakes in securities firms, new competitors may enter into the securities industry, which could further intensify market competition. The Group's business, financial condition and results of operation may be materially and adversely affected as a result.

The Group's wealth management business is subject to various risks and there can be no assurance that brokerage fees and commission income can be sustained

Wealth management revenue represents a significant portion of the Group's revenue. The Group's wealth management business is significantly affected by external factors, such as market conditions, regulatory policies, investor confidence and general economic conditions, all of which are beyond the Group's control. For example, the stock market in China experienced a sharp decline in 2016 and more recently, the sudden outbreak of the COVID-19 pandemic brought uncertainties to the wealth management industry. There can be no assurance that such unfavourable economic and market conditions will not recur in the future.

Market competition is another key factor affecting the Group's wealth management business. To enhance competitiveness, product pricing is monitored in relation to competitors and commission rates and other fee structures are adjusted. In light of the decreasing brokerage fee and commission rate in the PRC securities market, the Group has adopted cost reduction measures and proactively lowered its brokerage fee and commission rate to expand customer base and gain market share. Some of the Group's competitors also launched online brokerage services in recent years, which has caused the Group to continue to reduce its brokerage commission rates so as to stay competitive. If the number of discount brokers and Internet companies seeking to enter and expand the online brokerage and wealth management business continues to increase, the brokerage fee and commission rate of the industry may further decrease due to market competition, which could adversely affect the Group's price competitiveness.

The Group is also confronted with pressure to maintain its client base and attract new customers. As at 31 December 2020, the Group had over 17.12 million brokerage and wealth management customers. However, there can be no assurance that the client base can be maintained or grown. If the Group is unable to address the needs of its clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or otherwise failing to meet clients' demands or expectations, the Group may lose its existing clients to competitors or fail to attract new clients. As a result, the Group's business, financial condition and results of operations may be adversely affected.

In addition to the Group's own asset management products, it also distributes, through its branch network and online platform, financial products developed by third-party financial institutions, such as mutual fund management companies, private investment fund management companies and trust companies in China. As a third-party distributor, the Group is not liable for any investment loss or default directly derived from the third-party financial products distributed by the Group to its customers. However, the Group may be subject to client complaints and possibly litigations which could have an adverse effect on the Group's reputation and wealth management business. In 2018, 2019 and 2020, the Group received certain customer complaints with respect to the financial products issued by third-party financial institutions, among which a large majority were resolved and closed as of the date of this Offering Circular. Although such complaints did not result in any litigations or administrative penalties imposed on the Group, there can be no assurance that the regulators will not take such actions in the future. In addition, certain third-party financial products, such as trust schemes and structural OTC products, may have complex structures with various risks, including credit risks, interest risks and liquidity risks. The Group's risk management policies and procedures may fail to fully identify such risks, and its sales representatives may fail to disclose such risks to its wealth management customers properly, resulting in potential mismatch to customers' risk tolerance and investment preference and unanticipated significant loss. This may also subject the Group to client complaints and litigation risks. As a result, the Group's reputation, customer relationships, business and prospects will be materially and adversely affected.

The Group may suffer significant losses from its credit exposures in its capital-based intermediary businesses, futures brokerage business and OTC transactions

The Group's capital-based intermediary businesses, including margin financing, securities lending and securities-backed lending, as well as its futures and options brokerage business activities, are exposed to risks associated with the failure of customers to perform its payment obligations or the fall in value of collateral held by the Group below the level required to secure the obligations. The Group also faces credit risks in its role as a counterparty in derivative contracts and other OTC transactions. Any material failure of payment or performance by a client or counterparty could adversely affect its financial position, results of operations and cash flows. Although the Group regularly reviews its credit exposure to specific clients or counterparties and specific industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. The Group may also fail to receive all relevant information required to examine the credit risks of its clients and counterparties. For the years ended 31 December 2018, 2019 and 2020, the Group did not experience any material and adverse impacts on its business profitability and liquidity from deterioration in the credit quality of its clients and counterparties. However, there can be no assurance that the credit quality and repayment abilities of these parties would not deteriorate in the future due to significant volatility in the market and other unforeseeable circumstances.

For the capital-based intermediary businesses, the Group may be forced to liquidate collateral if its clients are unable to meet their obligations as scheduled, or are unable to maintain the maintenance margin ratios/collateral coverage ratios above the Group's minimum threshold due to fluctuations in market prices of the collateral. For the Group's futures and options brokerage business activities, its clients are required to maintain a certain amount of account balance for their futures and options trading. The Group conducts automatic valuations for clients' account balances on each trading day, and, in the event of an insufficient account balance, the Group requires clients to replenish their account balance or liquidate their positions. Such mandatory liquidation mechanism may trigger disputes between clients and the Group, which may subject the Group to significant expenses or litigation risks.

The Group's ability to carry out forced liquidation of client positions is adversely affected by market volatilities. If the market price of securities which is held as collateral decreases sharply for an extended period, the value of the collateral may fall below the value of the Group's margin loans when it is unable to liquidate clients' positions in a timely manner due to the daily price fluctuation limit on the A-share stock markets, resulting in significant losses.

In addition, the Group also conducts OTC trades with its clients as a counterparty to provide them with customised products or services, such as repurchase or resale transactions and equity return swaps. Since there is no exchange or clearing agent for these contracts, the Group will be exposed to credit risk of non-performance of the counterparty.

The Group's institutional services business is subject to various risks associated with financial advisory services, underwriting and sponsorship of securities as well as market volatility and the investment decisions that the Group makes

For the years ended 31 December 2018, 2019 and 2020, the segment revenue and other income of the Group's institutional services business accounted for 11.5 per cent., 25.1 per cent. and 25.7 per cent. of its total revenue and other income (including inter-segment revenue), respectively.

Risks related to the investment banking business

The Group's investment banking business, a segment under the Group's institutional services business, is subject to certain risks related to the uncertainties in regulatory policies and approvals. The primary offering of securities in the PRC, especially IPOs, secondary offerings and certain types of M&A of listed companies, are subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews are beyond the Group's control and may cause substantial delays to, or the termination of, securities offerings underwritten by the Group or M&A advised by the Group. There can also be no assurance that regulatory approvals on securities offerings and M&A will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings underwritten or sponsored by the Group or M&A advised by the Group could harm its reputation, erode client confidence and reduce its underwriting, sponsorship and advisory fee income, because the Group only receives most of its fees after the successful completion of a securities offering or M&A. In addition, since the Group may be required by a given client to underwrite securities offerings on a hard-underwriting basis, it may be required to purchase all of the unsubscribed portion for its own account on such a transaction, which may materially and adversely affect the Group's liquidity, and the Group may even incur losses as a result. In 2018, 2019 and 2020, the Group underwrote some securities on a hard-underwriting basis and was required to purchase the unsubscribed portion for its account, without any material impact on the Group's business. However, there can be no assurance that such will not happen in the future, which could materially and adversely affect the Group's financial condition.

Moreover, relevant rules and regulations could be changed from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may bring out new products or services or result in limitations on certain investment banking activities, which may adversely affect the Group's ability to effectively compete with other financial institutions that are not affected in the same way. The Group may be unable to maintain new products and services in a timely manner, or face difficulties in providing new products and services, or its competitive activities may be subject to limitations, and the Group may not maintain its current market share, resulting in reputation harm and income loss.

In addition, when acting as a sponsor or an underwriter in securities offerings, or a financial advisor for M&A transactions, the Group may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or other legal liabilities for conducting inadequate due diligence in connection with an offering or the post-transaction compliance supervision, fraud or misconduct committed by issuers, their agents, other sponsors or the Group, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting or advisory process. Moreover, according to the rules in China, if the prospectus of the IPOs sponsored by the Group contains fraudulent records, misstatements or omissions which cause losses to investors, the Group may be required to compensate investors for their losses resulting from false disclosures in IPOs before issuers' compensation liability can be determined. The due diligence that the Group undertakes in the course of its investment banking business operations is inherently limited and may not reveal all facts that may be relevant in connection with such businesses.

The performance of the Group's investment banking business also depends on market conditions. Adverse market conditions and volatility in the capital markets may also cause delays to, or the termination of, securities offerings underwritten and sponsored by the Group and M&A advised by the Group, or may result in fewer financing and M&A activities, which may in turn materially and adversely affect the Group's revenue from the investment banking business.

Furthermore, as the PRC regulatory requirements towards the primary offering of securities continue to reform, including the reform of the A-share IPO system from an approval-based to a registration-based system, securities firms in China are facing increasing challenges in terms of deal execution, client development, pricing and distribution capabilities. If the Group is unable to adjust its business strategies to meet these new challenges, it may not be able to compete effectively in the securities industry, which could in turn materially adversely affect income from its investment banking business.

Risks related to the investment and trading business

The Group trades equity and fixed-income securities as well as derivative products for its own account. The Group's equity and fixed income securities are subject to market volatility and, therefore, the results of its securities trading activities generally correlate with the performance of the PRC securities markets. The Group uses derivative instruments, such as stock index futures, to reduce the impact of price volatility on its equity trading. The Group also uses interest rate swaps and treasury bond futures to hedge the interest rate exposure that arises from its fixed-income trading. However, the PRC derivatives market currently does not provide sufficient means for the Group to hedge against volatile trading markets, which may make it difficult for it to reduce its exposure to fluctuations in prices, and the derivatives that the Group uses may not be as effective as it expects for hedging purposes. In addition, derivatives contracts which the Group enters into expose it to the risks associated with these instruments and their underlying assets, which could result in substantial losses.

The performance of the Group's investment and trading business is determined by its investment decisions and judgments based on its assessment of existing and future market conditions. The Group closely monitors the market value and financial performance of its investment and trading portfolio, and actively adjusts such portfolio to allocate assets based on market conditions and internal risk management guidelines. However, the Group's investment decisions are mainly based on human judgments, which involve management discretion and assumptions. If the Group's decision-making process fails to minimise losses effectively while producing meaningful gains, or its forecasts deviate significantly from actual changes in market conditions, or if concentration risk, including market risk and credit risks from holding particular assets or asset classes materialises, its investment and trading business may not achieve the investment returns it anticipates, and the Group could suffer material losses, any of which would materially and adversely affect its business, financial condition and results of operations.

The Group may also be exposed to risks associated with its financial assets, which may be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect its financial condition and results of operations. While the Group has internal policies and procedures to limit such occurrences, these policies and procedures may not be fully effective. In addition, the Group may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If the Group's trading position becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, or if the Group fails to effectively manage its exposure through its risk management policies and procedures, the volatility of any negative impact of adverse credit exposures could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

In addition, certain classes of the Group's financial assets are marked to market at fair value through profit or loss. A decline in the value of such assets could result in substantial losses to the Group.

A significant decline in the size of the Group's AUM or a poor investment performance may materially and adversely affect its asset management business, a segment under the Group's investment management business

The Group receives asset management fees based on the asset size of each asset management scheme under its management. In addition, the Group may earn performance fees for certain asset management schemes. Investment performance has a significant impact on the Group's AUM and is one of the most important factors in retaining its clients and competing for new asset management businesses. Limited investment options and hedging strategies in the PRC, as well as market volatility, could negatively affect the Group's ability to provide stable returns for its clients and cause the Group to lose clients. Poor investment performance could adversely affect its revenue and growth because:

- existing clients might withdraw funds from the Group's investment management business, which would result in lower management fees for the Group;

- clients may request that the Group lower its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's performance fees, which are based on a percentage of investment returns, would decline.

In addition, with the release of Guidance Opinions Concerning Standardisation of Asset Management Operations by Financial Institutions in April 2018, financial institutions in China are required to deleverage their business and reduce channel-based services. Under these tightening requirements, the Group's asset management business is under more stringent regulatory scrutiny, which may result in additional downside pressure for the Group to expand its AUM.

The Group's asset management fees or market share may decrease due to increased competition from insurance companies, mutual fund companies and other competitors. Market volatility, adverse economic conditions or the failure to outperform the Group's competitors may reduce its AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management fees or performance fees received by the Group.

The Group contributed its own capital to the subordinated tranche of its certain collective asset management plans, with a fair value of approximately RMB1.92 billion as at 31 December 2020. Under the Group's agreement with clients, if the investment return on the senior tranche of these schemes falls below its anticipated yield, the Group is required to compensate its clients for the shortfall up to the amount of its capital contribution to the subordinated tranche of such scheme. The Group may continue to develop and offer more asset management schemes with similar features to attract customer interest, and therefore it is exposed to the risk of losing part or all of its capital contributions to those asset management schemes.

The Group may fail to realise profits from its private equity investments or lose some or all of the capital invested

The ability of the Group's private equity funds to dispose of investments is dependent primarily on the equity capital markets. The Group's private equity funds may sometimes be forced to sell securities at undesirable prices or defer sales, potentially for a considerable period of time. The Group has made and expect to continue to make significant capital investments in its current and future private equity funds. Contributing capital to these funds is risky, and the Group may lose some or all of the principal amount of its investments.

In addition, the Group has limited control over the portfolio companies it invests in. The portfolio companies may make business, financial or management decisions with which it does not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that is not aligned with the Group's best interests. Furthermore, the Group's portfolio companies may fail to abide by their agreements with the Group, for which it has limited or no recourse. If any of the foregoing were to occur, the value of the Group's private equity investments could decrease or it may face investment failure, in which case its financial condition, results of operations and cash flow could be adversely affected.

Any significant adverse impact on the Group's international business operations and failure to manage the risks associated with overseas expansion could have a material adverse effect on its overall business

The Group conducts international business operations primarily through its wholly owned subsidiary, Huatai International, which also holds AssetMark. The Group also expects to further expand its international business, and may subject itself to the following risks:

- Revenue fluctuation of its overseas subsidiaries from period to period in the future due to unfavourable market conditions, intensified competition, unattractive products and services, downward pressure on fees and any other inherent risks associated with the Group's international business operations;

- Difficulties in managing international business operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licences;

- Differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;

- Inability to effectively enforce contractual or legal rights; and

- Changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If the Group is unable to effectively avoid or mitigate these risks, its ability to expand its international business will be impaired, or its international business may not be able to achieve or sustain profitability, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

A significant decrease in the Group's internal or external liquidity could negatively affect its business and reduce customer confidence in the Group

Maintaining adequate liquidity is crucial to the Group's business operations as it continues to expand its margin financing and securities lending, investment banking, investment and trading, and other business activities with substantial cash requirements. The Group meets its liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in the Group's liquidity could reduce the confidence of its customers or counterparties in the Group, which may result in the loss of business and customer accounts. In addition, according to the CSRC's requirements, the ratio between the Guarantor's Net Capital and net assets cannot fall below 20.0 per cent., the ratio between its Net Capital and total liabilities cannot fall below 8.0 per cent., the ratio between its net assets and total liabilities cannot fall below 10.0 per cent. and its Capital Leverage Ratio (the ratio of its core net capital to total amount of in-balance-sheet and off-balance-sheet assets) shall not be less than 8.0 per cent. and both its Liquidity Coverage Ratio (ratio of good-quality liquid assets to forecast net cash outflow for the next 30 days) and Net Stable Funding Ratio (ratio of stable funding available to stable funding required) shall not be less than 100 per cent. As at 31 December 2020, the Guarantor's Liquidity Coverage Ratio and Net Stable Funding Ratio stood at 230.31 per cent. and 130.22 per cent., respectively. If the Group fails to meet regulatory liquidity requirements in the PRC, the CSRC may impose penalties on the Group, suspend or revoke business licences assigned by the CSRC or limit the scope of the Group's business, which could, in turn, have a material adverse effect on its financial condition and results of operations. Failure to comply with such requirements may also result in disciplinary actions imposed by the SAC such as regulatory warning, rectification order, industry-wide criticism, public condemnation, or suspension or revocation of business licences assigned by the SAC.

Factors that may adversely affect the Group's liquidity position include a significant increase in its capital-based intermediary businesses, increased regulatory capital requirements, substantial investments, loss of market or customer confidence or other regulatory changes. The Group may incur negative net cash flows from operating activities in the future. When cash generated from the Group's operating activities is not sufficient to meet its liquidity or regulatory capital needs, the Group must seek external financing. During periods of disruption in the credit and capital markets, potential sources of external financing could be limited and the Group's borrowing costs could increase. Although the Group's management believes that it has diversified sources of external financing, including a mix of short-term and long-term debt financing instruments, such financing may not be available on acceptable terms or at all due to unfavourable market conditions and disruptions in the credit and capital markets.

The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to the Group, may not fully protect it against various risks inherent in its businesses

Currently, the Group follows its internal risk management framework and procedures to manage its risk exposures, primarily including market risk, credit risk, liquidity risk, compliance risk, operational risk, information technology risk and reputational risk. The Group's risk management policies and procedures and internal controls may not be adequate or effective in mitigating its risk exposures or protecting it against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behaviour and the Group's experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by the Group's historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up to date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience data that the Group relies on for its risk management methods may become quickly outdated as markets and regulations continue to evolve. Deficiencies in the Group's risk management policies and procedures and internal control systems may adversely affect its ability to identify any reporting errors and non-compliance with rules and regulations, which in further have a material adverse effect on its business, financial condition and results of operations.

The Group faces additional risks as it expands its product and service offerings

The Group is committed to providing new products and services in order to strengthen its leading market position in the PRC securities industry. The Group expanded its business to include margin financing and securities lending, securities-backed lending and stock repurchases as well as OTC trading in recent years. These new businesses expose the Group to additional risks, particularly credit risk.

The Group will continue to expand its product and service offerings as permitted by relevant regulatory authorities, transact with new customers not in its traditional customer base and enter into new markets. These activities expose the Group to new and increasingly challenging risks, including, but not limited to the following:

- the Group may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- the Group may be subject to stricter regulatory scrutiny as well as additional licence and approval requirements, increased credit risks, market risks, compliance risks and operational risks;
- the Group may suffer materially from significant disruption in its U.S. operations through AssetMark;
- the Group may suffer from reputational concerns arising from dealing with less sophisticated counterparties and customers;
- the Group may be unable to provide customers with adequate levels of service for its new products and services;
- the Group may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- the Group's new products and services may not be accepted by its customers or meet its profitability expectations;
- the Group may be unable to obtain sufficient financing from internal and external sources or sufficient resources to support its business expansion; and
- the Group may be unsuccessful in enhancing its risk management capabilities and IT systems to identify and mitigate the risks associated with these new products and services, new customers and new markets.

If the Group is unable to achieve the intended results with respect to its offering of new products and services, its business, financial condition, results of operations and prospects could be materially and adversely affected.

Significant interest rate fluctuations could affect the Group's financial condition and results of operations

The Group's exposure to interest rate risk is primarily associated with its interest income, interest expenses and fixed-income investments.

The Group earns interest income from bank deposits (including its own deposits and customer deposits), margin financing and securities lending, securities-backed lending, stock repurchases and financial assets held under resale agreements. Interest income from these sources is directly linked to the prevailing market interest rates. During periods of declining interest rates, the Group's interest income would generally decrease.

The Group also makes interest payments on deposits it holds on behalf of its customers, short-term commercial papers, corporate bonds and repurchase transactions as well as subordinated bonds and other debt securities. These interest expenses are directly linked to the prevailing market interest rates. During periods of rising interest rates, the Group's interest expenses and financing costs would generally increase.

In addition, the Group holds fixed-income investments. During periods of rising interest rates, market prices and the Group's investment returns on fixed-income securities will generally decrease.

Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed-income investments, or increase its interest expenses, any of which could adversely affect its financial condition and results of operations.

The Group's operations depend on key management and professional staff and its business may suffer if it is unable to retain or replace them

The success of the Group's business is dependent to a large extent on the continuity of its senior management and its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. If the Group loses the services of any member of its senior management, it may not be able to execute its existing business strategy effectively or may have to change its existing business direction, which may materially adversely affect its business prospects. These key personnel include members of its mid-level management, experienced investment and trading managers, risk management officers, research analysts, IT specialists, licenced sponsor representatives and other personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and the Group faces increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are competing for the same pool of talent. Intense competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect its financial condition and results of operations.

The Group may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and may not enhance its business as it expects

The Group has in the past pursued mergers and acquisitions, joint ventures and other transactions aimed at expanding the geographic scope and scale of its operations. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of the Group's operations.

The Group may not be able to realise any anticipated benefits or achieve the synergies it expects from these acquisitions or joint ventures; its clients may react unfavourably to its acquisition and joint venture strategy; and it may be exposed to additional liabilities of any acquired business or joint venture. Any of these could materially adversely affect the Group's revenue and results of operations.

If the Group makes acquisitions or forms joint ventures, there can be no assurance that it will be able to generate expected margins or cash flows, or to realise the anticipated benefits of such acquisitions or joint ventures, including growth or expected synergies. There can be no assurance that the Group's assessments of and assumptions regarding acquisition targets and joint venture will prove to be correct, and actual developments may differ significantly from the Group's expectations. The Group may not be able to integrate acquisitions into its business or manage the joint ventures successfully, or such integration and management may require more investment than it expects, and the Group could incur or assume unknown or unanticipated liabilities or contingencies with respect to clients, employees, suppliers, government authorities or other parties, which may impact its results of operations. The Group's clients may react unfavourably to its acquisition and joint venture strategy, and the Group may be exposed to additional liabilities of any acquired business or joint venture. The process of integrating business may be disruptive to the Group's operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in the Group's results of operations as a result of difficulties or risks, including:

- Unforeseen legal, regulatory, contractual and other issues;
- Difficulty in standardising information and other systems;
- Difficulty in realising operating synergies; and
- Diversion of management's attention from the Group's day-to-day business.

Changes in accounting standards, procedures or policies may materially affect the Group's financial condition and results of operations

The financial accounting, procedures and reporting standards governing the Group's financial statements as well as their application and interpretation may change from time to time. Such changes may be beyond the Group's control, and can be difficult to predict, which, in turn, could materially impact its results of operations and financial condition. In some cases, the Group may be required to apply a new or revised standard retrospectively, resulting in material changes to previously reported financial results. Any changes in accounting standards, procedures or policies may materially affect the Group's results of operations and financial condition.

The Group has adopted the new standard IFRS 16 at 1 January 2019. IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. IFRS 16 will primarily affects the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. As allowed by IFRS 16, the Group has elected to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group therefore has applied the new definition of a lease in IFRS 16 only to contracts that are entered into on or after 1 January 2019. In addition, the Group has elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. The Group has elected to use the modified retrospective approach for the adoption of IFRS 16 and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information as at 31 December 2018 (which was presented under IAS 17 and related interpretations.). As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of RMB725 million, lease liabilities of RMB707 million and prepaid lease payments of RMB18 million as at 1 January 2019. Also in relation to those leases under IFRS 16, when measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Other than the recognition of lease liabilities, prepaid lease payments and right-of-use assets, the adoption of IFRS 16 does not result in any impact on the Group's equity as at 1 January 2019. See Note 3 to the Group's consolidated financial statements for the year ended 31 December 2019 included elsewhere of this Offering Circular.

The Guarantor published and may continue to publish periodical financial information pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular

The Guarantor's equity securities are listed on the HKSE, the Shanghai Stock Exchange and the London Stock Exchange. According to applicable securities regulations, the Guarantor publishes its quarterly financial information to satisfy its continuing disclosure obligations relating to its listed securities. The quarterly financial information published by the Guarantor is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, the quarterly financial information published should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Guarantor is not responsible to holders of the Bonds for the quarterly financial information from time to time published and therefore investors should not place any reliance on any such quarterly financial information.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject the Group to financial losses and sanctions imposed by governmental authorities, as well as adversely affect its reputation.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, its internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There can be no assurance that fraud or other misconduct will not occur in the future and there can be no assurance that the Group will detect and prevent such fraud or misconduct. If such fraud or other misconduct does occur, it may cause negative publicity as a result. The Group's failure to detect and prevent fraud and other misconduct may have a material adverse effect on its business reputation, financial condition and results of operations.

In addition, as there are other financial institutions which carry similar trademarks or corporate names as the Group's, any negative publicity involving such institutions may adversely reflect on its reputation and business if the market or its clients are unable to distinguish its trademarks or names from other financial institutions.

The Group may fail to comply fully with money laundering and other laws and regulations in its business operations

The Group is required to comply with applicable anti-money laundering, and anti-terrorism laws and regulations in mainland China, Hong Kong and the U.S. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures may not completely eliminate instances in which the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may impose fines or other penalties on the Group. For example, on 13 February 2020, the Group was imposed fines by the PBOC in an aggregate amount of RMB10.1 million for non-compliance with the requirements under Article 32 of the Anti-Money Laundering Law of the PRC. There can be no assurance that there will not be failures in fully complying with money laundering or other laws and regulations in the Group's business operations in the future, which may adversely affect the Group's business reputation, financial condition and results of operations.

The Group relies heavily on IT systems to process and record its transactions and offer online products and services

As a pioneer in the PRC securities industry in terms of IT application, the Group's operations rely heavily on the ability of its IT systems to record and process accurately a large number of transactions across numerous and diverse markets and different business segments in a timely manner. The Group's system for processing securities transactions is highly automated. A prolonged disruption to, or failure of, the Group's information processing or communications systems would limit its ability to process transactions. This would impair the Group's ability to service its customers and execute trades on behalf of customers and for its own account, which could materially and adversely affect the Group's competitiveness, financial condition and results of operations.

The proper functioning of the Group's core IT systems, e-Platform, data processing system, CRM system, mobile apps, risk management and legal and compliance system and other data processing systems, together with the communication networks between its headquarters and branches, are critical to its business and its ability to compete effectively. The Group has established back-up centres in Nanjing and Shenzhen to carry on principal functions in the event of a catastrophe or failure of its systems, including those caused by human errors. However, there can be no assurance that the Group's operations will not be materially disrupted if any of its systems fail. In addition, if the capacity of the Group's trading system is unable to process all trading orders when the securities market experiences high volatility, the Group may be subject to client complaints, litigation or adverse effects on its reputation.

The securities industry is characterised by rapidly changing technology. Online trading platforms and mobile apps are becoming increasingly popular among the Group's customers due to their convenience and user-friendliness. The Group relies heavily on technology, including its e-Platform, and mobile apps, to provide a wide range of brokerage and wealth management services. However, the Group's technology operations are susceptible to human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, the Group's technology or external technology that allows its customers to use its online products and services could harm its business and its reputation.

The Group's business is susceptible to the operational failure of third parties

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. The Group was not subject to any material operational failure of third parties in 2018, 2019 and 2020. However, any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grow, the Group's business also relies heavily on its customers' use of their own systems, such as PC, mobile devices and the websites, and the Group will increasingly face the risk of operational failure in connection with its customers' systems. The operational failure of third parties may harm the Group's business and reputation.

The Group may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending itself against such claims or proceedings

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of customers. The Group may be subject to arbitration claims and lawsuits in the ordinary course of its business. The Group may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to the Group that could harm its reputation. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase.

From time to time, the Group was subject to a number of legal proceedings arising from the ordinary course of its business, including, for example, disputes relating to financial product transactions and pledged repurchases of securities. A significant judgment or regulatory action against the Group, a failure by the Group to prevail in the legal proceedings where the Group is the plaintiff, a failure by the Group to enforce judgment debts, or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees, would have a material adverse effect on its liquidity, business, financial condition, results of operations and prospects.

A failure to identify and address conflicts of interest appropriately could adversely affect the Group's business

As the Group expands the scope of its business and its client base, it is critical for the Group to be able to address potential conflicts of interest, including situations where two or more interests within its business legitimately exist but are in competition or conflict.

The Group has extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. The Group's failure to manage conflicts of interest could harm its reputation and erode client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

The Group may be subject to liability and regulatory action if it is unable to protect personal data and confidential information of its clients

The Group is subject to various laws, regulations and rules governing the protection of the personal data and confidential information of its clients. The Group's databases contain personal data of its customers, such as name and account number, location information relating to the address and telephone numbers for the customer and account-specific information such as the date of transactions and balance. These databases are vulnerable to damage, including telecommunications and network failures, natural disasters and human acts both by individuals external to the Group's business, as well as its employees, including fraud, identity theft and other misuse of personal data. The Group routinely transmits and receives personal data and confidential information of its customers through the Internet, by email and other electronic means.

Despite the security measures that the Group has implemented, the systems may be subject to physical or electronic break-ins, cyber-attacks, computer viruses and similar disruptive problems, and third parties may have the technology or expertise to breach the security of the Group's transaction data and the Group may not be able to ensure that its vendors, service providers, counterparties or other third parties, have appropriate measures in place to protect the confidentiality of such information. In addition, there can be no assurance that the group's employees who have access to the personal data and confidential information of its customers will not improperly use such data or information. Any security or privacy breach of these databases could expose the Group to liability, including regulatory fines or penalties, increase its expenses relating to the resolution of these breaches and the mitigation of their impact on affected individuals, harm the Group's reputation and deter customers from turning to it for their investment needs, which could have a material adverse effect on the Group's business, financial condition, financial returns and results of operations.

The Group's insurance coverage may not be adequate, which could expose it to costs and business disruption

The Group maintains certain insurance to cover risks in business operations. See "*Business Description – Insurance*" for details. However, insurance companies in China generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economics. Consequently, the Group does not maintain sufficient business interruption insurance or key man life insurance, which are not mandatory under PRC laws. The Group believes it has obtained all necessary insurance required under PRC laws.

RISKS RELATING TO THE PRC

The Group's business, financial condition, results of operations and prospects could be adversely affected by slowdowns in the PRC economy

The Group primarily conducts its businesses in the Yangtze River Delta region and substantially most of the Group's revenue is derived from the PRC. The Group relies, to a significant degree, on the development and economic growth of the PRC to achieve revenue growth. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. In 2015, the PRC Government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and moving away from investment and export fuelled growth. As a consequence of these reforms and instability in the recovery of the international economy, China reported a GDP of RMB90.03 trillion, RMB99.09 trillion and RMB101.60 trillion in 2018, 2019 and 2020. The year-on-year growth of 2.3 per cent. in 2020 was the lowest growth rate in the previous 30 years, according to the statistics released by the National Statistics Bureau of the PRC, primarily due to the impact of COVID-19, particularly in the first half of 2020. In July 2019, Moody's Investors Services Inc. affirms China's A1 ratings, maintains the stable outlook, in September 2019, S&P Global Ratings affirms China's "A+/A-1" ratings, stable outlook. With the COVID-19 exerting continuous downward pressure on the global economic growth, and the reindustrialisation and trade protectionism in some countries continuing to expand, the overall prospects of global and PRC economies may be adversely affected. Any slowdown of the PRC economy may create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could adversely affect the Group's business and prospects

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in China continue to be owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). The Group's operations and financial results, as well as the Issuer's and the Guarantor's ability to satisfy its obligations under the Bonds and the Guarantee, as the case may be, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

The PRC legal system has inherent uncertainties that could limit the legal protection available to prospective investors

PRC laws and regulations govern the Group's operations in mainland China. The Group and most of its operating subsidiaries are organised under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the People's Republic of China otherwise provided. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of China's laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of your investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Guarantor and its directors, supervisors and management

The Guarantor is a company incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, most of its directors, supervisors and executive officers reside within the PRC and the assets of its directors, supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon the Group's directors, supervisors and executive officers, including with respect to matters arising under applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

Future fluctuations in the value of the Renminbi could have a material adverse effect on the Group's financial condition and results of operations

While the Group generates most of its revenue in the PRC, it also offers securities products and services in Hong Kong to overseas customers. A portion of the Group's revenue, expenses and bank borrowings are denominated in Hong Kong dollars and US dollars, although its functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and US dollar, could affect the Group's profitability and may result in foreign currency exchange losses of its foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. In August 2015, the PBOC changed the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily midpoint. This change resulted in a depreciation in the value of the Renminbi at approximately 1.9 per cent. relative to the U.S. dollar in August 2015 and further subsequent depreciation against major currencies. Further to the PBOC's adjustment on 11 August 2015, the value of Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate.

The International Monetary Fund announced on 30 September 2016 that, effective from 1 October 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. There has historically been significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against the US dollar. However, in light of the recent depreciation of the Renminbi against the US dollar, there have also been calls on the PRC government to take measures to maintain stability of the exchange rate of the Renminbi. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against the US dollar in the future.

Currently, the Group has not entered into any hedging transactions to mitigate its exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect the Group's business, financial condition and results of operations

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases may materially and adversely affect the Group's business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect the Group's business. For example, the outbreak of the COVID-19 pandemic since early 2020 has had a significant impact around the globe and brought about additional uncertainties in the Group's operating environment, in particular in the first half of 2020. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore the Group's business. The Group cannot assure investors that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of its customers, which may materially and adversely affect its business, financial condition and results of operations.

Government control of currency conversion may adversely affect the value of investors' investments

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payments of interest, principal and premium on the Bonds. However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay interest, principal and premium to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

The payment of dividends by the Guarantor's operating subsidiaries in the PRC is subject to restrictions under PRC law

PRC laws require that dividends be paid only out of net profits, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC law requires enterprises to set aside part of their net profits as statutory reserves before distributing the net profits for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness depends upon dividends received from its subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness.

In addition, the Group is subject to certain restrictive covenants in the financing arrangements entered into by the Guarantor's subsidiaries and certain banks. For instance, loan agreements with certain commercial banks may restrict the Guarantor's subsidiaries from paying any dividends to the Guarantor or repaying intercompany loans before the loan is fully repaid.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry

Certain facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Group, the Joint Lead Managers, the Trustee or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, none of the Guarantor, the Joint Global Coordinators, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Bonds and the Guarantee will be unsecured obligations to the Issuer and the Guarantor respectively

The Bonds and the Guarantee will be unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is a rapid increase in any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness

The Bonds and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries (in the case of the Guarantor's subsidiaries, other than the Issuer), whether or not secured. The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws and contracts to which they are a party. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or the Guarantee or make any funds available therefore, whether by dividend, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Bonds and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Bonds may not be a suitable investment for all investors

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Issuer is a specifically incorporated special purpose finance vehicle

The Issuer has not engaged and will not engage in any business or any activities other than entering into arrangements for the issue of debt securities, and such other arrangements to invest in, or loan or advance the net proceeds to, the Guarantor or other subsidiaries of the Guarantor, the incurrence of certain other borrowings as the financing platform to the Guarantor and its other subsidiaries and affiliates, and any other activities reasonably incidental thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Bonds will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries. The Issuer might not be able to receive sufficient funds from the Guarantor and/or its subsidiaries to make payments under the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof

The Issuer, at maturity or at any time following the occurrence of a Relevant Event (each defined in the Terms and Conditions), is or may be required to redeem all but not some only of the Bonds. If such an event occurs, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

In addition, the Issuer may, at its option and in accordance with the Conditions at the Make Whole Redemption Price (as defined in the Terms and Conditions) and at maturity will, be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. There can be no assurance that once a Make Whole Redemption Notice has been given, the Make Whole Redemption Price will be paid by the Issuer. If the Make Whole Redemption Price is not received in full by the Principal Paying Agent in accordance with the Conditions, the Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect.

The Bonds are subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may elect to redeem the Bonds if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 6(b) of the Terms and Conditions, if the Issuer or the Guarantor is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount together with interest accrued up to but excluding the date fixed for redemption.

The date on which the Issuer may elect to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, as applicable, there could be a default under the terms of these agreements, or the Bonds, as applicable, which could cause repayment of the relevant debt to be accelerated

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds or current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there might not be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, and they might not be able to find alternative financing on favourable terms or at all.

The ratings of the Bonds may be downgraded or withdrawn

The Original Bonds have been and the New Bonds are expected to be rated "Baa1" by Moody's. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities. The ratings can be lowered or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Bonds if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Guarantor's ability to access the debt capital markets.

If the Guarantor fails to complete registration with SAFE in connection with the Guarantee, there may be logistical and practical hurdles for cross-border payments under the Guarantee

The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. The Guarantee will be contained in the Deed of Guarantee. The Guarantor is required to submit the Original Bonds Deed of Guarantee to SAFE within 15 PRC Business Days after the execution of the Original Deed of Guarantee and the Supplemental Deed of Guarantee within 15 PRC Business Days after the execution of the Supplemental Deed of Guarantee for registration in accordance with the Foreign Exchange Administration Rules on Cross-Border Guarantees promulgated by SAFE. Although non-registration would not as a matter of PRC law render the Guarantee ineffective or invalid, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Original Bonds Deed of Guarantee and the Supplemental Deed of Guarantee as soon as practicable. If the Guarantor fails to complete registration with SAFE, there may be logistical and practical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of registration with SAFE in connection with the Guarantee prior to giving effect to any such remittance.

The liquidity and price of the Bonds following this offering may be volatile

The price and trading volume of the Bonds may be highly volatile. One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Bonds which may reduce the liquidity of the Bonds in the secondary trading market and such investors may have certain influence on matters voted on by holders of the Bonds. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, any adverse change in the credit rating and results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade.

A trading market for the New Bonds may not develop

The New Bonds are a new issue of securities for which there is currently no trading market. A liquid, active trading market might not develop. If such a market were to develop, the New Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the New Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

In addition, the New Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the New Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. None of the Issuer or the Guarantor can predict whether an active trading market for the New Bonds will develop or be sustained.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. The Issuer may be treated as a PRC enterprise for PRC tax purposes, which may subject the Issuer to PRC income tax on its worldwide income and interest payable by the Issuer to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax law.

The insolvency laws of BVI and the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar with

As the Issuer is incorporated under the laws of BVI and the Guarantor is incorporated under the laws of PRC, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve BVI (for the Issuer) or PRC (for the Guarantor) insolvency laws, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Changes in interest rates may have an adverse effect on the price of the Bonds

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investment in the Bonds is subject to exchange rate risks

The Bonds are denominated and payable in US dollars. If a Bondholder measures its investment returns by reference to a currency other than US dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of US dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the US dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, including without limitation the giving of notice to the Issuer or the Guarantor and the taking of enforcement steps pursuant to Condition 14 of the Terms and Conditions, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds

The Terms and Conditions provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Bonds and the Trust Deed (with certain exceptions) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds and the Trust Deed (with certain exceptions) which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds and the Trust Deed (with certain exceptions) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds

On 14 September 2015, the NDRC promulgated the NDRC Circular, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the "**Pre-Issuance Registration Certificate**"). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 PRC Business Days of the completion of the bond issue (the "**Post-Issuance Filing**"). The Guarantor obtained the Pre-Issuance Registration Certificate in respect of the offering of the Bonds from the NDRC on 20 January 2021, and it intends to submit the Post-Issuance Filing for the Original Bonds within 10 PRC Business Days of the Original Bonds Issue Date and for the New Bonds within 10 PRC Business Days of the New Bonds Issue Date.

The administration, interpretation and implementation of the NDRC Circular may be subject to a certain degree of uncertainty as well as executive and policy discretion by the NDRC. As a result, there can be no assurance that the Post-Issuance Filing may be completed by the Guarantor within the prescribed time frame or at all. Accordingly, there is a risk that any failure by the Guarantor to complete the Post-Issuance Filing in accordance with the prescribed time frame (including as a result of reasons outside of the Guarantor's control) may have an adverse impact on the Guarantor and/or the Bonds.

The Bonds will initially be represented by the Global Certificates and holders of a beneficial interest in the Global Certificates must rely on the procedures of the relevant Clearing System

Bonds will initially be represented by the Global Certificates. Such Global Certificates will be deposited with a common depositary for Euroclear and Clearstream (each a "**Clearing System**"). Except in the circumstances described in the Global Certificates, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificates.

While the Bonds are represented by the Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificates the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificates must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Additional procedures may be required to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判斷的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

The Issuer may issue additional Bonds in the future

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further Bonds (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the U.S.$100,000,000 in aggregate principal amount of 1.30 per cent. Guaranteed Bonds due 2024 (the "**New Bonds**") to be consolidated and form a single series with the U.S.$800,000,000 in aggregate principal amount of 1.30 per cent. Guaranteed bonds due 2024 issued on 9 April 2021 (the "**Original Bonds**" and together with the New Bonds, the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Pioneer Reward Limited (the "**Issuer**") passed on 13 April 2021. The Original Bonds are constituted by a Trust Deed (the "**Original Bonds Trust Deed**") dated 9 April 2021 between the Issuer, Huatai Securities Co., Ltd. (the "**Guarantor**") and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds and the New Bonds are constituted by a supplemental trust deed dated on or about 20 April 2021 (the "**Supplemental Trust Deed**") supplemental to the Original Bonds Trust Deed (the Original Bonds Trust Deed as amended and/or supplemented by the Supplemental Trust Deed and as further amended and/or supplemented from time to time, the "**Trust Deed**"). The Original Bonds are the subject of an agency agreement (the "**Original Bonds Agency Agreement**") dated 9 April 2021 between the Issuer, the Trustee, Citibank, N.A., London Branch as registrar (the "**Registrar**"), initial principal paying agent (the "**Principal Paying Agent**") and transfer agent (the "**Transfer Agent**") and the New Bonds are the subject of a supplemental agency agreement dated on or about 20 April 2021 (the "**Supplemental Agency Agreement**") between the Issuer, the Guarantor, the Trustee, the Registrar, the Transfer Agent, the Principal Paying Agent and any other agents named in it, supplemental to the Original Bonds Agency Agreement (the Original Bonds Agency Agreement as supplemented by the Supplemental Agency Agreement and as further amended and/or supplemented from time to time, the "**Agency Agreement**"). References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Original Bonds have the benefit of a deed of guarantee (the "**Original Bonds Deed of Guarantee**") dated 9 April 2021 entered into by the Guarantor and the Trustee and executed in favour of the Trustee and the New Bonds have the benefit of a supplemental deed of guarantee dated on or about 20 April 2021 (the "**Supplemental Deed of Guarantee**") supplemental to the Original Bonds Deed of Guarantee (the Original Bonds Deed of Guarantee as supplemented by the Supplemental Deed of Guarantee and as further amended and/or supplemented from time to time, the "**Deed of Guarantee**"). The entering into the Deed of Guarantee was authorised by resolutions of the shareholders of the Guarantor on 8 February 2021 and resolutions of the board of directors of the Guarantor dated 31 December 2020. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and of those provisions of the Agency Agreement, and the Deed of Guarantee applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by Bondholders upon prior written request at all reasonable times during usual business hours at the principal place of business of the Trustee (presently at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office for the time being of the Principal Paying Agent.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1. Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond means the person in whose name a Bond is registered.

*Upon issue, the Original Bonds and the New Bonds will each be evidenced by a global certificate (the "**Global Certificates**") substantially in the form scheduled to the Trust Deed. The Global Certificates will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg, and will be exchangeable for individual Bond Certificates only in the circumstances set out therein.*

2. Transfers of Bonds

(a) Register

The Issuer will cause the register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 2(e) and 2(f) herein, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c) and in Condition 2(e), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Formalities Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(f).

(e) Closed Periods

No holder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond, (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(a)) (iii) during the period of seven business days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b) or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the register of holders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any holder who requests one in writing.

3. Guarantee and Status

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

(b) Status

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

4. Covenants

(a) Undertakings relating to the Guarantee

The Guarantor undertakes to register or cause to be registered with the State Administration of Foreign Exchange or its local counterpart ("**SAFE**"), the Original Bonds Deed of Guarantee within 15 PRC Business Days after the execution of the Original Bonds Deed of Guarantee and the Supplemental Deed of Guarantee within 15 PRC Business Days after the execution of the Supplemental Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to and the Deed of Guarantee.

(b) Undertakings relating to NDRC

The Guarantor undertakes to submit or cause to be submitted with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in relation to the issue of the Original Bonds within 10 PRC Business Days after 9 April 2021 (the "**Original Bonds Issue Date**") and in relation to the New Bonds within 10 PRC Business Days after 20 April 2021 (the "**New Bonds Issue Date**") in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules and regulations as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(c) Notification of Submission of the NDRC Post-issue Filing and the Cross-Border Security Registration

The Guarantor shall on or before the Registration Deadline, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming (A) the submission of the NDRC Post-issue Filing and the completion of the Cross-Border Security Registration and (B) no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing due filing with the NDRC and the relevant SAFE registration certificates, or any other document evidencing the completion of registration issued by SAFE and the particulars of registration (the items specified in (i) and (ii) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that, within 10 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the submission of the NDRC Post-issue Filing and the completion of the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the completion of NDRC Post-issue Filing or Cross-Border Security Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or the Cross-Border Security Registration and/or the Registration Documents or any translation thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing or the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(d) Financial Statements

So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall send to the Trustee, as promptly as practicable (in the case of each annual fiscal period, within 180 days after the close of each annual fiscal period and in the case of each semi-annual fiscal period, within 120 days after the close of each such semi-annual fiscal period), a copy of the following:

(i) in the case of the first semi-annual fiscal period falling within each of the annual fiscal periods, the semi-annual interim report in English containing unaudited consolidated accounts of the Guarantor in respect of such fiscal period which accounts are prepared on a basis substantially consistent with the most recent audited consolidated accounts, or which indicate the way in which their basis of preparation is different; and

(ii) in the case of each annual fiscal period, the annual report in the English containing audited consolidated accounts of the Guarantor as at the end of, and for, such fiscal period, prepared in accordance with the general applicable accounting principles of the People's Republic of China or other financial reporting standards applicable to the Guarantor.

(iii) at the same time as the provision of the annual reports or within 14 days of any request therefor from the Trustee, a Compliance Certificate in the form scheduled to the Trust Deed (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance).

provided that, if at any time the capital stock of the Guarantor is listed for trading at a recognised stock exchange, the Guarantor may deliver to the Trustee, as soon as they are available but in any event not more than 14 days after any annual audited financial report or semi-annual interim report is filed with such exchange, a copy of such annual audited financial report or semi-annual interim report in lieu of the annual audited financial statements and semi-annual interim report identified above in this Condition 4(d)(i) and (ii).

Definitions

In these Conditions:

(i) "**PRC**" means the People's Republic of China, which shall for the purposes of these Conditions, exclude Hong Kong, Macau and Taiwan;

(ii) "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, the PRC; and

(iii) "**Registration Deadline**" means the day falling 90 PRC Business Days after the Original Bonds Issue Date.

5. Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.30 per cent. per annum, payable semi-annually in arrear in equal instalments on 9 April and 9 October in each year (each, an "**Interest Payment Date**"), commencing on 9 October 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

6. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 April 2024 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 16 (which such notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued up to but excluding the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice (i) that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or the company, as the case may be) shall deliver to the Trustee a certificate signed by any one Director or Authorised

Signatory of the Issuer (or by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 6(b)(i) and 6(b)(ii) above, in which event they shall be conclusive and binding on the Bondholders.

(c) Make Whole Redemption

The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice (which notice shall be irrevocable (subject to the proviso below)) (a "**Make Whole Redemption Notice**"), at a redemption price equal to their Make Whole Amount together with interest accrued to the date fixed for redemption (collectively, the "**Make Whole Redemption Price**").

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

In this Condition 6(c):

"**Adjusted Treasury Rate**" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable;

Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date;

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, and New York City;

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Independent Investment Bank as having a maturity comparable to the remaining term of the Bonds, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

"**Comparable Treasury Price**" means, with respect to any redemption date:

(i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Make Whole Determination Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(ii) if such release (or any successor release) is not published or does not contain such prices on such Make Whole Determination Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

"**Independent Investment Bank**" means an independent investment bank of international repute, appointed by and at the cost of the Issuer (and notice thereof is given to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

"**Make Whole Amount**" means, in respect of each Bond at the relevant date fixed for redemption, the greater of (i) the principal amount of such Bond and (ii) the present value at such redemption date of (A) the principal amount of such Bond on the Maturity Date, plus (B) all required remaining scheduled interest payments due on such Bond through the Maturity Date (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as at the date that is one Make Whole Determination Business Day before the date of the Make Whole Redemption Notice, plus 50 basis points (all as determined by the Independent Investment Bank);

"**Make Whole Determination Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and London;

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Independent Investment Bank that are primary U.S. Government securities dealers; and

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice.

(d) Redemption for Relevant Events

At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date at a redemption price equal to 100 per cent. of their principal amount, together with accrued interest to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above in this Condition 6(d).

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and the Trustee in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(d).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to Bondholders or any other person for not doing so.

For the purposes of these Conditions:

a "**Change of Control**" occurs when:

(i) the Guarantor ceases to directly or indirectly own and control 100 per cent. of the issued share capital of the Issuer; or

(ii) SASAC and any other person controlled by, or any subdivision or department of, the central or local government of the PRC, together cease to be the largest direct or indirect holder of the issued share capital of the Guarantor; or

(iii) when the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any person or persons, acting together, other than any of the Guarantor or any of its Subsidiaries.

"**control**" means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Documents are not delivered to the Trustee on or before the Registration Deadline in accordance with Condition 4(c); and

a "**Relevant Event**" means a Change of Control or a No Registration Event;

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the PRC or its successor; and

a "**Subsidiary**" of any person means any entity whose financial statements at any time are required by law or in accordance with the generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, to be fully consolidated with those of that person.

(e) Purchase

The Guarantor, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds purchased pursuant to this Condition 6(e) may be held, reissued, resold or surrendered to the Registrar for cancellation. The Bonds so purchased, while held by or on behalf of the Guarantor, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

7. Payments

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank. In this Condition 7(a)(ii), "**business day**" means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg, or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before *the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar which will maintain a Register outside the United Kingdom and (iii) a Transfer Agent, in each case as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

8. Taxation

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the rate applicable on 30 March 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

(a) *Other Connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or

(b) *Surrender More Than 30 Days after the Relevant Date*: in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) *Tax Declaration*: to a holder (or to a third party on behalf of a holder) who would not be liable for a subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An "**Event of Default**" occurs if:

(a) *Non-Payment*: there has been a failure to pay the principal of, premium or interest on any of the Bonds when due and in the case of interest, such failure continues for a period of 14 days; or

(b) *Breach of Other Obligations*: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed or the Deed of Guarantee (other than where such default gives rise to a redemption pursuant to Condition 6(d)) and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) *Cross Acceleration*: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$35,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries and is not discharged within 45 days; or

(e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Material Subsidiaries in respect of all or a substantial part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 45 days; or

(f) *Insolvency*: the Issuer or the Guarantor or any of the Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any substantial part of the debts of the Issuer or the Guarantor or any Material Subsidiary; or

(g) *Winding-up*: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Material Subsidiaries, or the Issuer or the Guarantor or any of the Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries or (ii) a disposal of a Material Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer, the Guarantor or any of their respective Subsidiaries in any combination; or

(h) *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer, the Guarantor or any of the Material Subsidiaries, provided that the value of the assets subject to such seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries; or

(i) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed or the Deed of Guarantee; or

(k) *Unenforceability of Guarantee*: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect, or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 9(d) to 9(g).

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries; or

(b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that (x) the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Material Subsidiary (y) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or transferee Subsidiary is or is not a Material Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

10. Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed of Guarantee. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or prefunded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, or any premium payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or terminate the Deed of Guarantee other than in accordance with this Condition 12, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Bondholders as soon as practicable.

(c) ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

(d) ***Certificates and Reports***

The Trustee may rely without liability to Bondholders on any report, confirmation, information or certificate or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, information, certificate, opinion or advice, in which event such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Bondholders.

13. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them and the timing for compliance with the requirements set out in these Conditions in relation to NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 13 and forming a single series with the Bonds.

14. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee and the Bonds (as the case may be), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15. Indemnification of the Trustee

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments and other amounts in priority to the claims of the holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

16. Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, any notice to the Bondholders shall (notwithstanding the preceding provisions of this Condition 16) be validly given by the delivery of the relevant notice to Euroclear and *Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18. Governing Law and Jurisdiction

(a) Governing Law

The Bonds, the Trust Deed, and the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them, are all governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The Courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has irrevocably submitted in the Trust Deed and the Deed of Guarantee to the jurisdiction of such courts.

(c) Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed the Guarantor to receive service of process in any Proceedings in Hong Kong based on the Bonds, the Deed of Guarantee, or the Trust Deed.

(d) Waiver of Immunity

Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective or its use or intended use) or any order or judgment made or given in connection with any Proceedings.

*The Global Certificates contains provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the terms and conditions of the Bonds (the "**Conditions**" or the "**Terms and Conditions**") set out in this Offering Circular. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The New Bonds will be represented by a Global Certificate (and together with the global certificate representing the Original Bonds, the "**Global Certificates**", and each, a "**Global Certificate**") which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificates, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificates are issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if (a) an Event of Default (as described in Condition 9 in "*Terms and Conditions of the Bonds*" occurs in respect of any Bonds or (b) either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds.

PAYMENT

So long as the Bonds are represented by the Global Certificates, each payment in respect of the Global Certificates of the Bonds will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday, inclusive except 25 December and 1 January.

TRUSTEE'S POWERS

In considering the interests of the Bondholders whilst the Global Certificates are registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) may consider such interests on the basis that such accountholders were the holder of the Bonds in respect of which such Global Certificates are issued.

NOTICES

So long as the Bonds are represented by the Global Certificates and the Global Certificates are held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to the entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(d) of the Terms and Conditions may be exercised by the holder of the Global Certificates giving notice to any Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

ISSUER'S REDEMPTION

The options of the Issuer provided for in Conditions 6(b) and 6(c) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

TRANSFERS

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of the Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificates shall (unless the Global Certificates represent only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 of the Bonds.

USE OF PROCEEDS

The gross proceeds from the offering of the New Bonds will be U.S.$99,906,000. The net proceeds from the offering of the New Bonds (being the gross proceeds from the offering of the New Bonds after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the New Bonds) will be used for refinancing and general corporate purposes in accordance with relevant NDRC and SAFE rules.

EXCHANGE RATE INFORMATION

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by 2.0 per cent. against U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows Renminbi to fluctuate against U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in Renminbi appreciating against U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by PBOC on 11 August 2015, Renminbi depreciated significantly against U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the People's Bank of China on 5 August 2019 set the RMB's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between Renminbi and U.S. dollar for the periods presented:

	Renminbi per U.S. dollar Noon Buying Rate(1)			
Period	**End**	**Average(2)**	**Low**	**High**
		(RMB per U.S.$1.00)		
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9081	6.6822	7.1786
2020	6.5250	6.8878	6.5250	7.1348
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021				
January	6.8589	6.9203	6.8589	6.9749
February	6.4730	6.4601	6.4344	6.4869
March	6.5518	6.5109	6.4648	6.5716

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2020 and as adjusted to give effect to the issue of the New Bonds offered hereby. This table should be read in conjunction with the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020 and the accompanying notes, which are included elsewhere in this Offering Circular.

	Actual		As adjusted	
	(RMB'000)	(U.S.$'000)(1)	(RMB'000)	(U.S.$'000)(1)
Short-term interest-bearing borrowings				
Short-term bank loans	11,299,859	1,731,779	11,299,859	1,731,779
Short-term debt instruments issued	43,951,388	6,735,845	43,951,388	6,735,845
Placements from other financial institutions	4,815,236	737,967	4,815,236	737,967
Long-term bonds due within one year	11,428,893	1,751,554	11,428,893	1,751,554
Total short-term interest-bearing borrowings	71,495,376	10,957,145	71,495,376	10,957,145
Long-term interest-bearing borrowings				
Long-term bonds	85,624,295	13,122,497	85,624,295	13,122,497
Long-term bank loans	475,414	72,860	475,414	72,860
New bonds to be issued	–	–	652,500	100,000
Total long-term interest-bearing borrowings	86,099,709	13,195,357	86,752,209	13,295,357
Equity				
Share capital	9,076,650	1,391,057	9,076,650	1,391,057
Treasury shares	(1,626,546)	(249,279)	(1,626,546)	(249,279)
Reserves	92,622,778	14,195,062	92,622,778	14,195,062
Retained profits	28,998,618	4,444,233	28,998,618	4,444,233
Total equity attributable to shareholders of the Company	129,071,500	19,781,073	129,071,500	19,781,073
Non-controlling interests	3,240,535	496,634	3,240,535	496,634
Total equity	132,312,035	20,277,707	132,312,035	20,277,707
Total capitalisation(2)	289,907,120	44,430,209	290,559,620	44,530,209

Notes:

(1) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.5250 to U.S.$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020.

(2) Total capitalisation equals the sum of short-term interest-bearing borrowings, long-term interest-bearing borrowings and total equity.

Subsequent to 31 December 2020, the Guarantor had various onshore debt issuances in an aggregate principal amount of RMB22.0 billion; subsequent to 31 December 2020, the Guarantor also redeemed several series of its onshore bonds in an aggregate principal amount of RMB5.0 billion. On 9 April 2021, the Issuer issued the Original Bonds and U.S.$500,000,000 2.00 per cent. guaranteed bonds due 2026 (the "**2026 Bonds**"), each guaranteed by the Guarantor.

Except as otherwise disclosed above, there has been no material adverse change to the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2020.

DESCRIPTION OF THE ISSUER

FORMATION

Pioneer Reward Limited is a BVI Business Company incorporated with limited liability under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1855859). It was incorporated on 2 January 2015 and is an indirectly wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer has no material assets and the Issuer has carried on no business other than entering into arrangements for the issue of the U.S.$500,000,000 3.375 per cent. guaranteed bonds due 2022 guaranteed by the Guarantor issued on 23 May 2019 (the "**May 2019 Bonds**") and the issue of the U.S.$400,000,000 floating rate guaranteed bonds due 2023 guaranteed by the Guarantor issued on 12 February 2020 (the "**February 2020 Bonds**"), the issue of the Original Bonds, the issue of the 2026 Bonds, the issue of the New Bonds, and such other arrangements to invest in, or loan or advance the net proceeds of such bonds to, the Guarantor or other subsidiaries of the Guarantor, the incurrence of certain other borrowings as the financing platform to the Guarantor and its other subsidiaries and affiliates, and any other activities reasonably incidental thereto. As at the date of this Offering Circular, the Issuer has no subsidiaries.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

DIRECTORS AND OFFICERS

The sole director of the Issuer is CHUNG Chi Chuen Ryan. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class with U.S.$1.00 par value per share and one share has been issued to and is being held by the Guarantor. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such equity securities is being or proposed to be sought. As at the date of this Offering Circular, the Issuer does not have any debt outstanding other than the May 2019 Bonds, the February 2020 Bonds, the Original Bonds and the 2026 Bonds.

OVERVIEW

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, cutting-edge digital platforms, and an extensive and engaging client base. From 2012 to 2020, the Group's number of wealth management customers increased approximately threefold to more than 17 million. From 2012 to 2020, the Group's total revenue and other income increased more than fivefold. For the year ended 31 December 2020, the Group's total revenue and other income was RMB40,534.4 million.

Over its 30 years of operating history, the Group has achieved rapid growth by successfully capitalising on the transformation and development opportunities of the PRC securities industry. The Group has completed a series of successful mergers and acquisitions, completed IPOs of the Guarantor's A Shares on the Shanghai Stock Exchange, H Shares on the Hong Kong Stock Exchange and GDRs on the London Stock Exchange, and navigated various market and business cycles and regulatory reforms. The Group has achieved market-leading positions in multiple business lines:

- The Group has ranked first in terms of equity and fund trading volume in the PRC securities industry from 2014 to 2020[1];
- The monthly active users of the Group's mobile app ZhangLe Fortune Path has ranked first among PRC securities firms' apps since April 2015 according to Analysys;
- From 2012 to 2020, the total number of M&A and reorganisation transactions which were approved by the CSRC and the Group has participated in reached 141, ranking first in the market in this area;
- The Group ranked fourth among PRC securities firms in terms of average monthly private AUM as at the end of the fourth quarter of 2020 according to Asset Management Association of China; and
- The Guarantor obtained initial long-term issuer rating by S&P and Moody's of "BBB" and "Baa2" respectively with stable outlook in 2018. Huatai International was rated "BBB" by S&P with stable outlook. On 29 November 2019, S&P raised the Guarantor's and Huatai International's credit outlook to positive. On 8 March 2021, Moody's raised the Guarantor's rating from "Baa2" to "Baa1", which is the highest rating amongst PRC-based securities companies.

The Group's principal businesses comprise wealth management business, institutional services business, investment management business and international business.

In recognition of its outstanding business performance, the Group has received a number of awards:

Year	Awards	Organisers/Media
2020..........	"Outstanding Case Brand Award for Fighting Pandemics"	International Financial News – The Second Session of China Brand Building Forum

1 The Group has ranked first in terms of brokerage trading volume of stocks and funds in the PRC securities industry from 2014 to 2017 according to Wind Info. In 2018, Wind Info has ceased to provide such ranking. The Group's rankings from 2018 to 2020 are based on the statistics of members of the Shanghai Stock Exchange and Shenzhen Stock Exchange.

Year	Awards	Organisers/Media
	"Yangtze River Delta Charity Star"	Shanghai Charity Foundation, Charity Federation of Jiangsu Province, Zhejiang Provincial Charity Federation and Anhui Provincial Charity and Social Welfare Association
	"Golden Bull Award for Top Ten Securities Companies" "Golden Bull Award for Social Responsibility of Securities Companies" "Golden Bull Award for Cultural Construction of Securities Companies" "Golden Bull Award for Financial Technology of Securities Companies" "Golden Bull Award for Wealth Management Team"	China Securities Journal
	"Prize for Innovation in Financial Technology in 2020" "Special Prize for Contribution to Epidemic Prevention in 2020"	National Business Daily – 2020 China Golden Tripod Award
	"Prize for ESG Corporate Governance Case of Chinese Enterprises in 2020"	Cailian Press
	"Outstanding Fintech Company of the Year"	Southern International Forum of Finance and Economics – Golden Sail Award
	"Best Social Responsibility Award"	Sina Golden Kirin Forum – Golden Responsibility Award
	"Outstanding Charity Innovation Project" for the "One Commonweal Heart of Huatai, One Yangtze River" Project	21st Century Business Herald – Golden Elephant Award
2019...........	"Sustainable Development Contribution Award"	Caijing Magazine – 2019 Sustainable Development Finance Summit
	"Securities Companies Charity Award of the Year"	Hexun.com – 2019 China Finance List
	"2019 Securities Company with Outstanding Brand Power in China"	2019 Annual Ceremony of Financial Enterprises with Outstanding Brand Power in China
	"Securities Companies Technology Finance Innovation Award of the Year"	China Financial Market – 2019
	"Best Investor Relations Award"	China Financial Market Award Ceremony
	"Best Domestic Investment Bank"	New Fortune Magazine

Year	Awards	Organisers/Media
2018...........	"Listed Company of Best Brand Value"	Fujian Zhongjin Online Network Co., Ltd.
	"Innovative Broker of the Year"	The Paper
	"Inclusive Finance of the Year"	The Paper
	The Selection of New Fortune Top Investment Banks: Huatai United won 20 awards, including "Best Domestic Investment Bank", "Best Investment Bank in Equity Underwriting", "Best Investment Bank in Debt Underwriting", "Best Investment Bank in Mergers and Acquisitions", and "Best Investment Bank in Serving Overseas Markets"	New Fortune Magazine
	"Mid-Market M&A Financial Adviser of the Year USD50-300 million"	Mergermarket
	"China's Best Corporate Investment Bank for Privately-Owned Enterprises"	Asiamoney
	The Selection of "2018 Junding Award for Wealth Management Institutions of China": Huatai Securities (Shanghai) Asset Management Co., Ltd. ("Huatai Asset Management") was awarded "Junding Award for Wealth Management Institutions of China" and "Junding Award for Asset Management Securities Firms of China"	Securities Times
	Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2018"	Shanghai Stock Exchange
	Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes of the Year of 2018"	Shenzhen Stock Exchange
2017...........	Jiangsu Provincial Advanced Unit in "Five-party Linkage" Assistance Work for 2016-2017	Jiangsu Leading Group of Poverty Alleviation
	"2017 Outstanding Securities Firm for Wealth Management"	China Business & Chinese Academy of Social Sciences
	The Selection of "Institutional Investor • Caixin Best Analyst of Greater China": The Group's research institute ranked second in terms of the most powerful Chinese research institutes, fourth in terms of the best analysts, and fifth in terms of the best sales team	Institutional Investor and Caixin Media

Year	Awards	Organisers/Media
	The Selection of "2017 Junding Award for Investment Bank Excellence of China": "2017 Junding Award for Comprehensive Investment Banks of China" "2017 Junding Award for Bond Investment Banks of China" "2017 Junding Award for M&A Investment Banks of China"	Securities Times
	Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2017"	Shanghai Stock Exchange
	Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes of the Year of 2017"	Shenzhen Stock Exchange
	The Selection of "Best App of Securities Firms of the Year of 2017": ZhangLe Fortune Path was on the list of "Top Ten Apps", "Users' Favourite App", and "The Most Recommended App by Securities Professionals"	Sina Finance
2016...........	The Selection of "2016 China Wealth Management Forum & Wealth Management Firms Prize Awarding Ceremony": "2016 Best Securities Firm in China" "2016 Best Internet Securities Firm in China"	Securities Times
	Huatai United was awarded "Best Domestic Investment Bank", "Best Investment Bank in Serving Overseas Markets", "Best TMT Investment Bank", and "Best Domestic Investment Bank in M&A"	New Fortune Magazine
2015...........	"2015 Best Securities Firm in China"	Securities Times
	"Best Domestic Investment Bank" "Best Investment Bank in Mergers and Acquisitions" "Best TMT Investment Bank"	New Fortune Magazine

The Group operates four principal business segments:

- *Wealth management business*, which offers convenient online wealth management solutions and customised advisory solutions, including securities and derivatives brokerage, financial products sales and capital-based intermediary services;
- *Institutional services business*, which provides comprehensive financial services to various types of corporate and institutional clients, including investment banking, institutional investor services and investment and trading;
- *Investment management business*, which provides full- service asset management solutions, including securities firm asset management, private equity fund management and mutual fund management; and

- *International business*, which provides full-scope financial services in Hong Kong through Huatai Financial Holdings, and wealth management and technology solutions in the United States through AssetMark.

For the years ended 31 December 2018, 2019 and 2020, the Group's total revenue and other income was RMB24,506.7 million, RMB32,436.8 million and RMB40,534.4 million, respectively, and its profit for the respective years was RMB5,160.9 million, RMB9,057.2 million and RMB10,870.4 million, respectively.

RECENT DEVELOPMENTS

Change of Non-executive Director

On 8 February 2021, the Guarantor announced that Mr. Ke Xiang would replace Mr. Xu Qing to serve as a non-executive Director of the fifth session of the Board of the Guarantor from 8 February 2021 to the end of the term of the current session of the Board. With effect from the same date, Mr. Xu Qing ceased to serve as a non-executive Director of the fifth session of the Board of the Guarantor due to work arrangements. Please see "*Directors, Supervisors and Senior Management*" for the biography of Mr. Ke Xiang.

Establishment of a Partnership to set up the Industrial Fund

On 29 January 2021, the Guarantor passed a proposal on the establishment of industrial fund (the "**Fund**") by Huatai Purple Gold Investment Co., Ltd. ("**Huatai Purple Gold Investment**"), a Wholly-owned Subsidiary of the Company (《關於公司全資子公司華泰紫金投資有限責任公司投資設立產業基金的議案》) to approve Huatai Purple Gold Investment (as general partner) and Jiangsu Investment Management Co., Ltd. ("**Jiangsu Investment Management**") (as general partner), Nanjing Industrial Development Fund Co., Ltd. ("**Nanjing Industrial Fund**") (as limited partner) and Nanjing Beilian Venture Capital Co., Ltd. ("**Beilian Venture Capital**") (as limited partner) to establish the partnership (the "**Partnership**") to set up the Fund, which mainly focuses on investing in the medical and health industry, including biomedicine, medical equipment, medical services and other fields. Pursuant to the partnership agreement, Huatai Purple Gold Investment serves as the fund manager, providing investment consulting, investment management and other services to the Partnership, and the Partnership shall pay the fund management fee to Huatai Purple Gold Investment. The total capital contribution by all partners to the Partnership shall be RMB3,000,000,000, being initial subscription scale for the Fund, 20 per cent. of which is going to be contributed by Huatai Purple Gold Investment, 40 per cent. by Jiangsu Investment Management, 20 per cent. by Nanjing Industrial Fund and 20 per cent. by Beilian Venture Capital.

HISTORY AND KEY CORPORATE MILESTONES

The following sets forth some of the Group's key corporate milestones:

1991................ • The predecessor of the Guarantor, Jiangsu Securities Company, obtained its business licence and officially started business operations.

1993................ • The Guarantor undertook the public offering of the first stock "TAIJI INDUSTRY" in Jiangsu Province.

1999................ • The Guarantor was renamed Huatai Securities Limited Liability Company.

2005................ • The Guarantor acquired Asia Securities Co., Ltd.

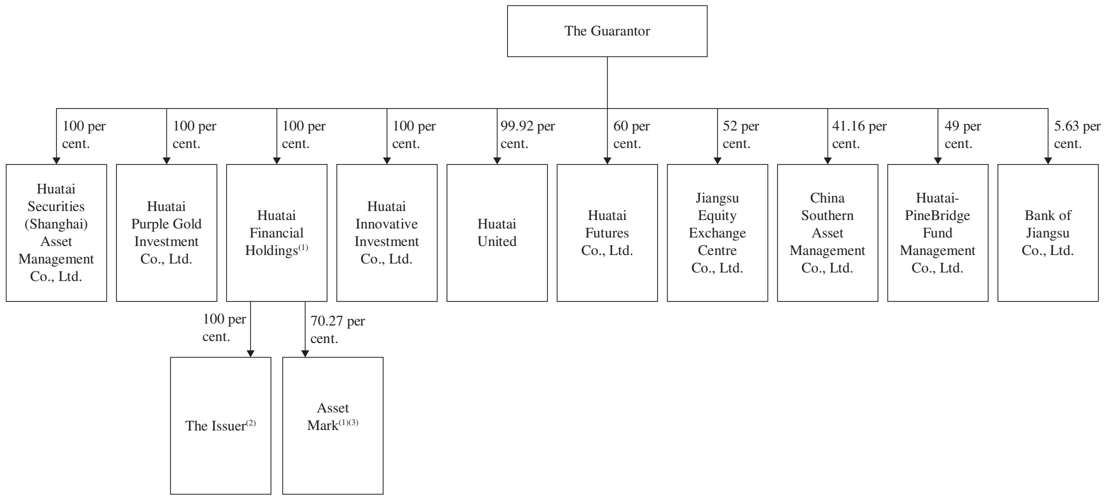
2006................ • The Guarantor acquired 70.0 per cent. equity interest in Huatai United Securities Co., Ltd.

• Huatai Financial Holdings was formed.

2007................	•	The Guarantor was renamed Huatai Securities Co., Ltd. as a result of its conversion into a joint stock limited liability company.
2008................	•	The Guarantor's CRM system was launched and put into operation.
2010................	•	The Guarantor was listed on the Shanghai Stock Exchange under stock code 601688.
2015................	•	The Guarantor was listed on the Hong Kong Stock Exchange under stock code 6886.
2016................	•	The Guarantor acquired AssetMark for consideration of U.S.$768 million to establish its US presence.
2017................	•	The Guarantor's professional investor integrated service platform MATIC was launched.
	•	Huatai Asset Management launched its first publicly offered fund.
2018................	•	The Guarantor launched a pilot plan to deepen its mixed-ownership reform and introduced a number of strategic investors, including Alibaba and Suning.
	•	Huatai Securities (USA) Inc. was incorporated in the USA by Huatai International as its wholly-owned subsidiary with the office established in New York City.
2019................	•	The Group was listed on the London Stock Exchange as the first enterprise that issued GDRs in the Westbound trading under Shanghai-London Stock Connect.
	•	AssetMark was listed and commenced trading on the New York Stock Exchange.
	•	Huatai Securities (USA) Inc. obtained the qualification to conduct broker-dealer business in the US.
2020................	•	The Guarantor released "Securities Lending Path" as the first open-ended online securities lending and trading platform in the entire market.
	•	The Guarantor was approved to formally implement the pilot project of consolidated supervision.
	•	The Guarantor launched "ZhangLe Investment" (漲樂星投), a fund investment advisory service.

ORGANISATIONAL STRUCTURE

The following chart illustrates the simplified organisational structure of the Group and its major associates as at 31 December 2020:



(1) Huatai Financial Holdings and AssetMark are indirectly controlled by the Guarantor through its wholly-owned subsidiary, Huatai International.

(2) The Issuer is indirectly wholly owned by Huatai Financial Holdings through its wholly-owned subsidiary, Principal Solution Group Limited.

(3) AssetMark was listed on the New York Stock Exchange on 18 July 2019 (New York time), after which the Guarantor's ownership in AssetMark decreased from 98.58 per cent. to 70.27 per cent.. See "*Description of the Group – Principal Business Segments – International Business – AssetMark*" for more information.

COMPETITIVE STRENGTHS

The Group is expected to benefit from the following favourable developments in the PRC securities industry:

- The increasing adoption of advanced technology in the financial services industry;
- The rapid accumulation of personal wealth and increasing needs for wealth management solutions;
- Rising demand for financial services from emerging new economy sectors; and
- Rising participation of institutional investors in the capital markets and increasing demand for specialised institutional client services.

In addition, the Group believes that it enjoys the following competitive strengths:

Strong support from the government and strategic shareholders

As some of the Group's businesses and operations are of strategic importance, particularly in Jiangsu, the Jiangsu provincial government supports the sustainable development of the Group, and the Group expects to continue to receive government support through close collaboration with the government as one of its key shareholders and the actual controller of the Group. Seven of the Guarantor's 13 directors are appointed or recommended by the SASAC of the Jiangsu provincial government (the "**Jiangsu SASAC**") and its affiliated companies. The Jiangsu SASAC makes decisions and manages the major affairs of the Group through its influence in the board of directors of the Guarantor, in accordance with the requirements of provincial SASAC. The Jiangsu provincial government has supported the Group in keeping a foothold in the domestic capital market and developing in the international capital markets, actively expanding its comprehensive operation based on its advantage in the securities business and gradually becoming a large modern investment bank with leading comprehensive strengths characterised by its prominent core competitiveness in the Asia Pacific region. The Jiangsu provincial government has also implemented necessary measures and provided resources in support of the innovation and development of the Group, further enhancing the Group's competitive edge in financial technology. In the event of crisis, through actively coordinating various resources to create synergies. In line with corporate governance principles and common interests, the Jiangsu provincial government has helped the Group to cope with financial difficulties by increasing share capital, providing liquidity support, guarantee and other credit enhancement.

The Group has also previously received financial support from the government in the form of equity injections. As at 31 December 2020, Jiangsu SASAC remains as the single largest shareholder and the actual controller of the Guarantor.

The Group is also supported by strong strategic investors including Alibaba (China) Technology Co., Ltd.. With the introduction of these strategic investors in 2018, the Group deepened the reform to diversify ownership through the appointment of new members to the board of directors by strategic investors, forming long term strategic partnerships with Alibaba (China) Technology Co., Ltd., diversifying the Group's shareholder base and improving corporate governance, implementing a modern management system and establishing a market-oriented human resources management mechanism and introducing an employee stock ownership plan for core employees.

The Group is a technology-driven pioneer in China's transforming securities industry

With its continuous high investment in technological research and development, technology accumulation and iteration over the years, the Group was one of the first domestic securities firms in China to embrace technology and build its own information technology ("**IT**") teams for research and development. The Group invested heavily in information technology to develop proprietary technology capabilities. Its investment in information technology continues to be higher than that of its peers, which in turn has resulted in the Group's industry-leading professional IT team. The Group's investment has enhanced digitalisation in the front, middle and back-end. The Group maintains an industry leading level of investment in research and development both in terms of expenditure and proportion of staff involved in research and development. For the year ended 31 December 2020, the Guarantor has made RMB1,765 million of investment in IT, representing an increase of 23.88 per cent. from the year ended 31 December 2019. As at 31 December 2020, it had 1,124 information technology personnel. With its clients' needs in mind, the Group continues to increase its investment in emerging technologies, introducing and upgrading a range of digital products and platforms, and creating new smart application so as to improve customer service experiences and refresh their expectations. It strives to apply advanced financial technology to assist its business development, strengthen middle office and back office support and increase the efficiency of its operations.

The Group adopts a mobile strategy to continuously enhance customer experience, drive customer growth and customer activity and deliver first class wealth management services. The Group has applied cutting edge technology, such as artificial intelligence and speed communication, to serve the varied needs of the increasingly sophisticated institutional investors. It has developed digital products such as intelligent trading, quantitative research, investment management and advanced market data analytics, further enhancing the Group's service capabilities. With the integration of technology in operations and infrastructure, the Group also introduced an enterprise risk management platform that enables comprehensive monitoring and analysis of operational and risk management across different risk types and all business lines.

In the field of institutional services, research, investment banking, online road shows and other services on "Xing Zhi" (行知), the Group's self-developed digital platform serving institutional customers, have became aware by and received attention from an increasing number of institutional customers, facilitating the efficient interaction between institutional customers and business resources. CAMS credit analysis management platform and INCOS cloud platform combined all links of institutional services, continuously improving service efficiency and extending customer ecology. In the year ended 31 December 2020, "ZhangLe Global" (漲樂全球通) platform was upgraded to enhance its ability to conduct overseas trading and provide asset allocation service, providing investors with a better global investment experience and the updated 2.0 version of "ZhangLe Global" was launched on 16 July 2020. "Securities Lending Path" (融券通), the first open-ended online securities lending trading platform on the market was released on 30 June 2020 to create a new model of securities lending through digitalisation, providing all-round and one-stop services for platform participants. The technical competency and talent team the Group developed through independent research and development over the years have laid a solid foundation for the building of platform-based and systematic competitive advantages.

The Group's technology driven business model has contributed to its leading market position and uniquely equipped itself to capture opportunities and respond to challenges from the evolving industry and market environment. The Group's independent research and development capabilities and skills technological base, which the Group has accumulated over the years, have formed the strong foundations of the Group's platform-based and systematic competitive strengths as a technology-empowered securities firm. The Group has set up a "digital innovation laboratory" to stimulate and cultivate an atmosphere of innovation among all employees through sound innovation incentive concentration and sufficient capital investment, so as to release the potential in the dual innovation engines of products and technologies. Focusing on diversified and complex institutional investors' needs, the Group uses core technologies such as artificial intelligence and ultra-fast communications to independently develop industry-leading digital products for intelligent transactions, quantitative investment research, investment management and market data analysis to further improve our professional services.

The Group's open digital wealth management platform provides efficient and professional services to a mass market

The Group has established a dynamic wealth management platform with over 17.12 million customers. Drawing reference from the advanced financial management infrastructure and experience both within the PRC and internationally, the Group has simultaneously advanced both online and offline resources to enhance its customer development and service efficiency. By applying big data and other advanced technologies, the Group has enhanced its service capabilities, achieved superior cost efficiency and secured its leading market position.

The Group was one of the first in the PRC securities industry to introduce a mobile platform in 2010, and continued to upgrade and innovate its mobile offerings to drive customer engagement. The Group launched "ZhangLe Fortune Path" (漲樂財富通), a mobile service platform, for its clients, and "AORTA", a cloud platform, for investment advisers. The two platforms strengthened their functions, deepened their coordination, and efficiently and accurately empowered first-line investment advisers through iterations and upgrades. According to Analysys, the number of monthly active users of the Group's mobile app, ZhangLe Fortune Path, has ranked first among PRC securities firms' apps since April 2015. As at 31 December 2020, ZhangLe Fortune Path's number of monthly active users exceeded 9.11 million. For the year ended 31 December 2020, ZhangLe Fortune Path had a download volume of 7.86 million, with a cumulative download volume of 58.06 million since its launch. In March 2020, the Group became one of the first batch of securities companies to obtain the qualification to conduct pilot fund investment advisory business and officially introduced "ZhangLe Investment" (漲樂星投), the fund investment advisory service based on "people + platform" investment advisory system. As the wealth of young and affluent population in China continues to grow, the Group is well positioned to capture the blue-ocean wealth management market.

With the vast amount of data collected across its technology platforms, the Group is able to perform accurate customer analytics to enhance its service capabilities and support its wealth management advisors. The Group has developed a digital operation and management system to identify customers' needs, recommend investment solutions and dynamically allocate marketing assignment automatically and efficiently. The Group is committed to talent recruitment for its wealth management team and investment in wealth management service infrastructure. As at 31 December 2020, investment advisers constituted 32 per cent. of the practitioners employed by the Guarantor according to the statistics of the Securities Association of China (中國證券業協會).

The Group has leading business rankings with a first-class investment banking franchise capturing new economy opportunities, the registration system reform

New economy companies are transforming traditional industries through technology advancement and innovative business models. They are becoming a leading force for the overall economy with rising financial advisory and financing needs. At the same time, with full promotion of registration system under the new Securities Law of the PRC, and constant deepening of market-oriented capital market reform, it also provides opportunities for more outstanding companies to go public, obtain financing and conduct industrial mergers and acquisitions. Leveraging its first-class investment banking franchise, the Group plays a critical role to support the structuring and execution of the industry-defining transactions.

The Group fully seized the opportunities in economic transformation and upgrading and the capital market reform led by the registration-based IPO system and continued to speed up in industrial layout and optimise the team structure. As at 31 December 2020, the Group has accepted a total of 44 enterprises in the STAR Market, ranking the second in the market, maintaining its leading advantage in the STAR Market. The Group deeply implemented the "customer-oriented" business concept and actively developed the "ecosystem" with investment banking customers as the centre. Leveraging on the big platform covering the whole business chain, the Group continuously enhanced the linkage and cooperation between the investment banking business and various business lines to build an ecosystem for institutional customer services with the integration of "buyers + sellers + research institutes".

The Group has prospectively engaged in the field of technological innovation and made full use of its advantages in the capital market, with a view to actively serve outstanding enterprises in various fields including TMT (Technology, Media and Telecommunication), comprehensive health and intelligent manufacturing. In addition to serving a large number of existing quality customers, the Group continued to develop and establish relationships with customers in emerging industries, and empowered corporate customers with the integrated and full-cycle top investment banking service system. With a significant increase in customer size and market influence, the Group has synchronously achieved rapid growth of its investment banking business. Its investment banking business has achieved rapid growth as its clients have grown in significance and scale and as the Group continues to engage with new and fast-growing clients. Since 2012, the Group has served over 90 clients in TMT and healthcare sectors with a combined market capitalisation of over RMB310 trillion as at 31 December 2020. The Group has completed over 200 transactions for these clients.

The Group has established a time-tested competitive edge in M&A advisory and equity underwriting. It has also successfully executed complicated transactions and assisted clients in navigating regulatory, cross-border or cross-market challenges. Since 2012, the total number of M&A and reorganisation transactions which were approved by the CSRC and the Group has participated in reached 141. The Group ranked first in this area in the market. In the year ended 31 December 2020, the M&A and reorganisation amounted to RMB50.4 billion, ranking second in the industry, with nine deals in total, ranking second in the industry. The Group has consistently ranked in the top five for equity underwriting in the PRC securities industry since 2015. For the year ended 31 December 2020, the equity underwriting amount was RMB147.6 billion, third in the industry. As the evolution of new economy sectors and transformation of traditional industries continue, the Group expects to capitalise on increasing activities in the M&A and financing markets. In addition, with full implementation of the registration system, the accelerated development of strategic emerging industries and continuous transformation of traditional industries, the increasingly active mergers and acquisitions and financing activities will bring valuable opportunities to the Group.

The Group has a comprehensive asset management platform with significant scale

As a result of its large customer base, innovative product offering and comprehensive service capabilities, the Group has established one of the largest asset management platforms in the industry in the PRC. According to AMAC, the Group ranked fourth among PRC securities firms in terms of average monthly AUM in 2020, totalling RMB484.86 billion. The monthly scale of private assets under active management as at 31 December 2020 was RMB264.73 billion, ranking fourth in the market. The Group had 84 enterprise asset securitisation issuances in the year ended 31 December 2020, with a scale of RMB93.17 billion, each ranking fourth in the market. During the same year, the Group had a total of 195 collective asset management plans under management with a total management scale of RMB132.48 billion, a total of 428 single asset management plans under management with a total management scale of RMB308.71 billion and total of 127 specialised asset management plans under management with a total management scale of RMB126.29 billion. The Group also issued and established eight public funds and managed 17 public fund products in total with aggregated management scale of RMB24.07 billion.

The Group's full-licence asset management platform consists of Huatai Securities (Shanghai) Asset Management Co., Ltd. ("**Huatai Securities Asset Management**"), Huatai Purple Gold Investment and two fund management associates, namely China Southern Asset Management Co., Ltd. ("**China Southern Asset Management**") and Huatai-PineBridge Fund Management Co., Ltd. ("**Huatai-PineBridge**"). The Group manages products across major asset classes, including currencies, equities, fixed income, asset-backed securities ("**ABS**"), private equity and other alternative asset classes. The Group is a leader of ABS product designs in the industry, and has set a benchmark for the industry through constant innovation in underlying assets, transaction structure and other aspects. It has issued multiple notes in areas such as epidemic control and prevention, and green finance to support real economy projects, with the business scale continuously ranking the forefront of the industry. The Group's significant scale and breadth of product offerings provides it with significant operational leverage and market influence.

The Group utilises fintech to strengthen its asset management capabilities. It was the first in the industry to introduce an FoF (Fund of Funds)/MoM (Manager of Managers) platform and built a credit rating system based on artificial intelligence technology.

The Group's global footprint has created new growth opportunities

The Group has selectively established an international presence to support the outbound growth by Chinese clients and inbound investments by international investors. The Group has built a full-service international platform in Hong Kong through Huatai Financial Holdings, a wholly-owned subsidiary of Huatai International, covering investment banking, wealth management, research, institutional sales and trading as well as asset management. Leveraging on the Group's domestic resources, Huatai International took full advantage of the cross-border business platform established and rapidly expanded its cross-border business through effective domestic and overseas linkage. At the same time, the completed the consolidation of the current Hong Kong business lines and developed a "4+1" business platform system with the equity business platform, the fixed-income business platform, the individual financial business platform, the fund business platform and the flagship investment banking business. As at 31 December 2020, the asset size of Huatai International exceeded HK$100 billion. For the year ended 31 December 2020, Huatai International participated in and completed 23 IPO projects and ranked the fourth among Chinese securities companies in Hong Kong in terms of the amount sponsored.

The Group has also demonstrated successes in establishing core strengths outside of the Greater China region, primarily through the acquisition of AssetMark in 2016. This acquisition was the first of its kind by a Chinese securities firm and provides the Group with unique access to the US market. The acquisition preserves the operational independence of AssetMark to ensure long-term success and provides an opportunity for the Group to learn from the best-in-class international business model and advanced technology platforms to further develop its wealth management business. AssetMark was listed on the New York Stock Exchange on 18 July 2019 (New York time).

According to Cerulli Associates and other public information, as of the end of the third quarter of 2020, AssetMark's market share in the US turnkey asset management programme (TAMP) industry was 11.0 per cent., ranking the third in the industry. As at 31 December 2020, the total platform assets of AssetMark reached U.S.$74.52 billion, representing an increase of approximately 20.96 per cent. from 31 December 2019. For the year ended 31 December 2020, the AssetMark platform served an aggregate of 8,454 independent investment advisors, representing an increase of approximately 6.23 per cent. from the year ended 31 December 2019. As at 31 December 2020, the total investor households served by the AssetMark platform reached nearly 187,000, representing an increase of approximately 15.03 per cent. from 31 December 2019. For the year ended 31 December 2020, 743 independent investment advisors signed new contracts with AssetMark.

In June 2019, Huatai Securities (USA), Inc. obtained the broker-dealer licence of the United States for carrying out broker-dealer businesses such as securities underwriting, securities brokerage for institutional investors and M&A financial advisory in the United States. In August 2020, Huatai Securities (USA), Inc. obtained the qualification for proprietary trading, further expanding its business qualifications and driving the development of international business. In addition, the Group was listed on the London Stock Exchange as the first enterprise that issued GDRs in the Westbound trading under Shanghai-London Stock Connect, which has enhanced its participation in the international capital markets and its international reputation and has also laid a foundation for its future layout in the UK and European markets. In September 2019, Huatai Financial Holdings obtained the membership of the London Stock Exchange, and completed the registration as a UK Cross-border Conversion Agency for Shanghai-London Stock Connect GDRs on the Shanghai Stock Exchange, thus capable of providing clients with the whole-process services of the issuance and trade of GDRs. In December 2020, Huatai Financial Holdings became the first Asia financial institution to obtain the qualification as market maker of London Stock Exchange.

The Group has exercised effective risk management enabled by technology and talent

"Stable growth" is a crucial part of the Group's core values. The Group has established a centralised, time-efficient, quantitative and penetrating enterprise risk management platform which has comprehensive coverage of all business lines and types of risks, engaging the entire staff body of the Group. The platform allows the Group to monitor, quantify, analyse and cope with different types of risks, which in turn enables the Group to adapt to business transformation and market changes. The Group has fully integrated technology into its proprietary enterprise risk management platform, covering all businesses, subsidiaries and branches of the Group, to provide risk detection, risk monitoring and response capabilities. Financial and operational data across subsidiaries are centralised to facilitate the quantification of risks. The Group has also launched an intelligent information security platform that tracks and studies cyber security in real time and effectively defends against network attacks.

Behind the advanced systems and technologies, the Group has a well-established governance structure and a highly effective team to oversee and implement its risk management and internal control. The Group's highly effective governance framework includes the Board of Directors, the Board of Supervisors, Compliance and Risk Management Committee, CEO Office and Risk Control Committee. Along with the risk management team, the Group's governance framework oversees and implements risk management and internal controls. The Group's risk management team, led by its Chief Risk Officer, executes its risk management strategy. As at 31 December 2020, the Guarantor's risk coverage ratio, capital leverage ratio, liquidity coverage ratio and net stable funding ratio were 236.68 per cent., 21.08 per cent., 230.31 per cent. and 130.22 per cent., respectively, which exceeded the regulatory minimum requirements of 100.0 per cent., 8.0 per cent., 100.0 per cent. and 100.0 per cent., respectively.

Diversified financing channels provide sufficient liquidity for the Group

The Group's diversified financing channels support its steady business growth. In February 2010, the Guarantor's A shares were listed on the Shanghai Stock Exchange and subsequently became a constituent stock of the CSI 100 Index and SSE 50 Index. In June 2015, the Guarantor's H shares were listed on the Hong Kong Stock Exchange, raising HK$38.7 billion following the exercise of the over-allotment option which made it the large initial public offering in the Asian-Pacific region in 2015. In addition, the Guarantor completed a private placement of its A shares which raised a further RMB14.1 billion. In June 2019, the Guarantor issued 82,515,000 Global Deposits Receipts (the "**GDRs**"), representing 825,150,000 new A shares, which were listed on the London Stock Exchange.

In addition, the Group has obtained over RMB481.2 billion of credit facilities granted by commercial banks, of which about RMB333.8 billion remained unutilised as at 31 December 2020. The Group's credit line is growing steadily which equips the Group with strong short-term and medium-term financing capabilities.

The Group's financing channels continue to expand. The Group established a financing platform that combines short, medium and long-term financing channels including bonds, structured notes, income rights financing, ABS, gold lending, interbank lending and repurchase. As financing tools become more abundant and the scale of financing improved, for the years ended 31 December 2018, 2019 and 2020, the Group employed financing instruments including short-term corporate bonds, subordinated bonds, non-public issuance of corporate bonds, structured notes, gold leasing and ABS. As of December 31, 2020, the Group's borrowings and debt financing with fixed interest rate were RMB157.1 billion, the balance of short-term bank loans was RMB11.3 billion, the balance of placement from other financial institutions was RMB4.8 billion, the balance of income receipts with fixed interest rate was RMB20.4 billion, the balance of short-term financing bonds was RMB5.0 billion, the balance of corporate bonds was RMB101.5 billion, the balance of subordinated debts was RMB7.9 billion and the balance of foreign debts was RMB6.2 billion.

The Group's pool of financing counterparties has expanded from the original "Big 5" state-owned banks and national joint-stock banks to other institutional clients including city commercial banks, rural commercial banks, policy banks, fund companies and insurance companies. Following the emergence of beneficiary certificates, the Group's financing counterparties has also expanded from institutional clients to retail clients, building a solid foundation for the stable source of funding for the Group.

Experienced management team with a highly proficient professional workforce

The success of the Group is attributable to the sound leadership of its directors and senior management. The majority of the Guarantor's directors, including its chairman, and members of its senior management, including its vice presidents, chief financial officer, director of compliance and general counsel, board secretary and chief risk officer have in-depth experience in the PRC capital markets and securities industries. The middle management team also has profound professional experience in the PRC financial and securities industries and has demonstrated excellent execution capabilities and loyalty. The Group is deeply rooted in the corporate culture gene of "technology empowerment, innovation and initiative", and continuously enriches and deepens the cultural connotation of "openness, inclusiveness, innovation, struggle and responsibility", accumulating lasting power and vitality for the in-depth promotion of the "two-pronged" strategy. The Group has established and improved a mechanism for the selection and appointment of talents based on ability and contribution, established a market-oriented employment mechanism and compensation incentive mechanism and actively advanced the share incentive plan towards core and cadre employees. The Group has attracted talented individuals to join its professional team with over 95 per cent. of employees of the Group, excluding AssetMark, holding a bachelor's degree or above. According to statistics from the Securities Association of China, investment advisers of the Guarantor accounted for 32 per cent. of its total staff.

The Group believes that the strategic vision of its senior management team has distinguished it from its competitors and has allowed it to capture business opportunities arising from product innovation and globalisation of the PRC securities industry. Under the leadership of its senior management team, the Group has completed a series of merger and acquisition transactions to realise its whole business chain strategy, which was proposed by the senior management team to drive the Group's continuous innovation in its business, product and services and achieve transformation and progress in its various business areas.

The Group believes that its ability to retain its key employees is attributable to its well-recognised brand name, business prospects, successful recruitment and customised professional training programmes.

BUSINESS STRATEGIES

The Group is firmly convinced that technology is a key variant in breaking traditions and triggering the reform of business models. The technology-empowered "two-pronged" development strategy of wealth management and institutional services, which was officially determined in 2019, has become a core driving force for reshaping the Group's business systems and operation models and the business model, innovation led by digital transformation started to create value.

The Group intends to continue to deepen the technology-empowered "two-pronged" strategy, refine the full-service chain system with the platform-based and ecological development philosophy and build unique brand and competitiveness. The Group has a client-based organisational mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and is committed to becoming a leading investment bank with strong domestic advantages and global influence.

The Group intends to pursue the following business strategies in order to strengthen its market position:

Enhancing client centricity to generate long-term value

The Group believes in long-term and deep relationships with clients. The Group intends to strengthen its client-centric philosophy, integrated investment banking platform and the whole business chain system. By continuing to enhance client relationship and increase the depth and breadth of its platforms to serve the clients' evolving needs, the Group intends to realise the full potential of its comprehensive business model and generate greater long-term value. In light of the direction of industry focus, regional layout and customer deepening development, the Group will continually enhance its domestic and overseas, in-exchange and OTC cross-market synergy, increase support for science and technology innovation enterprises and comprehensively enhance product service capability and quick response ability of comprehensive services.

Continuing to pursue product and service innovation

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

The Group plans to implement a number of different measures to maintain its leading position in the wealth management business. The Group will actively promote the innovation and expand the functions of its e-Platform and other Internet-based financial products and services. The Group intends to optimise the geographical coverage of its branch network while strengthening the branch network's functions as a full-service business platform. The Group plans to build an institutional business platform by aggregating its resources of sales, trading, research and investment find financing services. The Group also has plans to build a tiered wealth management system and to expand its portfolio of financial products for sale. By continuously deploying resources in macro, strategic, industry and overseas market research, the Group will enhance its reputation and market influence.

During its innovative business operation, the Group adheres to the principle of "satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency", in the light of the risk characteristics of innovation business, further improving the risk control measures for organisational mechanisms, revising the Measures for Assessment and Management of New Business Risk of the Group, improving the evaluation content and evaluation information, optimising the evaluation process, preventing the risks of insufficient awareness of the risks in innovation business, unreasonable business design and imperfect control mechanism, improving the evaluation efficiency of innovation business risk on the basis of ensuring the integrity of the overall assessment and the completeness of the evaluation process, and ensuring that all innovation businesses could be carried out constantly and steadily on the premise that the risks are measurable, controllable and bearable.

Strategically expanding and integrating international business

The Group intends to expand the capital base and further develop its international business. In addition, the Group will gradually increase its business presence in the United States and enter into the UK and European markets as well as the markets of South East Asia such as Singapore, and explore international business opportunities in potential areas such as investment banking, asset management and wealth management.

Huatai International became the Group's holding platform for international business wholly holding Huatai Financial Holdings and was fully integrated into the full business chain system of the Group. Further in 2020, Huatai International completed the structural reorganisation of its U.S. subsidiaries and instead of indirectly holding the U.S. businesses through Huatai Financial Holdings, it now directly holds Huatai International Investment Holdings Limited and the U.S. subsidiaries. The Group effectively promotes cross-border linkage of resources to provide a full range of cross-border integrated financial services for domestic and foreign customers.

Attracting, retaining and developing first class talent

The Group will continue to attract and retain the best talent with financial, technology, and other background by providing competitive remuneration packages and incentive structure. The Group will continue to provide a well-designed training programme to keep its staff updated with the latest trends and knowledge, and enhance their career development paths. The Group's professional manager system has been under implementation for one year, and the Group has established and improved a mechanism for the selection and appointment of talents based on ability and contribution, established a market-oriented employment mechanism and compensation incentive mechanism and actively advanced the share incentive plan towards core and cadre employees. The Group intends to continue to improve its long-term incentive mechanisms and to promote the morale and vitality amongst its employees.

The Group believes the key to its success is in having a team of top talent with commitment, international vision and strong executive capability. It intends to maintain its competitive edge by refining its market-oriented hiring mechanism targeted at hiring high-end talents with innovative and global vision, strengthening its employee training programme and enhancing its performance-based remuneration structure.

Strengthening technology leadership to drive future growth

The Group will continue to invest in technology and strengthen its research and development capabilities and to leverage technology to improve client services quality and operational efficiency. The Group is working on further integrating technology with its business operations and increasing the connectivity of its front, middle and back offices. The Group believes that continuous improvement of its IT infrastructure, risk management framework and talent pool are vital for developing a sustainable business and maintaining its market leadership.

It intends to continue to strengthen its IT system to support is business growth and management, and endeavour to enhance its research and development capability. The Group will further integrate and enhance its IT infrastructure and platforms for various business lines, optimise its CRM system and apply "cloud computing" technology and "big data" analytics in order to improve customer service, resource allocation, operating efficiency and targeted marketing. Centring around the strategy of digitalisation, the Group will continue to empower its employees and customers with a focus on the needs of individual and institutional customers.

Besides, the Group will continue to promote the corporate culture of innovation. Internally, it intends to stimulate the innovation capabilities of its different business lines, externally, the Group will work with technology companies and universities to build a fintech ecosystem and enhance its own fintech capabilities.

The Group will also further improve its key digital platforms such as "ZhangLe Fortune Path", "ZhangLe Global", "Xing Zhi" and "Securities Lending Path" to provide the ultimate financial service experience for domestic and foreign individual and institutional customers.

PRINCIPAL BUSINESS SEGMENTS

The Group provides comprehensive financial services to individual, institutional and corporate clients to meet their financial needs. The principal business segments of the Group comprise its wealth management business, institutional services business, investment management business and international business. The following table sets forth a breakdown of the Group's segment revenue and other income (including inter-segment revenue) for the years indicated:

	Year Ended 31 December					
	2018		2019		2020	
	(RMB in millions)	per cent.	(RMB in millions)	per cent.	(RMB in millions)	per cent.
Wealth management business	12,991.1	48.0	14,143.8	42.3	19,477.4	47.6
Institutional services business	3,109.7	11.5	8,376.7	25.1	10,524.7	25.7
Investment management business	3,398.8	12.6	4,368.0	13.1	4,070.1	10.0
International business	3,115.5	11.5	4,048.5	12.1	5,550.6	13.6
Others[(1)]	4,443.7	16.4	2,473.1	7.4	1,269.1	3.1
Total	27,058.8	100.0	33,401.0	100.0	40,891.9	100.0

Note:

(1) Others include other operations of the head office, which mainly includes interest income, share of profit of associates and joint ventures (including investment management business associates), interest expenses of working capital and cost and expenses of middle and back offices.

Wealth Management Business

Overview

Historically, the Group's wealth management business accounted for a majority of its total revenue. In 2018, 2019 and 2020, segment revenue and other income from the Group's wealth management business amounted to RMB12,991.1 million, RMB14,143.8 million and RMB19,477.4 million, respectively, representing 48.0 per cent., 42.3 per cent. and 47.6 per cent. of its total revenue and other income, respectively.

The Group is focused on providing full-service wealth management solutions for different groups of customers through online and offline collaboration to capture their increasingly diverse demand for more convenient and customised wealth management services.

Set out below is a list of the recent awards received by the Group or its subsidiaries in relation to its wealth management business:

Year	Awards	Organisers/Media
2020………	"2020 Junding Award for All-round Securities Brokers in China" "2020 Junding Award for Retail Securities Brokers in China" "2020 Junding Award for Investor Education Team in China" "2020 Junding Award for Hong Kong- and U.S.-listed Securities Companies App in the Chinese Securities Industry" (for ZhangLe Global)	Quanshang China of Securities Times
	"Best Securities Broker in China"	Asian Private Banker
	"Best Securities Company in Margin Financing and Securities Lending Innovation of the Year"	Financial News – 2020 Chinese Financial Institution Gold Medal List – the Golden Dragon Award
	"Outstanding Organisation Award for 3.15 New Securities Law Knowledge Contest" "Outstanding Organisation Award for 5.15 New Securities Law Knowledge Contest"	Shanghai Stock Exchange
	"NEEQ Event Best Original Video Innovation Award for Hosting Securities Companies" "NEEQ Event Best Original Graphic Design Innovation Award for Hosting Securities Companies"	National Equities Exchange and Quotations
	"ChiNext Market Registration System Outstanding Training Materials" 2nd Prize and Honourable Mention	Shenzhen Stock Exchange
	"Outstanding Investor Education Award"	JRJ.com
	"App with the Best Growth Potential" (for ZhangLe Fortune Path)	Chandashi.com, Chanmama.com
	"Nextworld 2020 Annual App Award (Top 7 in the investment and finance category)" (for ZhangLe Fortune Path)	Qimai.com, PEdaily
2019………	"2019 Ten Best Options Brokers"	Shanghai Stock Exchange
	"Junding Award for Full-Service Securities Broker in China" "Junding Award for Retail Securities Broker in China" "Junding Award for Securities Investment advisory Team in China"	Securities Times – 2019 Annual Conference of Securities Companies in China
	"The Most Powerful Broker in terms of Comprehensive wealth Management Strengths of 2019"	National Business Daily – 2019 China Golden Tripod Award

Year	Awards	Organisers/Media
	Innovative Information Service Broker for Southbound Trading	Hong Kong Stock Exchange
	"Outstanding APP of Securities Companies of the Year" (for ZhangLe Fortune Path) "2019 Technology and Finance Innovation Award for Brokers"	Hexun.com
	"APP Award For Five-year Outstanding Development" (for ZhangLe Fortune Path) "Top 10 APP Award of the Year of 2019" (for ZhangLe Fortune Path) "Best User Service APP Award" (for ZhangLe Fortune Path)	Sina Finance
	"2019 Outstanding Achievement Award for Brokers' APPs" (for ZhangLe Fortune Path) "2019 Digital Wealth Management Award for Brokers' APP" (for ZhangLe Fortune Path) "2019 Most Valuable Investment Advisor Award for Brokers' APP" (for ZhangLe Fortune Path)	Securities Times – Brokers in China
	"2019 Best Investment and Wealth Management APP" (for ZhangLe Fortune Path)	21st Century Business Herald
	"2019 Prize for Outstanding Contribution to the Securities Market Survey" "2019 Outstanding Branch for Investor Education and Protection" (for Xi'an Zhangba East Road Branch)	China Securities Investor Protection Fund
2018.........	"Best Digital Wealth Management Platform in China" "Best Wealth Manager in China"	Asian Private Banker – 2018 Asian Private Banker China Wealth Awards
	"Golden Horse Award – Best Intelligent Broker"	Securities Daily and Chongyang Institute for Financial Studies at Renmin University of China
	"Best User Service APP of the Year of 2018" (for ZhangLe Fortune Path) "Users' Favourite APP of the Year of 2018" (for ZhangLe Fortune Path) "Top Ten APPs of the Year of 2018" (for ZhangLe Fortune Path)	Sina Finance
	"Outstanding APP of Securities Companies of the Year (for ZhangLe Fortune Path)"	Hexun.com
	"2018 Top Ten APP Brands of Securities Companies (for ZhangLe Fortune Path)" "Young Users' Favourite Broker APP of the Year of 2018 (for ZhangLe Fortune Path)"	Securities Times – China Securities Traders

Year	Awards	Organisers/Media
2017	"Golden Horse Award – Best Intelligent Broker"	Securities Daily and Chongyang Institute for Financial Studies at Renmin University of China
	"Excellent Wealth Management Securities Company of the Year of 2017"	China Times
	"Outstanding Investment Advisor Service Award" "Outstanding Securities Service Award"	JRJ.com
	"Best App in Innovative Marketing of the Year of 2017" (for ZhangLe Fortune Path)	IFENG.com and FINANCE.IFENG.com
	"Top Ten APPs" (for ZhangLe Fortune Path) "Users' Favourite APP" (for ZhangLe Fortune Path) "The Most Recommended App by Securities Professionals" (for ZhangLe Fortune Path)	Sina Finance

Online Platform

In adherence to the values centring on customers' demand, the Group continued to strengthen digital operation and management and took advantage of its strengths in platform to develop functions including multi-dimensional, intelligent potential customer development, customer acquisition and conversion, and asset allocation. The Group's online platform consists of ZhangLe Fortune Path mobile app and PC-based online trading software, which provides convenient, customer-centric and user-friendly online services, including account opening and management, market data, securities trading, financial products sales and advisory services.

ZhangLe Fortune Path mobile app is a leading wealth management platform in the PRC securities industry. According to Analysys, the monthly active users of ZhangLe Fortune Path has ranked first among PRC securities firms' apps since April 2015, reaching 9.11 million in December 2020. For the year ended 31 December 2020, the number of new accounts opened on the mobile terminal of "ZhangLe Fortune Path" was 3.23 million. For the year ended 31 December 2020, ZhangLe Fortune Path mobile app had had a download volume of 7.86 million, with a cumulative download volume of 58.06 million since its launch. In the year ended 31 December 2020, 99.72 per cent. of the Group's new accounts were opened on mobile app. In 2018, 2019 and 2020, 87.3 per cent., 90.0 per cent. and 94.3 per cent. of the Group's trading customers used ZhangLe Fortune Path to conduct transactions, respectively.

The Group has invested significant resources in the research and development of advanced technologies in recent years, such as big data and artificial intelligence, and transformed its online platform from an information and trading-based channel to a new intelligent wealth management platform. The Group continued to promote technology empowerment and platform-driven concept, enhance the products and services innovation on the ZhangLe Fortune Path platform, ensuring its leading market position and maintaining its competitive advantages. From the formation of wealth management financial service scenes, the development of smart tools and the technological innovation of differentiated market transactions, the Group intends to actively establish a technology platform around the evolving market trends of wealth management customers, focusing on expanding both customer and asset scales, and comprehensively improving customer service levels.

The Group has also enhanced the wealth management services on ZhangLe Fortune Path, creating an online financial products and marketing system which leverages the Group's strong product development and service capabilities, covering third-party and proprietary financial products.

Meanwhile, the Group advanced the construction of the "ZhangLe Global" (漲樂全球通) in an orderly way, actively explored innovation in the models of global transactions and services and strived to one-stop investment management services on global assets for customers. In the year ended 31 December 2020, "ZhangLe Global" platform was upgraded to enhance its ability to conduct overseas trading and provide asset allocation service, providing investors with a better global investment experience and the upgraded 2.0 version of "ZhangLe Global" was launched on 16 July 2020.

In addition, on 30 June 2020, the Group released "Securities Lending Path" (融券通), the first open-ended online securities lending trading platform on the market, and initiated the new model of digital operation of the securities lending industry, effectively connecting the supplier and demander of securities and is devoted to providing one-stop comprehensive services to participants of the platform.

In March 2020, the Group became one of the first batch of securities companies to obtain the qualification to conduct pilot fund investment advisory business and officially introduced "ZhangLe Investment" (漲樂星投), the fund investment advisory service based on "people + platform" investment advisory system.

The Group is able to perform big data analytics and categorise its customers into different groups based on their needs and behaviours. Extensive data analytics and effective customer profiling enable the Group to deliver more targeted services and information that appeal to its customers through standardised procedures on its online platform to expand its service coverage and improve customer experience.

Wealth Management Platform

The Group offers customised wealth management services to affluent customers primarily through the wealth management platform, supported by a large and experienced team of wealth management advisors and an extensive branch network.

The wealth management advisors are primarily responsible for providing comprehensive financial services. They are equipped with the Group's proprietary digital operation and management systems which integrate the Group's customer service capabilities, full suite of third-party and proprietary financial products and portfolio management strategies. These systems are intended to visualise and capture customer demand and facilitate customer relationship. Based on customers' risk profiles, preferences and goals, the Group's wealth management advisors recommend suitable asset allocation strategies and financial products across asset classes. Its wealth management platform also provides multi-dimensional contents and detailed analysis on market insight, macro-economy, sectors and individual securities to the customers. As at 31 December 2020, investment advisers constituted 32 per cent. of the practitioners employed by the Guarantor according to the statistics of the Securities Association of China (中國證券業協會).

Branch Network

In addition, the Group has one of the largest branch networks among PRC securities firms, with 28 business branches and 243 branches spanning over 29 provinces, municipalities and autonomous regions in China as at 31 December 2020.

The Group's branches are mainly located in the economically developed regions with high concentrations of affluent individual and institutional clients, such as the Yangtze River Delta, the Pearl River Delta and the Bohai Rim.

These branches are full-service platforms that are responsible for providing customised wealth management services to affluent individual and institutional clients, aggregating product resources to satisfy diverse client needs and cross-selling with other business lines by leveraging local resources.

Products and Services

The Group's wealth management business primarily covers the following activities:

- *Securities, futures and options brokerage*. The Group executes trades on behalf of its customers in stocks, funds, bonds, futures and options.

- *Financial products sales*. The Group sells to customers a variety of financial products managed by the Group and other financial institutions, and provides advisory services.

- *Capital-based intermediary services*. The Group provides diversified financing services including margin financing and securities lending as well as securities-backed lending to customers.

Securities Brokerage

The Group engages in the trading of various types of securities on behalf of its customers, including:

- *Stocks*: stocks of listed companies on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange (through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect);

- *Funds*: listed funds, including open-ended funds, close-ended funds and ETFs;

- *Bonds*: bonds that are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, including treasury bonds, corporate bonds and convertible bonds; and

- *Stock options*: SSE 50 ETF options.

The Group has ranked first in terms of brokerage trading volume of equity and funds in the PRC securities industry from 2014 until 2017 according to Wind Info. For the years ended 31 December 2018, 2019 and 2020, the Group's brokerage trading volume of equity and funds amounted to RMB13.34 trillion, RMB18.43 trillion and RMB34.19 trillion, respectively, consecutively ranking the first in the PRC securities industry according to data published by the Shanghai Stock Exchange and the Shenzhen Stock Exchange. As at 31 December 2020, the Group's total assets of client accounts reached RMB4.74 trillion. The Group also has a leading position in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect markets. For the southbound trading under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Group had approximately 56,400 and 60,200 authorised users in total as at 31 December 2020, respectively.

Futures and Options Brokerage

The Group provides futures brokerage services through its subsidiary, Huatai Futures Co., Ltd. ("**Huatai Futures**"), which is a member of the Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange and the China Financial Futures Exchange. In May 2019, the Group was named by the China Financial Futures Exchange as one of the first batch of treasury bond futures dealers in the PRC. As at 31 December 2020, its futures products included 68 types of commodity and precious metals futures, such as agricultural products, bullion, chemical products and metals, as well as financial futures. The Group provides 18 types of commodity options brokerage services covering all the listed commodity options in China.

The following table sets forth the trading volume of the Group's futures and options brokerage business by product type for the years indicated:

	Year ended 31 December		
	2018	**2019**	**2020**
		(RMB in billions)	
Commodity futures	15,764.9	25,447.1	36,476.4
Financial futures	1,710.1	5,884.7	9,145.4
Commodity options	0.5	1.0	5.4
Financial options	–	0.2	35.2
Total	17,475.5	31,332.9	45,662.3

In recent years, Huatai Futures continued to optimise its outlet layout. As at 31 December 2020, the Group had 50 futures branches across 16 provinces and four municipalities in China, being the agent of 87 types of futures. For the year ended 31 December 2020, Huatai Futures (excluding clearing members) realised an agency trading volume of 659,438,600 lots with a transaction amount of RMB45,662.3 billion. In addition, as at 31 December 2020, 224 of its securities branches were licenced to conduct futures IB business, allowing such branches to introduce potential customers to Huatai Futures. The Group's futures IB business also developed smoothly. As at the same date, the total number of futures IB business customers of the Group reached approximately 43,929.

Financial Products Sales

The Group engages in the sales of diverse financial products by third-party financial institutions such as fund management companies, private investment fund management companies and trust companies. It has over 4,000 third-party financial products distributed through its online platform and branch network as at 31 December 2020. In March 2020, the Group obtained the qualification to conduct pilot fund investment advisory business and actively promoted business development by launching the "ZhangLe Investment" (漲樂星投) fund investment advisory service brand, to accelerate the transformation of investment advisory services oriented to buyers instead of seller itself, thus effectively improving customer asset allocation service capabilities. For the year ended 31 December 2020, the growth of mutual funds business was relatively fast. According to internal statistics, the number of financial products held (excluding Tian Tian Fa) was 6,160 and the sales volume of financial products (excluding Tian Tian Fa) amounted to RMB705.3 billion.

The following table sets forth the sales volume of third-party financial products by product type for the years indicated:

	Year ended 31 December		
	2018	**2019**	**2020**
		(RMB in billions)	
Mutual funds	51.4	91.5	200.6
Private investment funds	8.6	1.8	13.0
Total	60.0	93.3	213.6

Through research, the Group has developed financial product evaluation systems and procedures to manage and evaluate financial products and conducts detailed analysis on the people, philosophy, process, portfolio, and performance of each third-party financial institution. In particular, the Group employs quantitative and qualitative analysis of mutual funds and private investment funds to identify the risks and returns of products, determine which financial products are suitable for its customers, and meet their diverse asset allocation needs.

Capital-based Intermediary Services

The Group's capital-based intermediary services include margin financing and securities lending, as well as securities-backed lending.

- *Margin financing and securities lending*

The Group offers collateralised financing through its margin financing services to brokerage customers who wish to finance their securities purchases and also lends securities held in its own accounts to brokerage customers through its securities lending services.

The Group earns net interest income for margin financing and securities lending and also earns fee and commission income from margin trades. As at 31 December 2018, 2019 and 2020, the Guarantor's balance of margin financing and securities lending business amounted to RMB43.5 billion, RMB67.1 billion and RMB124.1 billion, respectively.

As at 31 December 2020, 1,877 stocks and 115 ETFs were eligible for margin financing and securities lending in China, of which the Group offered margin financing services and securities lending services for 1,873 eligible stocks and 115 ETFs.

The following table sets forth a summary of the key operating and financial information of the Group's margin financing and securities lending business:

	As at or for the year ended 31 December		
	2018	**2019**	**2020**
Number of margin financing and securities lending customers	344,111	401,179	466,614
Balance of margin financing and securities lending *(RMB in billions)*(1) ...	43.5	67.1	124.1
Maintenance margin ratio(2)	272.8 per cent.	314.7 per cent.	302.9 per cent.
Trading volume of margin accounts from margin financing and securities lending *(RMB in billions)*	3,512.2	5,343.3	9,221.2

Notes:

(1) Only includes the balance of margin accounts of the Group's brokerage customers.

(2) Maintenance margin ratio refers to the ratio of the fair value of the collateral, including cash and securities in the margin accounts of the customers, to the total amount of receivables from the customers, including margin loan balance, market value of securities lending and accrued interest and fees.

The Group determines the credit limit of its customers based on various factors, such as the total value of their assets maintained with the Group and their creditworthiness. The Group also responded quickly to market and regulatory requirements changes, improved the marketing service system, strengthened risk prevention and control, improved the effectiveness of risk management control, promoted high-quality development of the capital-based intermediary business, and continued to expand brand influence. The Group has established a risk management warning mechanism through which it monitors the value of its customers' collateral and maintenance margin ratios on a real time basis. If the maintenance margin ratio is below the alert level for the first time, the Group will send alerts to customers. If the maintenance margin ratio is below 130.0 per cent. for the first time after clearing on a particular trading day, the Group will issue a warning to such customers requiring them to increase their maintenance margin ratios to 140.0 per cent. or higher on or before the next trading day.

As at 31 December 2020, the Guarantor's balance of margin financing and securities lending was RMB124.1 billion, accounting for 7.7 per cent. of the market share, amongst which the balance of securities lending business was RMB25.4 billion, accounting for 18.55 per cent. of the market share. As at 31 December 2020, the Guarantor had 466,614 margin financing and securities lending customers, accounting for 8.4 per cent. of the total number of margin financing and securities lending customers in China according to Wind Info.

- *Securities-backed lending*

  In a securities-backed lending, customers pledge their securities to the Group as collateral and the Group provides loans to its customers at an interest. As at 31 December 2018, 2019 and 2020, the balance of the Group's pending repurchase balance of stock pledged repurchase business was RMB53,904 million, RMB37,814 million and RMB31,456 million, respectively, including on balance sheet and off balance sheet lending.

  The Guarantor requires its securities-backed lending customers to provide sufficient collateral and monitors its customers' collateral coverage ratio on a real-time basis. As at 31 December 2018, 2019 and 2020, the collateral coverage ratio of the Guarantor's securities-backed lending business was 231.7 per cent., 267.7 per cent. and 287.5 per cent., respectively.

  The Group emphasises the risk management of securities-backed lending business, focusing on the customer concentration risk. The Group also closely monitors the daily liquidity and quality of underlying securities as collateral and the repayment source of the borrowers.

Institutional services business

The Group provides client-centric comprehensive institutional investor services, covering prime brokerage and research. Through various digital platforms, the Group is able to provide institutional clients with end-to-end financial solutions, including market data and analytics, trade execution and risk management.

The Group has a designated institutional sales team, covering mutual funds, insurance companies, private investment funds, trust companies, commercial banks and NSSF. As at 31 December 2020, the Group served 125 mutual funds and 140 insurance companies. For the year ended 31 December 2020, the transaction volume of trading seat leasing for mutual funds and insurance companies was RMB1,409 billion.

Set out below is a list of the recent awards received by the Group or its subsidiaries in relation to its institutional services business:

Year	Awards	Organisers/Media
2020………	"2020 Junding Award for All-round Investment Bank in China" "2020 Junding Award for STAR Market Investment Bank in China" "2020 Junding Award for SME Board Investment Bank in China" "2020 Junding Award for Main Board Investment Bank in China" "2020 Junding Award for M&A Project in China" "2020 Junding Award for STAR Market Project in China" "2020 Junding Award for SME Board Project in China" "2020 Junding Award for Main Board Project in China", together with unlisted awards, won nine awards from Securities Times	Quanshang China of Securities Times
	"Green Financial Development Award"	Jiangsu Financial Association – High Quality Development Achievements of Jiangsu Financial Industry

Year	Awards	Organisers/Media
	"Best Technology Innovation Service Securities Trader"	Chinastarmarket – 2020 The Awards of Sci-tech Innovators
	"Outstanding Institution of the Year" "Credit Assets Securitisation Outstanding Deal" "Corporate Assets Securitisation Top Ten Best Deals Award" together with other unlisted awards, won 10 awards from China Securitisation Forum (CSF)	China Securitisation Forum (CSF) – The 6th China Securitisation Forum Annual Awards
	"Best Sponsor Serving New Economies in 2020"	National Business Daily – 2020 China Golden Tripod Award
	"Securities Company with Best Domestic M&A Advisory"	Asiamoney
	"Industrials & Chemicals M&A Financial Adviser of the Year"	Mergermarket – China M&A Awards
	"Top 10 Investment Bank of the Year"	China Business News (CBN) – 2020 Financial Value List
	"Outstanding Innovative Agency for Fixed-Income Business"	Shenzhen Stock Exchange
	"Best Domestic Investment Bank" (for Huatai United Securities) "Best Investment Bank in Equity Underwriting" "Best Investment Bank in Bond Underwriting" "Best Investment Bank in Mergers and Acquisitions" "Best Refinancing Investment Bank" "Best IPO Investment Bank" "Best Investment Bank in Serving Overseas Markets" "Most Innovative Investment Bank" "Best STAR Market Investment Bank"	New Fortune – The 13th New Fortune Best Investment Bank
	"Best Analyst Team (Mainland) No. 1" "Best Analyst Team (Overseas) No. 7" "Best Sales Teams (Mainland) No. 2" "Best Sales Teams (Overseas) No. 7"	Institutional Investor – Caixin All China Research Team Awards
	"Best Product of the Year"	Structured Retail Products
	"Best Securities Company for Responsible Investment"	Sina Finance – China ESG Golden Award
	"ZHENSHAN Enterprise of the Year"	Jiemian – 2020 ZHENSHAN Award
2019.........	"Excellent Fixed Income Business Innovation Organisation" "Outstanding Innovative Agency for Fixed-Income Business"	Shenzhen Stock Exchange

Year	Awards	Organisers/Media
	"Comprehensive Innovation Award for Corporate Bonds" "Outstanding Member of STAR Market Listed Companies" "2019 Excellent Trust Manager" "2019 Outstanding Underwriter of Corporate Bonds"	Shanghai Stock Exchange
	2019 Wind Best Investment Bank "Best Equity Underwriter" "Best IPO Underwriter" "Best Refinancing Underwriter" "Best Bond Underwriter" together with other unlisted awards, won 13 awards from Wind	Wind
	"Best Domestic Investment Bank" Ranked 1st of the "Best Investment Banks in M&A" Ranked 1st of the "Best Investment Banks with Highest Innovation Ability" Ranked 1st of the "Best Investment Banks in Medical Treatment and Health Sector" Ranked 2nd of the "Best Investment Banks in IPO" "Best Equity Underwriting Investment Bank" "Best Bond Underwriting Investment Bank" "Best Refinancing Investment Bank" "Best Investment Bank in Serving Overseas Markets" "Most Innovative Investment Bank" "Best Asset Securitisation Project: Ranked the 1st in 2018 HXGP Auto Installment Credit Asset-Backed Securities Phase I" together with other unlisted awards, won 28 awards from New Fortune.	New Fortune
	"2018 Golden Whistle Award for China's Overseas Investment M&A – Best Financial Advisor"	Morning Whistle Group
	"CBIB IPO Junding Award 2019" "CBIB Equity Financing Project Junding Award 2019 (Mindray IPO Project)" "Most Respected Investment Bank in IPO" "Most Respected Investment Bank in Refinancing" "Most Respected Investment Bank in M&A" "Junding Award for IPO Investment Bank" "Junding Award for Stock Financing Project" "Junding Award for Asset-backed Securities Project" together with other unlisted awards, won 12 awards from Securities Times.	Securities Times
	"2019 JRJC Jinzhi Award Star Value Institute Service Institute"	JRJC

Year	Awards	Organisers/Media
	"International Pioneer Investment Bank" "Pioneer Investment Bank in A-share IPO" "Pioneer Investment Bank in STAR Market Project Reserve" "Pioneer Investment Bank with High Passing Rate of IPO Projects" "Pioneer Investment Bank in Hong Kong Stocks IPO (Huatai International Financial Holdings Company Limited)" "Pioneer Investment Bank in Bonds Underwriting" "Pioneer Investment Bank in ABS Business"	International Financial News
	"Best for Cross Border M&A"	Asiamoney
	"Excellent Service Provider of the STAR Market"	Securities Daily – Golden Horse Award
	"Best Analyst Team (Mainland) No. 1" "Best Analyst Team (Overseas) No. 6"	Caixin All-China Research Team Awards
	"Best Broker in China of the Year" "Best Product of the Year"	Structured Retail Products
	"Election of International Best Deals in Industrial Finance" "Excellent case with high-quality development in finance serving manufacturing industry – Wingtech acquiring Nexperia by comprehensively utilising various financing channels" together with other eight awards from "Securities Daily", "China Securities Journal", "China Business News (CBN)", "China Economic Net" and "China Securitisation Forum (CSF)"	Asia Financial Cooperation Association (AFCA)
2018.........	"Excellent Fixed Income Business Innovation Institution of the Year 2018"	Shenzhen Stock Exchange
	"Junding Award for Comprehensive Investment Banks of China" "Junding Award for Top 10 Financial Advisors of China" "Junding Award for Top 10 Refinancing Investment Banks of China"	Selection of 2018 Excellent Investment Bank Junding Prize in China
	"Innovative Business Award"	China Central Depository & Cleaning Co., Ltd.
	"China's Best Private Corporate Financing and Investment Bank Business Award"	Asiamoney
	"Mid-Market M&A Financial Adviser of the Year 50-300 million USD"	Mergermarket

Year	Awards	Organisers/Media
	"Best Local Investment Bank" "Best Investment Bank in Equity Underwriting" "Best Investment Bank in Debt Underwriting" "Best Investment Bank in Mergers and Acquisitions" "Best IPO Investment Bank" "Best Refinancing Investment Bank" "Best Investment Bank in Serving Overseas Markets"	Selection of 11th New Fortune Top Investment Banks
2017	"Excellent Corporate Bond Underwriter of the Year 2017" "Excellent Trustee of the Year 2017" "Excellent Green Corporate Bond Participant of the Year 2017"	Shanghai Stock Exchange
	"Excellent Local Government Bond Underwriter of the Year 2017" "Excellent Trustee of the Year 2017"	Shenzhen Stock Exchange
	"Best Investment Bank in Equity Underwriting" "Best Investment Bank in Debt Underwriting" "Best Investment Bank in Mergers and Acquisitions" "Best Investment Bank in Asset Securitisation" "Best Investment Bank in Serving Overseas Markets"	Selection of 10th New Fortune Top Investment Banks
	"2017 Junding Award for All-around Investment Banks of China" "2017 Junding Award for Bond Investment Banks of China" "2017 Junding Award for M&A Investment Banks of China" together with other 4 awards from "21st Century Business Herald" and "China Business Network"	Selection of 2017 Junding Award for Investment Bank Excellence of China

Investment Banking

Investment banking business primarily consists of financial advisory, equity underwriting, debt underwriting and OTC business.

The Group's investment banking business is a leading force in its full-service business platform. Leveraging its sector and product expertise and proven financial advisory capability, the Group is able to offer customised investment banking services to corporate clients throughout their entire life cycle.

As the PRC economy continues to transform, the Group is best positioned to capturing the most valuable business opportunities based on its long-term focus on strategic and emerging sectors. The Group is committed to active participation in industry consolidation and selectively engaging clients with high growth potential. The Group intends to seize the opportunities arising from the reforms of the PRC securities industry, and development in new economy sectors, such as TMT, healthcare, consumer, financial technology, environmental protection and new energy, along with the upgrade and transition of the PRC economy.

Financial Advisory

The Group's M&A advisory team was established in 2004, the first in the PRC securities industry. The Group believes that "Huatai United" is the most recognised investment banking brand in the PRC M&A market, with deep industry insight that leads the M&A market trends in China. From 2012 to 2020, the Group ranked first in terms of the number of M&A and reorganisation transactions which were approved by the CSRC. In the year of 2020, amongst the nine institutions that are registered with and approved by the CSRC to conduct M&A transactions, the Group ranked second in the industry with a transaction amount of RMB50.419 billion, which also ranked the second in the industry. The Group's experience in substantial number of transactions has provided a solid foundation for its stable and outstanding growth.

The following table sets out certain information on the CSRC-approved M&A transactions advised by the Group for the years indicated:

	Year ended 31 December					
	2018		2019		2020	
	Number of transactions	Transaction value	Number of transactions	Transaction value	Number of transactions	Transaction value
		(RMB in millions)		(RMB in millions)		(RMB in millions)
CSRC approval obtained[1].......	15	110,427	14	128,065	9	50,419

Note:

(1) Means the M&A transaction has been approved by the CSRC.

The following table sets out some landmark M&A transactions in which the Group acted as a financial advisor for the years indicated:

Year	Client	Transaction Value	Transaction Highlights
		(RMB in billions)	
2020………	Tiansha Aluminum	17.0	The largest M&A transaction approved by the CSRC in the year of 2020
2020………	Huaxing Yuanchuang	1.0	First STAR Market M&A approved by the Shanghai Stock Exchange
2019………	Shineway	39.1	The largest disclosed transaction value of asset restructuring project in 2019
2019………	Wingtec	26.7	The largest semiconductor M&A transaction in the A-share market
2018………	Offcn Education	18.5	The first education company to be listed by reverse merger, and become the largest education company in A-share market
2018………	QuMei	5.1	Acting as financial advisor supported by Huatai Zijin Investment and successfully closing tender offering for all shares in Ekornes ASA (Norway's largest furniture maker)
2018………	Baidu	12.0	Facilitated Baidu's artificial intelligence and fintech strategy and completed a spin-off and private capital raising from global investors
2018………	360	50.4	Successful overseas privatisation and the largest A share listing of an internet company
2017………	SF Express	43.3	Restructuring and A share listing of SF Express, largest domestic reverse takeover deal of the year
2017………	Zotye Auto	11.6	Restructuring and capital raising to invest in the research and development of new energy vehicles
2017………	Minmetals Capital	18.5	Group restructuring and listing of Minmetals Capital to build a comprehensive financial and industrial investment platform
2017………	Health 100	2.7	Staged acquisition of Ciming by Health 100 to reshape the competitive landscape in the private physical examination industry
2016………	Xiwang Food	5.0	Acquisition of North America's leading nutrition provider Iovate with innovative deal structure
2016………	BTG Hotels	11.0	BTG Hotels' acquisition of Home Inns through innovative cross-border equity swap
2015………	China Yangtze Power	79.7	Asset restructuring of China Yangtze Power and its associated companies; introducing long-term investors
2015………	Shenwan Hongyuan Group	72.2	Merger of Shenwan Securities and Hongyuan Securities, a milestone and the largest M&A transaction for the PRC securities industry to date

The Group's M&A-focused financial advisory business is the core competence of its investment banking business. The Group's M&A practise adopts market-oriented approach and assists its clients to achieve strategic expansion and industry consolidation. The Group believes that its outstanding performance in M&A advisory business enables it to provide value-add beyond ordinary investment banking services, which allows it to gain client loyalty and create synergies with other business lines.

Equity Underwriting

The Group's equity underwriting services include IPOs and follow-on offerings (such as private placement and rights issue), for corporate clients in China. In recent years, the Group's equity underwriting business covers more key regions and high-quality customers, prospectively engaged in the science and technology innovation field and other key industries, fully grasped the opportunity of the STAR Market and the pilot programme of the registration system of ChiNext Market, maintaining sound development, professional competence and reputation.

For the years ended 31 December 2018, 2019 and 2020, the Group acted as the lead underwriter for 165 equity underwriting transactions in China, underwriting an aggregate of RMB418.1 billion. The Group maintained its leading advantage in the STAR Market. It has sponsored four out of the first 25 companies listed on the SSE STAR Market (including HYC Technology, the first company listed on the SSE STAR Market) and as at 31 December 2020, it has accepted a total of 44 enterprises in the STAR Market, ranking the second in the market.

The following table sets forth a breakdown of equity financing transactions by type in which the Group acted as a lead underwriter:

		Year ended 31 December		
		2018	**2019**	**2020**
As a lead underwriter				
IPOs...............................	Number of issues	9	6	21
	Amount underwritten *(RMB in millions)*	18,775	6,710	23,627
Follow-on offerings[(1)].......	Number of issues	30	43	56
	Amount underwritten *(RMB in millions)*	119,692	125,385	145,184

Source: Wind Info, as at 31 December 2020

Note:

(1) Including private placement, rights issue, preferred shares, convertible bonds and exchangeable bonds

The Group served a wide range of clients, especially industry leaders, in its equity underwriting business, including large state-owned enterprises and well-known privately owned enterprises.

The following table sets out certain major equity underwriting offerings for the years indicated:

Year	Issuer	Offering Size	The Group's Roles	Transaction Highlights
		(RMB in millions)		
2020	Farasis	2,724	Sponsor and Lead Underwriter	The 1st IPO Deal in Power Battery of the STAR Market
2020	Shuanghui	7,000	Sponsor and Lead Underwriter	The largest private placement in the A share market of a consumer goods company
2019	HYC Technology	97	Sponsor and Lead Underwriter	The first IPO of SSE STAR Market
2018	Avary Holding	3,714	Sponsor and Lead Underwriter	The first spin-off and A share IPO of a Taiwan public company
2018	Mindray	5,934	Sponsor and Joint Lead Underwriter	The largest A-share IPO in the history of the GEM
2018	WuXi AppTec	2,300	Sponsor and Lead Underwriter	The first US de-listing and A share IPO of a healthcare company
2018	Jiangsu Financial Leasing	4,000	Sponsor and Lead Underwriter	The first A share IPO of a financial leasing company
2018	Yujiahui	858	Sponsor and Lead Underwriter	The first A share IPO of an e-commerce company
2017	Ireader Technology	166	Sponsor and Lead Underwriter	The first A share IPO of an e-reading platform
2017	Industrial Bank	26,000	Sponsor and Lead Underwriter	The second largest private placement in the A share market
2017	Bank of Jiangsu	20,000	Joint Sponsor and Joint Lead Underwriter	The largest preferred share offering in China of the year

Debt Underwriting

The Group has a full-licence debt underwriting business which covers enterprise bonds under NDRC, corporate bonds under the CSRC, debt financing instruments of non-financial enterprises under NAFMII, financial institution bonds under PBOC and asset-backed securities. The Group is a syndicate member of treasury bonds issued by the MOF and financial institution bonds issued by China Development Bank and the Import-Export Bank of China. In 2018, 2019 and 2020, the Group acted as underwriter for a total of 3,344 debt offerings, raising an aggregate of RMB1,107.0 billion for its clients. According to the statistics from Wind information, for the year ended 31 December 2020, the Group has underwritten 1,826 bond transactions, amounted to RMB567.0 billion, ranked fifth in the industry.

The following table sets forth a breakdown of debt financing transactions by type in which the Group acted as a lead underwriter:

		Year ended 31 December		
		2018	**2019**	**2020**
As a lead underwriter				
Financial institution bonds under PBOC	Number of transactions	23	41	82
	Amount underwritten *(RMB in millions)*	37,200	79,168	126,778
Corporate bonds under CSRC	Number of transactions	93	133	250
	Amount underwritten *(RMB in millions)*	51,824	91,717	130,022
Enterprise bonds under NDRC	Number of transactions	2	10	33
	Amount underwritten *(RMB in millions)*	2,600	8,712	14,124
Debt financing instruments for non-financial enterprises under NAFMII	Number of transactions	53	76	117
	Amount underwritten *(RMB in millions)*	27,087	34,707	53,100
Asset-backed securities	Number of transactions	192	267	484
	Amount underwritten *(RMB in millions)*	80,100	81,189	137,773
Others(1)	Number of transactions	69	559	860
	Amount underwritten *(RMB in millions)*	5,530	40,154	105,166

Source: Wind Info, as at 31 December 2020

Note:

(1) Including treasury bonds, local government bonds, financial institution bonds issued by policy banks and bonds issued by government-backed agencies

In recent years, the Group has expanded its client base from local state-owned enterprises to large- and medium- sized central government-owned enterprises, state-owned enterprises and financial institutions.

The following table sets out certain major debt underwriting offerings for the periods indicated:

Period	Issuer	Offering Size	The Group's Roles	Transaction Highlights
		(RMB in millions)		
2016-2020......	Shanghai Pudong Development Bank	226,769	Joint Lead Underwriter/Joint Lead Bookrunner	A number of financial institution bonds and ABS issuances, including the first green financial institution bond in China
2017-2020......	China Construction Bank	337,345	Joint Lead Underwriter	A number of financial institution bonds and ABS issuances
2017-2020......	China Merchants Bank	126,217	Joint Lead Underwriter	A number of ABS issuances, awarded one of the best ABS deals of New Fortune Awards in 2018
2016-2020......	State Power Investment Corporation Limited	87,500	Joint Lead Underwriter/Joint Lead Bookrunner	40 bond issuances including the first state-owned enterprise renewable corporate bond in China
2015-2020......	Far Eastern Leasing	52,392	Joint Lead Underwriter/Joint Lead Bookrunner	6 ABS issuances and 14 issuances of corporate bonds
2017	China Communications Construction Company	16,000	Joint Lead Underwriter	The largest exchangeable bond issuance to date in China
2018-2020......	Beijing Infrastructure Investment	33,000	Joint Lead Underwriter	The first public issuance of corporate bonds by a rail transit corporation in China
2018-2020......	Suning Appliance Group	13,979	Joint Lead Underwriter	One of the best ABS deals of New Fortune Awards in 2018
2020	Nanjing Jiangbei new district public assets investment development Co., Ltd	490	Underwriter/ Bookrunner	The first domestic non-financial enterprise climate bond

OTC Business

The Group provides small and medium enterprise clients with NEEQ listing and follow-on financing services. As at 31 December 2020, the Group provided supervision services for 39 listed companies, three targeted placements for three listed companies with a total amount raised of RMB769 million, and financial advisory services for one listed company. As at 31 December 2020, the Group has had 8,602 enterprises listed and displayed, 136 enterprises under custody, 246 membership units, and 75,770 investors of all types, and the Group raised RMB12.4 billion for enterprises through financing for the year ended 31 December 2020.

Prime Brokerage

The Group's prime brokerage business primarily provides asset custody and administration services, including settlement, clearing, reporting and valuation, to mutual funds, private investment funds and various types of asset management schemes. In addition, margin financing and securities lending, financial product sales and other value-added services are also available to the prime brokerage clients. The Group also continued to advance the building of an integrated service platform for internal and external customers and promoted the digital transformation and the improvement of the operation efficiency.

As at 31 December 2020, the Group had provided custody services for 5,309 fund products with a total market value of RMB245.8 billion, and provided administration services for 6,481 fund products (including 747 products from the Group's asset management subsidiary) with a total market value of RMB906.7 billion (including the business scale of asset management subsidiary of RMB567.5 billion).

Research

The Group provides various professional research services for institutional clients, including mutual funds management companies, private investment funds management companies, QFII, NSSF, trust companies, asset management companies, RQFII, and finance companies. The Group actively promoted the construction of the intelligent research platform. Leveraging on the "Xing Zhi" (行知) APP and CRM system, it innovated the service model and vigorously promoted online research of products and services to practically improve the participation experience of institutional investors, so as to create a one-stop comprehensive financial service model.

As at 31 December 2020, the Group's research team had 131 analysts and 97 per cent. of them hold master's degrees or above. The Group's research team provides regular research reports and corporate updates to its institutional clients to help them identify and evaluate investment opportunities. The Group's broad scope of research covers macro-economic analysis, investment strategies, quantitative, industry and company research. The Group's equity research covers 35 industry sectors and carried out 817 investigations on listed companies. The Group is one of the few PRC securities firms whose research capability is well-recognised in both domestic and Hong Kong markets. The Group made efforts to promote the synergy of researches on A-share market and Hong Kong market and develop a product management system adapted to cross-border researches to meet the bi-directional and multi-layered needs for professional research service of domestic and overseas customers. For the year ended 31 December 2020, the Group issued 6,572 research reports, and organised 15,019 roadshow services, held online investment meetings and other service activities, organised 923 thematic teleconferences and 4 thematic offline meetings. During the same year, the volume of sub-position transactions for the public fund amounted to nearly RMB1,125.4 billion.

Investment and Trading

The Group's investment and trading business primarily consists of equity trading, FICC trading and OTC derivatives. The Group engages in the trading of equity and fixed-income securities and other financial instruments for its own account and applies advanced trading techniques for mitigating investment risks and improving return. To meet its clients' investment, financing and risk management needs, the Group also conducts market making and offers OTC derivative products.

Equity Trading

The Group engages in the investment and trading of stocks, ETFs and derivatives and also market-making services for exchange-traded and OTC financial instruments.

The Group's investment and research platform helps facilitate investment decisions based on a big data-enabled market monitoring system to seek stable risk-adjusted returns to capture diversified investment opportunities in selected sectors and stocks. The Group utilises cutting-edge data analytics and advanced algorithms to increase efficiency in discovering more investment opportunities and detecting risks. In addition, the Group has actively engaged in hedging and quantitative trading and developed multiple strategies, including event-driven arbitrage, alpha hedging, statistical arbitrage and stock strategy trading.

According to the Shanghai Stock Exchange, the Group is well-recognised as a market leader in providing market making services for ETF options.

Fixed-income, Currencies and Commodities

The Group engages in the trading of various types of fixed-income securities. The Group also trades derivative instruments, principally interest rate swaps, credit default swaps, commodity futures and treasury bond futures, to mitigate market and interest rate exposure in its fixed-income trading. The Group has conducted FICC research and developed various trading strategies to identify opportunities with attractive risk and return profile across varying market conditions.

The Group also engages in market-making services in the interbank bond market, covering all categories of bonds. The Group developed a proprietary credit analysis and management system, which is an intelligent investment and trading platform based on data analytics to improve the Group's credit asset pricing capabilities. The Group has been expanding its FICC investment and trading business to include commodities and foreign currencies. According to statistics from Wind Info, for the year ended 31 December 2020, the delivery volume of bonds of the Group ranked the second place in the industry.

OTC Derivatives

The Group offers and trades OTC derivatives, mainly including OTC options, equity return swaps, structured notes and cross-border derivatives. The underlying securities of the Group's OTC derivatives include global indices, stocks, funds, commodities and fixed-income products. The Group is licenced to conduct CSRC-approved cross-border derivatives business and OTC options trading. Leveraging its cross-border franchise, risk management expertise, and trading and structuring capabilities, the Group is well-positioned to capture the emerging opportunities from the growth of the PRC OTC market.

In addition, Huatai Futures conducts OTC commodity options business that covers 41 types of commodities. For the year ended 31 December 2020, the Group had a newly-added nominal principal of RMB38.13 billion, which was at the forefront of the industry as disclosed by the China Securities Association.

As at 31 December 2020, the Group had 2,642 income swap transaction businesses with a notional principal of RMB50.95 billion and 672 OTC option trading businesses with total notional principal of RMB36.25 billion. For the year ended 31 December 2020, the Group issued 3,716 private placement products through the China Securities Internet System and OTC market, amounted to RMB87.09 billion.

Investment Management

The Group's investment management business consists of securities firm asset management, private equity fund management and mutual fund management. It provides securities firm asset management services and develops asset management products through Huatai Securities Asset Management, its wholly-owned subsidiary. The Group operates its private equity fund management business through Huatai Purple Gold Investment, its wholly-owned subsidiary. The Group also holds non-controlling equity interests in two fund management companies, China Southern Asset Management and Huatai-PineBridge.

Set out below is a list of the recent awards received by the Group or its subsidiaries in relation to its investment management business:

Year	Awards	Organisers/Media
2020	"Three-Year Golden Bull Brokers Collective Asset Management Plan"	China Securities Journal – Golden Bull Award
	"2020 Junding Award for Securities Companies on Asset Management in China" "2020 Junding Award for Fixed-Income Investment Team in China" "2020 Junding Award for Top Ten Innovative Asset Management/Fund/OTC Products"	Securities Times
	"Prize for Best ABS Securities Companies on Asset Management" "Prize for Best Innovative Product of Securities Companies on Asset Management" "Prize for Best Fixed-Income Securities Companies on Asset Management"	China Fund News – 2020 Yinghua Prize for Securities Companies on Asset Management
	"Best Fixed-Income Asset Management Team in 2020" "2020 Most Trustworthy Securities Companies on Asset Management by Investors"	National Business Daily – 2020 China Golden Tripod Award
	"China Asset Management Financial Technology Innovation Award" "Prize for Domestic RMB Bonds in China (3-Year)"	Asia Asset Management
2019	"Top Ten ETF Managers"	Shanghai Stock Exchange
	"Golden Bull Asset Management Team of China Securities Industry" "Golden Bull Fund Company for Passive Investment of 2019" (for China Southern Asset Management) "Golden Bull Fund Company for Quantitative Investment" "Golden Bull Fund Company for Passive Investment" (for Huatai PineBridge)	China Securities Journal
	"The Best Chinese Private Equity Investment Institution Top 10" "The Best Chinese Subsidiaries of Brokers for Private Funds Top 10" "The Best Institutions for Investment in Medical Services TOP 10" "The Best Institutions for Investment in Medical Devices TOP 10"	ChinaVenture Investment
	"2019 Most Trustworthy Financial Institution Asset Management Award"	www.simuwang.com

Year	Awards	Organisers/Media
	"The Most Influential Asset Management Broker" "The Best ABS Team" "The Best Team for Fixed-income Business"	National Business Daily – 2019 Tripod Award
	"Yinghua Award – The Best Asset-Backed Securitisation Asset Management Security in China of the year of 2019" "Yinghua Award – Best Active Quantitative Fund Company in 2019"	China Fund News
	"Junding Award for Outstanding Wealth Management Institutions of China"	Securities Times
	"Golden Fund – Fund Management Company for Passive Investment" (for China Southern Asset Management) "Golden Fund – Fund Management Company for Passive Investment" (for Huatai-PineBridge)	Shanghai Securities News
	"The Best Asset Management Broker on the List of Eastmoney of the Year of 2019" "The Best Futures Company on the List of Eastmoney for the Year of 2019" "The Best Fund Company on the List of Eastmoney for the Year of 2019"	Eastmoney.com
	"Poverty Alleviation Award for the Futures Industry for 2019" "Brand Award for the Futures Industry for 2019"	hexun.com
2018	"Yinghua Award – The Best Fund Service Providers of the Year of 2018"	China Fund
	"Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2018" "Comprehensive Innovation Award for Asset Securitisation of 2018"	Shanghai Stock Exchange
	"Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2018"	Shenzhen Stock Exchange
	"Junding Award for Wealth Management Institutions of China" "Junding Award for Asset Management Securities Companies of China" "2018 Top Ten Star Fund Companies"	Securities Times
	"The Best Fund Company on the List of Eastmoney of the Year of 2018 (for China Southern Asset Management)" "The Best Fund Company in terms of Brand Image on the List of Eastmoney of the Year of 2018 (for Huatai-PineBridge Fund Management)"	eastmoney.com

Year	Awards	Organisers/Media
	"The Best Subsidiaries of Brokers for Private Funds TOP 10" "The Best Institutions for Targeted Placement Investment (Private) TOP 5" "The Best Institutions for Investment in Medical Services TOP 10"	ChinaVenture Investment
	"2018 Golden Fund • Fund Management Company for Overseas Investment Returns" "2018 Golden Fund • Fund Management Company for Passive Investment"	Shanghai Securities News
	"Golden Bull Fund Company for Passive Investment of 2018" "The Most Trusted Golden Bull Fund Company of 2018"	China Securities Journal
2017………	"Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2017"	Shanghai Stock Exchange
	"Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2017"	Shenzhen Stock Exchange
	"Junding Award for Wealth Management Institutions of China" "Junding Award for Asset Management Securities Companies of China" "Junding Award for Futures Companies of China" "Junding Award for Financial Institutions as A Classic Example of Targeted Poverty Alleviation"	Securities Times
	"The Most Contributing Company in China's Fund Industry within Two Decades (for China Southern Asset Management)" "The Most Trusted Golden Bull Fund Company of the Year of 2017 (for China Southern Asset Management)" "Golden Bull Fund Company in Quantitative Investment (for Huatai-PineBridge Fund Management)"	China Securities Journal
	"Golden Fund – Top Fund Company (for China Southern Asset Management)"	Shanghai Securities News
	"Best Management Party in Quantitative and Index Fund of the Fund Industry within Two Decades"	China Fund

Securities Firm Asset Management Services

The Group provides securities firm asset management services and develops asset management products based on its clients' asset size and needs, and consistently ranks among the industry leaders.

The following table sets forth a breakdown by product type of the AUM of the Group's asset management schemes as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	(RMB in billions)		
Collective asset management scheme	112.8	147.4	132.5
Single asset management scheme	582.7	443.9	308.7
Specialised asset management scheme	81.3	111.6	126.3
Public fund management scheme	5.9	22.7	24.1
Total	782.7	725.6	591.6

The Group's securities firm asset management services primarily include:

- *Collective asset management schemes*: The Group manages clients' assets for a group of clients through designated accounts pursuant to applicable laws and in accordance with the relevant collective asset management contracts. As at 31 December 2020, the Group had 195 outstanding collective asset management schemes, covering equity market, bond market, money market and hybrid funds, with a total AUM of RMB132.5 billion. For collective asset management schemes, the Group generally charges annual management fees as a percentage of the AUM, and it also charges performance fees on certain schemes.

- *Single asset management schemes*: The Group manages clients' assets for a single client through a designated account pursuant to the terms of the relevant bilateral contract. Guided by specific investment guidelines, the Group provides customised asset management services for its clients. As at 31 December 2020, the Group had a total of 428 single asset management schemes under management with a total AUM of RMB308.7 billion.

- *Specialised asset management schemes*: The Group manages certain assets of clients for a specialised purpose. Specialised asset management is a competitive advantage of the Group. Many products lead the innovations in the industry, making the Group one of the top performers in this field as at the end of 2020. The Group is an industry leader in structuring specialised asset management schemes, and pioneered a number of innovative types of underlying assets, such as affordable housing rental income, bank bill receivables, insurance policy pledged loan receivables, and margin loan receivables. For the year ended 31 December 2020, the transaction value of ABS issuances was RMB93.17 billion, ranking fourth among PRC securities firms according to Wind Info. As at 31 December 2020, the Group had 127 outstanding specialised asset management schemes with a total AUM of RMB126.29 billion.

The following table sets out the details of the Group's key products of specialised asset management business:

Year	Schemes	Transaction Highlights
2020.........	Huatai – Zhongche EV state-owned financial subsidiaries green ABS	First domestic EV subsidiaries ABS
2020.........	Haitong Huatai – Huayue Beijing ABS	First domestic housing with controlling price ABS
2020.........	Huatai Jiayue – Yanlord Sanya Crowne Plaza ABS	First domestic single layer SPV CMBS without trust
2020.........	Huatai – Zheshang Asset – 1 ABS	First AMC special non-performing asset ABS
2019.........	Haitong Huatai – Jinguang Shanghai White Magnolia Plaza ABS	Domestic CMBS with the largest volume
2019.........	Huatai – Sichuan Longna Expressway ABS	First Expressway ABS in the mid-western region ABS
2018.........	Huatai Securities Asset Management – Lenovo Factoring and Kaola Factoring creditor's rights ABS	First domestic modern supply chain finance ABS
2018.........	JD Finance – Huatai Securities Asset Management – No. 19 JD Baitiao account receivable creditor's rights ABS	First global consortium blockchain-based ABS
2018.........	Huatai Jiayue-Suning Yunxin – 1 ABS	First domestic revolving REITs
2018.........	Huatai-Ctrip Finance Naquhua – 1 ABS	First domestic "Internet + Tourism" industry ABS
2018.........	Huatai Securities Asset Management – China Aircraft Leasing Group – 1 ABS	First domestic foreign currency denominated ABS and first domestic aircraft leasing ABS
2017.........	Huatai Securities Asset Management-Poly Property – 1 ABS	First CMBS cooperating with central state-owned property developer
2016.........	Huifu-Huatai Securities Asset Management – China resource reuse fund receivables ABS	First central state-owned enterprise's green ABS and first solid waste treatment ABS
2016.........	JD Finance-Huatai Securities Asset Management 2016 – 1 factoring receivables ABS	First domestic Internet factoring business ABS
2016.........	China Taiping insurance policy pledged loan 2016 – 1 ABS	First domestic insurance policy pledged loan ABS

Year	Schemes	Transaction Highlights
2016	Huatai Securities Asset Management – Bank of Jiangsu Rongyuan – 1 ABS	First domestic bank bill income rights ABS
2015	"JD Baitiao" account receivables ABS	First domestic e-commerce receivables ABS
2015	Guotai Junan-Huatai margin financing receivables – 1 ABS	First domestic exchange-listed margin financing receivables ABS
2015	Yangzhou affordable housing trust's receivables ABS	First domestic affordable housing ABS

- *Public fund management schemes*: The Group manages clients' assets through public funds. The Group obtained its mutual fund licence in 2016, and as at 31 December 2020, the Group issued and established eight public funds and managed 17 public funds in total, with a total AUM of RMB24.1 billion.

Private Equity Fund Management

Huatai Purple Gold Investment (and its subsidiaries) managed 22 private equity funds as at 31 December 2020 with a total subscription amount of RMB47.8 billion and a total paid-up capital of RMB40.4 billion. During the year ended 31 December 2020, these private equity investment funds implemented a total of 32 equity investment projects with a total investment amount of RMB2.8 billion. The private equity funds include industrial funds, growth funds and acquisition funds, focusing on new economy sectors, such as healthcare, TMT, smart manufacturing, as well as industrial upgrading. According to the statistics of the AMAC, as at the fourth quarter of 2020, Huatai Purple Gold Investment ranked second in the industry in terms of average monthly scale of private equity.

Asset Management Business of Fund Companies

The Group holds non-controlling equity interests in two fund management companies, China Southern Asset Management and Huatai-PineBridge.

The Guarantor is the largest shareholder of China Southern Asset Management, holding 41.16 per cent. of its equity interest. Established in 1998, China Southern Asset Management is one of the first fund management companies established in China, offering a diverse range of fund products. As at 31 December 2020, China Southern Asset Management had a total AUM of RMB1,198.27 billion, including 233 mutual funds with AUM of RMB807.97 billion and private funds business amounted to RMB390.30 billion.

Huatai-PineBridge is a Sino-foreign joint venture fund management company between the Guarantor and PineBridge Investments LLC, in which the Guarantor holds 49.0 per cent. of equity interest. Huatai-PineBridge is one of the first Sino-foreign joint venture companies to offer ETF products and the manager of the first cross-exchange ETF in China, namely Huatai-PineBridge Shanghai-Shenzhen 300ETF. As at 31 December 2020, Huatai-PineBridge had a total AUM of RMB185.44 billion, including 77 mutual funds with AUM of RMB162.29 billion and private funds business amounted to RMB23.15 billion.

Asset Management Business for Futures Companies

The Guarantor's subsidiary, Huatai Futures, continued to improve compliance risk control and management, proactively built a diversified business system, made energetic efforts to drive the transformation to active management business, consistently strengthened the development and application of platform systems, enhanced the Fintech empowerment, and continued to improve professional services and intelligent management. As at 31 December 2020, Huatai Futures managed a total of 26 asset management plans which were in the duration period. The total asset management scale was RMB1,846.23 million, and the futures equity scale was RMB440.31 million.

Alternative Investment Business

The Group carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. For the year ended 31 December 2020, Huatai Innovative Investment continued to improve its internal management system and mechanism, carried out co-investment business on the STAR Market according to regulatory requirements and business layout, and proactively conducted comprehensive demonstration and preparation for co-investment business on the ChiNext Market in advance. As at 31 December 2020, there were 27 subsisting investment projects with an investment scale of RMB1,029.35 million. The investment attributes include co-investment on the STAR Market, equity investment and asset management plan investment.

International Business

The Guarantor develops international business through its wholly-owned subsidiary Huatai International with footprints covering Hong Kong and the US. For the year ended 31 December 2020, the Group's segment revenue and other income from international business amounted to approximately RMB5.55 billion, accounting for 13.6 per cent. of its total revenue and other income.

Set out below is a list of the recent awards received by the Group or its subsidiaries in relation to its international business:

Year	Awards	Organisers/Media
2021	Digital Project Awards (Hong Kong) – "Best Mobile Brokerage Application – ZhangLe Global"	The Asset – Triple A Digital Awards 2021
	"Deal of the year" "Real Estate Debt Fund Manager of the Year"	Private Debt Investors – Annual Awards 2020 (Asia-Pacific):
2020	Triple A Country Awards 2020 (Hong Kong Area): "Best Corporate and Institutional Advisor – Domestic (Securities)" "Best Private Debt Adviser" Triple A Sustainable Investing Awards for Institutional Investor, ETF and Asset Servicing Providers 2020: "Best Custody Mandate (Broker Dealer) – BNP Paribas Securities Services"	The Asset
	"Trading Systems – Outstanding All Rounded Stock Trading Mobile App" (Zhangle Global) "Outstanding Wealth Management Network Cloud-based Applications Solution" "Outstanding Wealth Management Network Security Solution"	ETnet – Fintech Awards 2020
	"Best Digital Financial Service – ZhangLe Global" "Private Fund: Greater China Equity (3 Year): Huatai HK SPC – Huatai RQFII Fund 3 Segregated Portfolio"	Hong Kong China Fund Industry Association (HKCAMA) and Bloomberg – Offshore Chinese Fund Awards 2020
	"Best China Securities Company"	Hong Kong Tai Kung Wen Wei Media Group – The Tenth Golden Bauhinia Awards for Chinese Securities 2020

Year	Awards	Organisers/Media
	"Best Research Team – 1st (Mainland China) and 7th (Overseas)" "Best Sales Team – 2nd (Mainland China)"	Institutional Investor – The All-China Research Team 2020
	"Junding Award for HK&US Stock Trading APP – ZhangLe Global"	Securities Times
	"Megatrend deal of the year (healthcare) – RemeGen's HK$3.99 billion ($514 million) Hong Kong IPO"	Finance Asia – Achievement Awards 2020
	Fintech Awards 2019: "Outstanding Wealth Management Network Cloud – based Application Solution" "Outstanding Wealth Management Network Security Solution"	ETnet
	"Corporate Financing Excellence Award" "Risk Management Excellence Award"	Bloomberg Businessweek
2019	"Best Corporate and Institutional Adviser (Hong Kong Area) – Domestic (Securities)" "Best Private Debt Adviser (Hong Kong Area)" "Best Deals (China) – Best IPO – Jinxin Fertility US$447 million Hong Kong IPO" "Best Deals (Hong Kong Area) – Best private debt deal – China Evergrande Group HK$4 billion asset backed private notes"	The Asset – Triple A Country Awards 2019
	"The Best Private Debt Institutional Investor in Asia-Pacific Region of 2019"	Private Debt Investors
	"Best Research Team – 1st (Mainland China) and 6th (Overseas)" "Best Sales Team – 2nd (Mainland China)"	Institutional Investor – The All-China Research Team 2019
	"Best Fund Performance – Private Fund – Greater China Equity (1 Year)" "Best Fund Performance – Private Fund – Greater China Equity (3 Year)"	Hong Kong China Fund Industry Association (HKCAMA) and Bloomberg – Offshore Chinese Fund Awards 2019
	"Initial Public Offering of H-Shares Pioneer Awards"	International Finance News – 2019 Pioneer Investment Bank
	"Star Investment Banking Award in the Capital Market of the Year"	China Financial Market
	"Corporate Finance Deal – Excellence Performance" "Risk Management – Outstanding Performance"	Bloomberg Businessweek – Financial Institution Awards 2019 (Securities Service Awards)
2018.......	"Lender of the year"	Private Debt Investors – Annual Awards

Year	Awards	Organisers/Media
	"Best corporate and institutional adviser – Domestic (Securities)" "Best Deals – High Yield Bond (WTT Investment inaugural US$670 million bond)" "Best Deals – Best Syndicated Loan/Acquisition Finance (Sale of Center Holdings to C.H.M.T Peaceful Development Asia Property)"	The Asset – Triple A Country Awards 2018 (Hong Kong)
	Ranked 2nd among all China and international investment banks in "All-China Survey 2018"	Institutional Investor
	"Best Segregated Account & Private Fund – Equity & Multi-Asset (Huatai RQFII Fund 3 Segregated Portfolio)"	Hong Kong China Fund Industry Association (HKCAMA) and Bloomberg – Offshore Chinese Fund Awards 2018
	"Corporate Finance Deal – Excellence Performance" "Risk Management – Excellence Performance" "IPO Deals – Outstanding Performance" "Securities Company of the Year – Outstanding Performance"	Bloomberg Businessweek – Financial Institution Awards 2018 (Securities – Service Awards)
2017	Ranked 4th among all China and international investment banks in "Institutional Investor All-China Survey 2017"	Institutional Investor
	"Best Total Return Multi-asset Allocation (3 Years) – First Runner-Up (Huatai RQFII Fund 3 Segregated Portfolio)" "Best Total Return Greater China Equity (1 Year) – First Runner-Up (Huatai RQFII Fund 3 Segregated Portfolio)"	Hong Kong China Fund Industry Association (HKCAMA) and Bloomberg – Offshore Chinese Fund Awards 2017
	"Star Investment Banking Award in the Capital Market of the Year"	China Financial Market
	Second in terms of both number of Mergers & Acquisitions and the total transaction volume among or Chinese investment bank in Hong Kong in 2016	Mergermarket

Business in Hong Kong

The Group's businesses in Hong Kong are carried out mainly by Huatai Financial Holdings, a wholly-owned subsidiary of Huatai International. Huatai Financial Holdings is an SFC licenced entity that has been focusing on Hong Kong market since 2006. Leveraging the Group's domestic client network, Huatai Financial Holdings has built a full-licence business platform providing cross-border financial services.

Huatai Financial Holdings operates in the following eight business segments:

- *Investment Banking* – By fully collaborating and integrating with the onshore investment banking franchise Huatai United, investment banking business in Hong Kong services both Chinese and international corporations through initial public offerings, equity & debt underwriting, financial advisory on cross-border mergers and acquisitions.

- *Cross-Border and Structured Finance* – Huatai Financial Holdings provides customised financing solutions to map clients' funding needs during leverage acquisition, strategic M&As, pre-IPO financing, business expansion, capital restructure, and other commercial and investment activities.

- *Equity Derivatives* – Huatai Financial Holdings provides clients tailor bespoke cross-border equity derivatives products and solutions with purpose an emphasis on global asset allocation and minimising market risk.

- *FICC* – Rooted in fulfilling the needs of cross border demand coupled with the trend of Renminbi internationalisation, FICC business offers sales, trading and market marking services to Chinese and international institutions, corporates, asset managers and hedge funds. The products of this business including interest rates and credit in cash, derivatives and structured products.

- *Equity Research and Sales* – Utilising equity derivatives to serve all types of customers such as financial institutions, hedge funds, corporate customers, high net worth individuals and retail customers, and to fully meet the various needs of customers in risk management, wealth management and global asset allocation.

- *Private Wealth Management* – Huatai Financial Holdings provides individual clients with brokerage and financing services in global financial market by Huatai FinTech driven trading platform. Using the Group's resource advantages and management capabilities and relying on Huatai International's integrated business platform, private wealth management team provides one-stop service for clients' overseas asset allocation and builds a bridge between clients' requirements and overseas investment as well as financing.

- *Fintech and Retail Business* – Makes "ZhangLe Global" to be No. 1 investment and wealth management platform for global retail clients, and setup an example for fintech innovation. The upgraded 2.0 version of "ZhangLe Global" was launched on 16 July 2020.

- *Asset Management* – Utilising cross-border investment channels, the business provides investors with portfolios and fund management services including QDII, RQFII, Bond Connect, Southbound Stock Connect and primary market products such as private equity and private placement bonds to meet investors' various needs of global asset allocation and generating steady returns with risks under control.

Multi-segment business development enables Huatai Financial Holdings to experience a steady growth in Hong Kong and has largely improved its resilience against market volatility. As for securities trading, for the year ended 31 December 2020, Huatai Financial Holdings achieved total assets under custody of HK$58.39 billion and total stocks trading volume of HK$151.90 billion; as for advising on securities, Huatai Financial Holdings provided research reports and advisory services for customers; as for advising on corporate finance, it participated in 23 IPO projects and 43 bond issuance projects, with the total amount of trading and issuance of approximately HK$40.2 billion; as for financing for securities deposits, the accumulated credit amount was HK$1,756 million; as for providing assets management services, it achieved a total amount of funds under custody of HK$581.81 billion (including the scale of funds under custody of AssetMark). Furthermore, for the year ended 31 December 2020, Huatai Financial Holdings also completed eight financial advisory projects.

Huatai Financial Holdings won a number of awards such as the "Best Corporate and Institutional Advisor – Domestic (Securities)" and "Best Private Debt Adviser" from The Asset, a professional financial information platform. Meanwhile, Huatai Financial ranked 1st (Mainland China) and 7th (Overseas) for "Best Research Team" in Institutional Investor The All-China Research Team 2020.

AssetMark

The Guarantor acquired AssetMark in October 2016. AssetMark is a leading turnkey asset management programme in the US market as a third party financial service provider that offers outsourced wealth management and technology solutions to independent financial advisors and their clients. AssetMark adheres to a combination of curated investment products, compelling technology platforms and extensive and quality client services. AssetMark's fully-integrated technology platform provides advisors with access to a wide range of highly-automated processes including basic financial planning, portfolio construction, new account opening, client billing, investor reporting, progress to goal analysis and client activity tracking, and its curated investment platform provides independent advisors with a curated set of thoroughly vetted specialty and large third-party and proprietary investment providers. According to Cerulli Associates and other public information, as of the end of the third quarter of 2020, AssetMark's market share in the US TAMP industry was 11.0 per cent., ranking the third in the industry. As at 31 December 2020, the total platform assets of AssetMark reached U.S.$74.52 billion, representing an increase of approximately 20.96 per cent. from 31 December 2019. For the year ended 31 December 2020, the AssetMark platform served an aggregate of 8,454 independent investment advisers, representing an increase of approximately 6.23 per cent. from the year ended 31 December 2019. As at 31 December 2020, the total investor households served by the AssetMark platform reached nearly 187,000, representing an increase of approximately 15.03 per cent. from 31 December 2019. For the year ended 31 December 2020, 743 independent investment advisers signed new contracts with AssetMark.

The acquisition of AssetMark helped the Group establish presence in the US, enhanced the Group's brand awareness and reputation, and strengthened its overall international competitiveness. AssetMark was listed on the New York Stock Exchange on 18 July 2019 (New York time). Following the completed spin-off, the Guarantor maintains control over AssetMark, which remains as a subsidiary of the Guarantor.

Leveraging its abundant client resources, products and expertise as well as its sound research capabilities in China, the Group is strategically expanding its international operations and utilising its international business platform to meet its clients' growing demands for global financial services driven by China's economic transformation and development. The Group believes that its overseas platform could create greater value for its existing and prospective domestic and international clients.

Huatai Securities (USA) Inc.

In June 2019, Huatai Securities (USA), Inc. obtained the broker-dealer license of the United States to carry out for carrying out broker-dealer businesses such as securities underwriting, securities brokerage for institutional investors and M&A financial advisory in the United States. In August 2020, Huatai Securities (USA), Inc. obtained the qualification for proprietary trading, further expanding its business qualifications and driving the development of international business. For the year ended 31 December 2020, Huatai Securities (USA), Inc. continued to improve its system and platform construction to introduce U.S. institutional investors, focused on consulting, securities distribution and trading businesses. Upon these measures, online cross-border stock trading platforms have been put into operation, investment banking continued to be promoted, and the cross-border linkage and coordination mechanism of U.S. domestic businesses and domestic and Hong Kong businesses has been continuously optimised, achieving good business development results.

MARKET POSITION AND COMPETITION

As at 30 September 2020, there were 135 registered securities firms in China. The PRC securities industry is highly regulated and PRC securities firms are subject to extensive regulatory requirements on various perspectives, including business licences, scope of products and services, business development, compliance and risk management. Competition in the PRC securities industry has been and is likely to remain intense. In the nine months ended 30 September 2020, according to SAC and Wind Info, the top ten securities firms in China constituted an aggregate of 67.8 per cent. and 61.9 per cent. of the total market share in China in terms of revenue and net profit, respectively. In addition, according to Wind Info, the Group ranked fourth among securities firms in China in terms of net assets as at 30 September 2020, ranked fourth in terms of total assets as at 30 September 2020, ranked fourth in terms of revenue as at 30 September 2020, and ranked third in terms of net profit attributable to shareholders of the company as at 30 September 2020.

For the securities brokerage business, the Group competes primarily with other PRC securities firms in terms of pricing, client engagement and value-added services offered. For the investment banking business, the Group competes primarily with other PRC and Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, underwriting and distribution capacity, service quality, execution capability, financial strength and pricing. For the asset management business, the Group competes primarily with fund management companies, commercial banks, insurance companies, trust companies and other securities firms in China in terms of investment performance, the range of products, and quality of client service.

Some of its competitors may enjoy certain competitive advantages over the Group. In addition, with the deregulation in China's securities industry, more competitors are seeking to enter or expand in the market. The Group believes that the financial service industry in China is becoming increasingly competitive, which will accelerate the transitional innovation and differentiated development of PRC securities firms.

EMPLOYEES

The Group believes that its professional workforce is the foundation of its long-term growth. As at 31 December 2020, excluding AssetMark[2], the Group had 9,784 employees, of which 95.9 per cent. had bachelor's degrees or above.

The Group's sustainable growth and expansion also depends on its employees' performance and loyalty. The Group has adopted a market-driven remuneration structure that links employees' remuneration with their performance. Its performance evaluation system provides the basis for human resource decisions such as remuneration adjustments, promotion and talent cultivation. In addition, the Group provides its employees with supplementary compensation benefits, such as commercial health insurance and family care allowances. The Group has also established enterprise pension plan to maintain employees' standards of living after retirement.

As at the date of this Offering Circular, the Group did not have any strikes, protests or other material labour conflicts that may materially impair its business and image. The Group has established a labour union and it believes that it has maintained a good relationship with its employees and value their importance at all times.

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2 Due to the internal policies of AssetMark, education background statistics is not available for AssetMark.

INFORMATION TECHNOLOGY

As an industry leader in technology among the PRC securities firms, the Group has invested heavily in research and development of advanced technology tools and updated its technology infrastructure in recent years to better meet the challenges in this new era. For example, the Group has developed a series of innovative and influential IT products, such as the wealth management mobile app ZhangLe Fortune Path, the professional investor service platform MATIC, and the market data product Insight. For the year ended 31 December 2020, the Guarantor's research and development expenses amounted to RMB1,765 million. To support the strategic transformation of the Group's business, the Group's technology infrastructure is also focused on streamlining middle and back office operations, and enhancing compliance and risk management capabilities.

The Group monitors its various trading activities, such as brokerage, margin financing and securities lending and trading and investment activities, on a real-time basis, and monitor post-settlement transactions, customer accounts and risk control indicators to manage its risks. Its advanced IT infrastructure is vital for it to properly manage all categories of risks based on an enterprise-wide approach. It adopts technologies to implement its risk management policies across all business lines and management procedures while enhancing risk management efficiency. The Group has established primary and secondary data centres in Nanjing, functioning independently. In addition, the Group has another disaster recovery site in Shenzhen which will take over in case of extreme events.

The Group's technology success depends on its research and development capabilities. The Group has around 1,124 IT engineers. The Group established a digital innovation lab in April 2017, leading the innovation of various IT and digital products. The digital innovation lab is tasked with evaluating cutting-edge fintech innovations, such as artificial intelligence, big data, and blockchain, and addressing technical challenges, such as ultra-low-latency market data infrastructure and biological identification. As an innovative product of the lab, ultra-low-latency market data infrastructure reduces the responding time of market data handling from sub second level to low microsecond level, even nanosecond level. The infrastructure is actively used in algorithm trading, market making, proprietary trading, and primary brokerage businesses. This lab also works on building a firm-wide innovative culture through collaboration of different departments within the Group.

INSURANCE

The Group maintains insurance coverage for IT systems, motor vehicles, and owned buildings. Consistent with customary industry practice in China, the Group does not maintain any business interruption insurance.

The Group believes that it has maintained such insurance coverage as it considers necessary and sufficient for its operations and customary for the industry in which the Group operates. Moreover, the Group's policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by the Group and it cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies.

All of the Group's insurance policies are underwritten with reputable insurance providers and reviewed annually.

LEGAL AND REGULATORY

Licencing Requirements

The Group conducts its business mainly in the PRC, Hong Kong and the US. As a result, the Group is principally subject to the relevant regulations of the PRC, Hong Kong and the US. For the years ended 31 December 2018, 2019 and 2020, and up to the date of this Offering Circular, the Group had complied with the relevant regulatory requirements and guidelines in the jurisdictions where the Group operated in all material respects, and obtained the permits and licences necessary for its operations in accordance with the laws and regulations in the jurisdictions where the Group operates.

Legal Proceedings

The Group is a party to a number of legal proceedings arising in the ordinary course of its business. For the years ended 31 December 2018, 2019 and 2020, and up to the date of this Offering Circular, there were no legal proceedings pending or threatened against the Group that could, individually or in the aggregate, have a material effect on its business, financial condition or results of operations.

BOARD OF DIRECTORS

The Board of the Guarantor currently consists of thirteen directors, amongst whom three are executive directors, five are non-executive directors and five are independent non-executive directors. The Board is responsible, and has the general authority for, the management and operation of the Guarantor. The directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive directors shall not hold office for more than six consecutive years.

The following table sets out the current members of the Board of Directors and their respective position and age.

Name	Age	Position
Mr. Zhang Wei (張偉)	56	Chairman of the Board of Directors and Executive Director
Mr. Zhou Yi (周易)	52	Chief Executive Officer, Chairman of the Executive Committee and Executive Director
Mr. Zhu Xuebo (朱學博)	58	Executive Director
Mr. Ding Feng (丁鋒)	52	Non-executive Director
Mr. Chen Yongbing (陳泳冰)	46	Non-executive Director
Mr. Ke Xiang (柯翔)	46	Non-executive Director
Ms. Hu Xiao (胡曉)	41	Non-executive Director
Mr. Wang Tao (汪濤)	52	Non-executive Director
Mr. Chen Chuanming (陳傳明)	63	Independent Non-executive Director
Mr. Lee Chi Ming (李志明)	67	Independent Non-executive Director
Ms. Liu Yan (劉艷)	47	Independent Non-executive Director
Mr. Chen Zhibin (陳志斌)	55	Independent Non-executive Director
Mr. Wang Jianwen (王建文)	46	Independent Non-executive Director

Mr. Zhang Wei (張偉) is the Chairman of the Board of Directors and an executive Director of the Guarantor. He holds a master's degree in business administration and is a senior engineer, senior economist, the vice president of Asset Management Association of China (中國證券投資基金業協會) and the president of Asset Management Association of Jiangsu (江蘇省投資基金業協會). He served at Jiangsu Institute of Electronics Industry Research (江蘇省電子工業綜合研究所); served as the cadre at department level of Jiangsu Electronic Industry Bureau (江蘇省電子工業廳) and the deputy director of Asset Management Division; worked as the secretary to the board of directors and assistant general manager, deputy general manager, general manager and deputy secretary of the party committee of Jiangsu Hongtu High Technology Co., Ltd. (江蘇宏圖高科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600122) and served as the director, general manager, deputy secretary of the party committee, secretary of the party committee and chairman of the board of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司). Mr. Zhang has been the secretary of the party committee of the Guarantor since March 2019. He has been a director of the Guarantor since December 2019 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Zhou Yi (周易) is the Chief Executive Officer and an executive Director of the Guarantor. He holds a bachelor's degree in computer communications. Concurrently, Mr. Zhou serves as council member and deputy director of strategy and development committee of the Shanghai Stock Exchange (上海證券交易所), director of strategy and development committee of Shenzhen Stock Exchange (深圳證券交易所)), deputy director of Jiangsu Financial Association (江蘇省金融業聯合會) and a director and vice president of the Securities Association of China (中國證券業協會). Mr. Zhou once taught at Jiangsu Posts & Telecommunications School (江蘇省郵電學校); was engaged in technology management at the Telecommunications Centre of Jiangsu Posts & Telecommunications Bureau (江蘇省郵電管理局電信中心) and administrative management at Jiangsu Mobile Communication Co., Ltd. (江蘇移動通信有限公司); served as the chairman of the board of directors of Jiangsu Beier Co., Ltd. (江蘇貝爾有限公司) and Nanjing Xinwang Tech Co., Ltd. (南京欣網時訊科技股份有限公司), as deputy general manager of Shanghai Beier Fortune Communications Company (上海貝爾富欣通信公司), as president of Huatai Securities Limited Liability Company (華泰證券有限責任公司) from February 2007 to December 2007 and as director of the same company from September 2007 to December 2007. He served as the Director, president and deputy party secretary of the Guarantor from December 2007 to September 2011; served as the Director, president and party secretary of the Guarantor from September 2011 to June 2016; served as the Chairman of the Board, president and party secretary of the Guarantor from June 2016 to March 2019;served as the Chairman of the Board, president, party committee member of the Guarantor from March 2019 to October 2019; and served as Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and party committee member from October 2019 to December 2019. Mr. Zhou has been the Director, Chief Executive Officer, Chairman of the Executive Committee and party committee member of the Guarantor since October 2019. He has been a director of the Guarantor since September 2007 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Zhu Xuebo (朱學博) is an executive Director of the Guarantor. He has obtained a bachelor's degree in monetary banking. Mr. Zhu worked at Nanjing Artillery Academy (南京炮兵學院) and the Jiangsu Branch of PBOC. He joined the Guarantor in March 2001 and successively served as the general manager of the human resources department, the head of the organisation department of the party committee and the assistant to the president of the Guarantor; served as the deputy secretary of the party committee of the Guarantor since March 2013 to December 2020; and has served as deputy secretary of the party committee of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司) since December 2020. He has been a director of the Guarantor since October 2018 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Ding Feng (丁鋒) is a non-executive Director of the Guarantor. He holds a master's degree in business administration and is a senior accountant. He served as assistant accountant of the finance department of China Songhai Industrial Corporation (中國嵩海實業總公司) in Xiamen Special Economic Zone from August 1990 to November 1992; chief accountant of the finance department of China North Industries Xiamen Corporation (中國北方工業廈門公司) from December 1992 to September 1995; deputy section chief of the finance department of Jiangsu International Trust Investment Company (江蘇省國際信託投資公司) from October 1995 to August 2002; deputy project manager of the finance department of Jiangsu Guoxin Investment Group Limited (江蘇省國信集團) ("**Guoxin Investment Group**") from August 2002 to September 2004; head of the finance department (manager assistant) and deputy general manager of Jiangsu International Trust Corporation Limited (江蘇省國際信託投資公司) from September 2004 to December 2009; deputy general manager of the finance department of Guoxin Investment Group from December 2009 to December 2010; vice president of Jiangsu Guoxin Group Finance Co., Ltd. (江蘇省國信集團財務有限公司) from December 2010 to December 2011; president and deputy secretary of the party committee of Jiangsu Guoxin Group Finance Co., Ltd. (江蘇省國信集團財務有限公司) from January 2012 to March 2018; and has served as the general manager of the finance department of Guoxin Investment Group (江蘇省國信集團) since March 2018. He has been a director of the Guarantor since October 2018 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Chen Yongbing (陳泳冰) is a non-executive Director of the Guarantor. He holds a bachelor's degree in economic management. He served as clerk and staff member of the enterprise division of State-owned Assets Administration Bureau of Jiangsu Provincial Government (江蘇省國有資產管理局) from August 1996 to November 2000; a staff member of the Administrative Office of State-owned Assets of the Department of Finance of Jiangsu Province (江蘇省財政廳國有資產管理辦公室) from November 2000 to January 2002; senior staff member of the Administrative Office of State-owned Assets of the Department of Finance of Jiangsu Province from January 2002 to March 2004; cadre at sub-section level of Jiangsu SASAC from March 2004 to June 2004; senior staff member of the Division of Enterprise Reform and Development (企業改革發展處) of Jiangsu SASAC from June 2004 to January 2005; principal staff member of the Division of Enterprise Reform and Development of Jiangsu SASAC from January 2005 to December 2009; principal staff member of the Division of Enterprise Development and Reform (企業發展改革處) of Jiangsu SASAC from December 2009 to May 2014; deputy director of the Division of Enterprise Development and Reform (企業發展改革處) of Jiangsu SASAC from May 2014 to October 2016; deputy head of the investment and development department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from October 2016 to January 2018; and has served as head of the investment and development department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) since January 2018. He has been a director of the Guarantor since October 2018 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Ke Xiang (柯翔) is a non-executive Director of the Guarantor. He holds a doctoral degree in management and is a senior engineer. He served as staff member of the infrastructure investment division, staff member and deputy senior staff member of the agriculture division of Jiangsu Provincial Department of Finance (任江蘇省財政廳) from August 1996 to October 2002; and served as assistant to the director of the office, deputy director of the office, deputy director of the operation and safety department, deputy director of the Toll Management Centre of Expressway Network of Jiangsu Province (江蘇交通控股有限公司), director of the Information Centre and deputy director of the office, director of the development strategy and policy regulation research office, deputy director of the investment and development department, director of the strategic research office, deputy director of the corporate management and legal affairs department, and director of the strategic planning department at Jiangsu Communications Co., Ltd. (江蘇交通控股有限公司) from October 2002 to August 2020, a director of Jiangsu Sutong Bridge Co., Ltd (江蘇蘇通大橋有限責任公司) from September 2018 to November 2020, and a supervisor of Jiangsu Expressway Network Operation and Management Co., Ltd. (江蘇高速公路聯網營運管理有限公司) from May 2020 to November 2020. Since August 2020, he has been deputy general manager, member of the party committee and general counsel of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司). Mr. Ke has served as a director of Jiangsu Addor Huijing Asset Management Co., Ltd (江蘇毅達匯景資產管理有限公司) from November 2020, a director of Jiangsu Govtor Asset Management Co., Ltd (江蘇高投資產管理有限公司) from December 2020, a director of Suzhou Jinling Nanlin Hotel Co., Ltd. (蘇州金陵南林飯店有限責任公司) from April 2017, and a supervisor of Jiangsu Yanjiang Expressway Co., Ltd. (江蘇沿江高速公路有限公司) from November 2020. Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司), with which Mr. Ke is employed, is wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government, the *de facto* controller of the Guarantor. He has been a director of the Guarantor since February 2021 with a term of office in this session of the Board from December 2019 to December 2022.

Ms. Hu Xiao (胡曉) is a non-executive Director of the Guarantor. She holds a master's degree in business administration. Ms. Hu served as an accountant of KPMG Huazhen LLP (畢馬威華振會計師事務所) from September 2002 to July 2003; an assistant analyst of the stock research department of China International Capital Corporation Limited (中國國際金融有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 3908) from July 2003 to July 2006; manager and then vice president of Citigroup Global Markets Asia Limited from July 2008 to July 2012; vice president and then a director of Merrill Lynch (Asia Pacific) Limited from July 2012 to March 2017; and has served as director of the strategic investment department of Alibaba Group (阿里巴巴集團) (a company listed on the New York Stock Exchange, stock code: BABA) since March 2017. She has been a director of the Guarantor since October 2018 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Wang Tao (汪濤) is a non-executive Director of the Guarantor. He holds a master's degree in politics and economics. He served as assistant to president of Shenzhen Branch of China Construction Bank Corporation (中國建設銀行股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, stock code: 939 and 601939) and deputy general manager of the finance and accounting department of the head office of China Construction Bank Corporation (中國建設銀行股份有限公司) from June 1989. He joined the head office of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, stock code: 3968 and 600036) as general manager of the finance and accounting department of the head office in June 2014, and has served as general manager of the retail credit department of the head office since December

2016. He has also served as the director of inclusive financial service centre of the head office since February 2018. He was responsible for the establishment of CMB Wealth Management Company Limited (招銀理財有限責任公司) from July 2019 and has been the director and president of CMB Wealth Management Company Limited (招銀理財有限責任公司) since November 2019. He has been a director of the Guarantor since December 2019 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Chen Chuanming (陳傳明) is an independent non-executive Director of the Guarantor. He holds a doctorate degree in corporate management and is a professor. He was selected by the Ministry of Education of China to study social and economic management at the University of Brittany in France (法國上布列塔尼大學) in 1978. He was assigned to work at the Institute of World Economics and Politics of Chinese Academy of Social Sciences (中國社會科學院世界經濟與政治研究所) after returning to China in 1981. He has been teaching at Nanjing University since December 1982, during which he studied for a doctorate degree in economics at the School of Economics of Nankai University from September 1990 to June 1993. Currently, he serves as a professor of the School of Business at Nanjing University, and concurrently as the vice chairman of Chinese Institute of Business Administration (中國企業管理研究會) and Jiangsu Association of Science and Technology Innovation (江蘇省科技創新協會). He has served as an independent non-executive director of the Guarantor since March 2016 and is in his second term on the Board which will expire in December 2022.

Mr. Lee Chi Ming (李志明) is an independent non-executive Director of the Guarantor. He holds a master's degree in business administration. Mr. Lee served as the assistant assessor and then the assessor of the Inland Revenue Department of the Government of Hong Kong from October 1976 to November 1989; the senior manager/director of the Listing Committee, director of Corporate Planning, and director of Finance and Administration of the Securities and Futures Commission of Hong Kong from July 1989 to July 2014; and served as the director and managing partner of Nan Guo International Asset Management Limited (南國國際資產管理有限公司) from October 2014 to February 2020. He has been the an independent non-executive director of DIT Group Limited (築友智造科技集團有限公司) (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 726) since December 2014, a director of Chung Ying Theatre Company (HK) Limited (中英劇團有限公司) since December 2015, an independent non-executive director of Cango Inc. (a company listed on the New York Stock Exchange, stock code: CANG) and director and managing partner of Benington Capital Partners Limited (柏寧頓資本有限公司) since February 2020. He has served as an independent non-executive director of the Guarantor since April 2015 with a term of office in this session of the Board from December 2019 to December 2022.

Ms. Liu Yan (劉艷) is an independent non-executive Director of the Guarantor. She holds a master's degree in comparative law, with qualification as a lawyer both in China and the United States (New York State). Ms. Liu joined Beijing Tian Yuan Law Firm (北京市天元律師事務所) in 1995 and has been a partner of the firm since 2002. She has been an independent non-executive director of the Guarantor since December 2016 and is in her second term on the Board which will expire in December 2022.

Mr. Chen Zhibin (陳志斌) is an independent non-executive Director of the Guarantor. He holds a doctor's degree in corporate management and is a professor and doctoral student supervisor of the Faculty of Finance and Accounting at Southeast University (東南大學). Mr. Chen also serves as a managerial accounting consultant to the Ministry of Finance and the vice director of the governmental accounting committee of the Accounting Society of China (中國會計學會). He has been an independent non-executive director of the Guarantor since June 2018 with a term of office in this session of the Board from December 2019 to December 2022.

Mr. Wang Jianwen (王建文) is an independent non-executive Director of the Guarantor. He holds a Ph.D. degree in civil and commercial law. He taught at Nanjing Tech Law School from August 1998 to May 2006 and taught at Hohai University School of Law from May 2006 to May 2016, and was a professor and doctor-postgraduate supervisor at the College of Humanities and Social Sciences of Nanjing University of Aeronautics and Astronautics from May 2016 to March 2021. Since March 2021, he has been a professor and the Law School of Nanjing University. In

2013, he was selected into the list of the Third Session of Outstanding Youth Jurists in Jiangsu Province (第三屆江蘇省優秀青年法學家). He currently serves as a managing director of China Commercial Law Society, the vice president and secretary-general of Jiangsu Commercial Law Society (江蘇省法學會商法學研究會), and concurrently as a member of the legal experts' pool of Jiangsu Provincial Committee of the Communist Party of China, a decision-making consulting expert of The Standing Committee of Jiangsu Provincial People's Congress, and a legal consultant for the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. He has been an independent non-executive director of the Guarantor since June 2020 with a term of office in this session of the Board from June 2020 to December 2022.

BOARD OF SUPERVISORS

The Guarantor's Supervisory Committee currently consists of seven Supervisors, amongst whom four are Supervisors appointed by shareholders' general meeting and three are employee representative Supervisors. The employee representative Supervisors are elected at employee representative assemblies. Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets out the current members of the Board of Supervisors of the Guarantor, their respective position on the Board of Supervisors and their age.

Name	Age	Position
Mr. Zhai Jun (翟軍)	46	Chairman of the Supervisory Committee and Employee Representative Supervisor
Mr. Zhang Ming (章明)	46	Shareholder Supervisor
Ms. Yu Lanying (于蘭英)	49	Shareholder Supervisor
Ms. Zhang Xiaohong (張曉紅)	54	Shareholder Supervisor
Ms. Fan Chunyan (范春燕)	44	Shareholder Supervisor
Mr. Gu Chengzhong (顧成中)	55	Employee Representative Supervisor
Ms. Wang Ying (王瑩)	41	Employee Representative Supervisor

Mr. Zhai Jun (翟軍) holds a bachelor's degree. Mr. Zhai worked in Jiangsu International Trust and Investment Co., Ltd. (江蘇省國際信託投資公司) from August 1994 to July 2002; successively served as the general manager of Nanjing Xuanwumen securities sales department, a deputy manager of the securities investment department and a deputy manager of the brokerage business department of Xintai Securities Co., Ltd. (信泰證券有限責任公司) (acquired by the Guarantor at the end of July 2009) from July 2002 to August 2009; and successively served as a deputy general manager of the head office of retail customer service, a deputy general manager of the head office of brokerage business, general manager of Zhejiang branch and general manager of Shanghai branch of the Guarantor from August 2009 to March 2019. Since March 2019 and April 2019, he has been Director of the Administration Office and an employee representative Supervisor of the Guarantor, respectively. Mr. Zhai has been an employee representative supervisor of the Guarantor since December 2019 and the Chairman of the Supervisory Committee since February 2020 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Mr. Zhang Ming (章明) holds a master's degree and is a senior accountant. He worked at the finance department of Yangzhou No. 2 Power Plant Company Limited (揚州第二發電有限公司) from August 1995 to June 1998, and served as the general ledger of the finance department, deputy director of finance department, director of finance department, deputy chief accountant and head of finance department of Yangzhou No. 2 Power Plant Company Limited (揚州第二發電有限公司) from July 1998 to December 2009; deputy general manager of the finance department of Jiangsu Guoxin Investment Group Limited (江蘇省國信集團有限公司) from December 2009 to December 2016; deputy general manager, chief financial officer and general manager (departmental post) of the finance department of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) from December 2016 to August 2019, and general manager of the finance department of Jiangsu Guoxin Investment Group Limited (江蘇省國信集團有限公司) since August 2019. Mr. Zhang has been a supervisor of the Guarantor since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Ms. Yu Lanying (于蘭英) holds a master's degree in industrial economics and is a principal senior accountant. Ms. Yu worked at the finance department of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司) from August 1993 to August 1996; pursued graduate studies in industrial economics at Nanjing University of Science and Technology (南京理工大學) from September 1996 to April 1999; worked at the finance and audit department of Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) from May 1999 to January 2003; worked at the finance and audit division of Jiangsu Communications Industrial Group Co., Ltd. (江蘇交通產業集團有限公司) from January 2003 to September 2004; worked at the finance and audit department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from October 2004 to May 2008; successively served as deputy manager (presiding) of the finance and accounting department, manager of the finance and accounting department, deputy financial director (department level), financial director, and member of the party committee of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司) (a company listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and in the United States, stock code: 600377, 177 and 477373104) from June 2008 to November 2016; served as deputy general manager, financial director and member of the party committee of Jiangsu Expressway Company Limited from November 2016 to March 2018; served as the chief of the audit and risk control department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from March 2018 to August 2018; served as the chief of the audit and risk control department and the audit centre of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from August 2018 to November 2019; and has served as the head of finance department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) since November 2019. Ms. Yu has been a supervisor of the Guarantor since October 2018 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Ms. Zhang Xiaohong (張曉紅) holds a master's degree in business administration. She served as the export sales business manager of Nanjing Native Produce and Animal By-products Import and Export Co., Ltd. (南京市土產畜產進出口股份有限公司) from July 1989 to November 1996; served as business manager of Jiangsu Xinsu Investment Management Co., Ltd. (江蘇鑫蘇投資管理有限公司) from December 1996 to April 2000; served as manager of Jiangsu Venture Capital Co., Ltd. (江蘇省創業投資有限公司) from May 2000 to April 2005; served as senior investment manager of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司) from May 2005 to July 2016 and served as deputy general manager of the asset management department from August 2016 to February 2017 and has currently served as general manager of the investment operations department since March 2017. Ms. Zhang has been a supervisor of the Guarantor since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Ms. Fan Chunyan (范春燕) holds a college degree in financial accounting. Ms. Fan served as the director assistant of the settlement centre of the headquarters of Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司) from February 2002 to February 2004; deputy general manager and financial director for the Guangzhou region of Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司) from February 2004 to August 2011; executive deputy general manager for the Guangzhou Region and assistant to the executive president of the regional headquarters of South China of Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司) from August 2011 to January 2013; executive vice president of the e-commerce operation headquarters and executive vice president of the operation headquarters of Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司) from January 2013 to September 2014; vice president of Suning Retail Group (蘇寧零售集團) and president of Internet Platform Company (互聯網平臺公司) from August 2016 to January 2018; and has been serving as vice president of Suning Retail Group (蘇寧零售集團) and president of Internet Platform Company (互聯網平臺公司) as well as general manager of the customer service management centre. She served as a Director of the Guarantor from October 2018 to December 2019. Ms. Fan has been a supervisor of the Guarantor since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Mr. Gu Chengzhong (顧成中) holds a master's degree. Mr. Gu worked in the Nanjing Public Security Bureau from July 1990 to May 1998; successively worked in the technical supervision office, head office of brokerage management and Nanjing Hanzhong Road securities sales department of the Guarantor from May 1998 to November 2005; and successively worked as a deputy general manager (in charge of daily operation) and general manager of Xi'an North Wenyi

Road securities sales department, general manager of Xi'an regional centre securities sales department, general manager of Nanjing Ruijin Road securities sales department and general manager of Nanjing Branch of the Guarantor from November 2005 to January 2019. Since January 2019, Mr. Gu has been general manager of the compliance and legal affairs department of the Guarantor. Mr. Gu has been an employee representative supervisor of the Guarantor since April 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

Ms. Wang Ying (王瑩) holds a bachelor's degree and a master's degree in public administration. She worked in the organisation department of the Municipal Committee of Yangzhong and the Municipal party committee of Youth League in Yangzhong from August 2000 to June 2004. From June 2004 to January 2016, she worked at the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial People's Government, successively serving as the principal staff member of the enterprise leadership personnel management division, the principal staff member of the administrative office, the deputy division chief of the public working division, the deputy division chief of the party construction work division and the deputy division chief of the enterprise leadership personnel management division, etc. She joined the Guarantor in January 2016 and has been serving as the head of the communist party union working department of the Guarantor since April 2016. Ms. Wang has been an employee representative supervisor of the Guarantor since December 2019 with a term of office in this session of the Supervisory Committee from December 2019 to December 2022.

SENIOR MANAGEMENT

The Guarantor's senior management is responsible for the management of day-to-day operations of the Guarantor. The following table sets out current senior management of the Guarantor, their respective position and their age.

Name	Age	Position
Mr. Zhou Yi (周易)	52	Chief Executive Officer, Chairman of the Executive Committee and Executive Director
Mr. Han Zhencong (韓臻聰)	53	Chief Information Officer and Executive Committee Member (pending approval of professional qualification from the CSRC)
Mr. Li Shiqian (李世謙)	52	Executive Committee Member
Mr. Sun Hanlin (孫含林)	55	Executive Committee Member
Mr. Jiang Jian (姜健)	54	Executive Committee Member
Mr. Zhang Hui (張輝)	46	Executive Committee Member and Secretary to the Board of Directors
Mr. Chen Tianxiang (陳天翔)	40	Executive Committee Member
Ms. Jiao Xiaoning (焦曉寧)	50	Chief Financial Officer
Mr. Jiao Kai (焦凱)	46	Chief Compliance Officer and General Legal Counsel
Mr. Wang Chong (王翀)	48	Chief Risk Officer

Mr. Zhou Yi (周易) is the chief executive officer of the Guarantor. See "*Board of Directors*" in this section for Mr. Zhou's biography.

Mr. Han Zhencong (韓臻聰) is the Chief Information Officer and an Executive Committee member of the Guarantor. Mr. Han holds a doctor's degree in management science and engineering. He served as an officer of student affairs office, teacher, deputy secretary of the youth league committee, head of academic affairs office and manager of teaching and research office, vice president at Jiangsu Posts and Telecommunications College (江蘇省郵電學校); served as deputy manager at Jiangsu Telecommunications Staff Training Centre (江蘇省電信職工培訓中心); manager of planning division, division head, general manager of Wuxi branch, deputy general manager, member of party committee at Jiangsu Telecom Company (江蘇省電信公司); general manager and secretary of party group at China Telecommunications Group Co., Ltd. Heilongjiang Branch (中國電信黑龍江分公司) from September 2009 to February 2012; general manager of government and corporate clients department at China Telecommunications Group Co., Ltd. (中國電信集團有限公司) from February 2012 to July 2016; general manager and secretary of party committee at China Telecommunications Group Co., Ltd. Zhejiang Branch (中國電信浙江分公司) from July 2016 to December 2019. Mr. Han joined the Guarantor in December 2019 as Executive Committee member and Chief Information Officer. His term will officially commence after obtaining the qualification to hold the positions of directors, supervisors or senior management in securities companies from CSRC.

Mr. Li Shiqian (李世謙) is an Executive Committee member of the Guarantor. Mr. Li holds a doctor's degree in commercial economics. He served as officer of audit and supervisory department, senior officer and deputy head of financial audit division of the internal audit department and deputy head of the information division of the general office at the PBOC; deputy head of the news and information department, deputy head and head of audit division of the financial accounting department (財務會計部審計處), head of audit division, office 1 of the supervision bureau (監察局一室審計處), member of the party committee and secretary of the discipline inspection commission of Xinjiang Banking Regulatory Bureau (新疆銀監局), deputy manager of illegal fundraising affairs office (處置非法集資辦公室) and municipal bank regulatory office (城市銀行監管部) at CBRC; deputy manager of municipal commercial banks regulatory office (城市商業銀行監管部) at CBIRC from September 2018 to May 2019; circuit officer of municipal commercial banks regulatory office at CBIRC from May 2019 to June 2019; and class 1 circuit officer of municipal commercial banks regulatory office at CBIRC from June 2019 to December 2019 at CBIRC. Mr. Li joined the Guarantor in December 2019 and was appointed as a member of the Executive Committee member by the Board. His term officially commenced in March 2020 with the current term of office from March 2020 to December 2022, following the cancellation by the CSRC of qualification requirements to hold the positions of directors, supervisors or senior management in securities companies.

Mr. Sun Hanlin (孫含林) is an Executive Committee member of the Guarantor. Mr. Sun holds a bachelor's degree in business administration/executive master's in business administration. Mr. Sun once worked as the clerk, officer and deputy chief of the cadre section of human resources division of the Jiangsu Branch of PBOC, the executive deputy chief and the chief of the human resources division of Jiangsu Securities Company (江蘇省證券公司), the chief of the human resources division, chief of the organisation department, general manager of the human resources department, secretary of the discipline inspection commission, chief inspection officer, member of the party committee and vice president of Huatai Securities Limited Liability Company (華泰證券有限責任公司). He was the vice president, secretary of the discipline inspection commission and member of the party committee of the Guarantor from December 2007 to December 2015, served as the vice president and member of the party committee of the Guarantor from December 2015 to November 2019 and served as vice president of the Guarantor from November 2019 to December 2019. Mr. Sun served as an Executive Committee member of the Guarantor since December 2019 with the current term of office from December 2019 to December 2022.

Mr. Jiang Jian (姜健) is an Executive Committee member of the Guarantor. Mr. Jiang holds a master's degree in agriculture and forestry economics and management (農林經濟管理). Concurrently, Mr. Jiang serves as vice president of the Jiangsu Association for Public Companies (江蘇省上市公司協會), vice president of Jiangsu state owned enterprise development and Reform Research Association (江蘇省國有企業發展改革研究會) and a director of the China Association for Public Companies (中國上市公司協會). Mr. Jiang once taught at Nanjing Agricultural University. He worked at Jiangsu Securities Company (江蘇省證券公司) as the employee and chief of the training and education section of the Human Resources division, deputy general manager of the stock affairs department under the investment banking head office, deputy general manager and senior manager of the investment banking No. 1 department, deputy general manager of the investment banking head office (concurrently acting as the manager of the issuance department), general manager of the asset management head office, general manager of the Nanjing investment banking business department, director of the investment banking business and general manager of Nanjing head office, assistant to the president and general manager of Shanghai head office, assistant to the president and secretary to the board of directors, assistant to the president and general manager of institution customer service departments, vice president and secretary to the board of directors, party committee member. He was the vice president, secretary to the Board of Directors, and party committee member of the Guarantor from December 2007 to April 2017. He served as vice president and member of party committee of the Guarantor from April 2017 to November 2019 and served as vice president of the Guarantor from November 2019 to December 2019. Mr. Jiang served as an Executive Committee member of the Guarantor since December 2019 with the current term of office from December 2019 to December 2022.

Mr. Zhang Hui (張輝) is an Executive Committee member and the secretary to the Board of Directors of the Guarantor. Mr. Zhang holds a doctor's degree in technology economy and management. Mr. Zhang has worked for Dongcheng District Personnel Exchange Service Centre of Beijing, Brilliance Auto Corporation (華晨集團) Shanghai Office, Tongshang Co., Ltd. (通商控股有限公司) and New Margin Capital Management Co., Ltd. (北京聯創投資管理有限公司). He served as the senior manager of asset management head office of the Guarantor and the deputy general manager of Business Department of Nantong Yaogang Road Branch. Mr. Zhang served as the general manager of Business Department of Shanghai Ruijin First Road Branch of the Guarantor from June 2008 to March 2010, served as the deputy general manager of Security Investment Department of the Guarantor from March 2010 to July 2012, he worked as the general manager of the Guarantor's general office from July 2012 to January 2016, he served as the general manager of the human resources department and head of the organisation department of the party committee of the Guarantor from January 2016 to March 2019 and been the secretary of the Board of Directors of the Guarantor since April 2017. Mr. Zhang served as an Executive Committee member of the Guarantor since December 2019 with the current term of office from December 2019 to December 2022.

Mr. Chen Tianxiang (陳天翔) is an Executive Committee member of the Guarantor. Mr. Chen holds a bachelor's degree in telecommunications engineering. He served as engineer at Eastern Communications Co., Ltd. (東方通信股份有限公司); served as project manager at Nanjing Xinwang Tech Co., Ltd. (南京欣網時訊科技股份有限公司); served as senior engineer of technology division, operating manager of client services centre website, team leader of online marketing team, general manager assistant of asset management services centre at the Guarantor; deputy general manager of broker services headquarter at the Guarantor from April 2015 to August 2015; deputy general manager of online finance department at the Guarantor from August 2015 to June 2017; and has served as general manager of online finance department at the Guarantor since June 2017. Mr. Chen was appointed as Executive Committee member by the Board of Directors of the Guarantor in December 2019 and his term officially commenced after obtaining the professional qualification to hold the positions of directors, supervisors or senior management in securities companies from the CSRC in February 2020 with the current term of office from February 2020 to December 2022.

Ms. Jiao Xiaoning (焦曉寧) is the Chief Financial Officer of the Guarantor. Ms. Jiao holds a master's degree in accounting. She served as a cadre of Industrial and Commercial Bank of China (中國工商銀行股份有限公司), Beijing Branch and a cadre, deputy chief clerk and chief clerk of the general office of the accounting department of the Ministry of Finance. She also served as deputy chief of no. 2 accounting standards division and a researcher of the no. 2 institutions division of the accounting department of the Ministry of Finance from November 2003 to November 2009; an cadre, researcher, chief and division chief level leading cadre of the institutions division of the accounting department of the CSRC from November 2009 to January 2014; deputy inspector and deputy director of the accounting department of the CSRC from January 2014 to January 2020. She joined the Guarantor in January 2020 and was appointed as the Chief Financial Officer. Her term officially commenced in March 2020 with the current term of office from March 2020 to December 2022, following the cancellation by the CSRC of qualification requirements to hold the positions of directors, supervisors or senior management in securities companies.

Mr. Jiao Kai (焦凱) is the Chief Compliance Officer and general legal counsel of the Guarantor. Mr. Jiao holds a doctor's degree in Finance. He served as manager, director assistant of transaction operation department, director assistant, deputy director of transaction management department, deputy manager of general office, secretary of general manager, head of council office and deputy head of general office at The Shanghai Stock Exchange (上海證券交易所); served as council office and deputy head of general office, head of party affairs office, head of board of supervisors office at The Shanghai Stock Exchange (上海證券交易所) from January 2013 to March 2014; served as head of The Shanghai Stock Exchange Beijing Centre from March 2014 to February 2017; general manager of membership department at The Shanghai Stock Exchange (上海證券交易所) from February 2017 to December 2019. Mr. Jiao joined the Guarantor in December 2019 and was appointed as general legal counsel and Chief Compliance Officer by the board of directors of the Guarantor. His term officially commenced after obtaining the professional qualification to hold the positions of directors, supervisors or senior management in securities companies from the CSRC and approval from Jiangsu Securities Regulatory Bureau (江蘇證監局) in February 2020 with the current term of office from February 2020 to December 2022.

Mr. Wang Chong (王翀) is the Chief Risk Officer of the Guarantor. Mr. Wang holds a master's degree in computer and finance. Mr. Wang was the principal staff of the treasury department/global finance marketing department of Bank of China Limited (中國銀行股份有限公司) from July 1995 to March 2003, and middle office chief of internal risk control for European treasury operations in London Branch of Bank of China Limited (中國銀行股份有限公司) from March 2003 to May 2007. He also served as the team leader of interest rate derivative products and fixed income risks in J.P. Morgan Securities from June 2007 to January 2010 and the risk compliance officer of China International Capital Corporation (UK) Limited (中國國際金融有限公司 (英國)) from January 2010 to November 2014. He has been the general manager of the risk management department of the Guarantor since December 2014. He has been the Chief Risk Officer of the Guarantor since March 2017 with the current term of office from December 2019 to December 2022.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. The Board has established five board committees, namely the Development Strategy Committee, the Compliance and Risk Management Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Development Strategy Committee

The Development Strategy Committee of the Guarantor consists of five directors, namely Mr. Zhang Wei, Mr. Zhou Yi, Mr. Chen Yongbing, Ms. Hu Xiao and Mr. Wang Tao. Mr. Zhang Wei currently serves as the chairman of the committee. The major duties of the Development Strategy Committee include (but are not limited to):

- understanding and grasping the overall situation of the Guarantor's operation;
- understanding, analysing and grasping the current situation of the international and domestic industry;
- understanding and grasping the relevant domestic policies;
- studying the short-term, medium-term and long-term development strategies of the Guarantor or relevant issues;
- providing consultancy advice on the Guarantor's long-term development strategies, major investments, reforms and other major decisions;
- considering and approving the special research reports on development strategies;

- publishing daily research reports in a regular or irregular manner; and

- other duties assigned by the Board.

Compliance and Risk Management Committee

The Compliance and Risk Management Committee of the Guarantor consists of three directors, namely Mr. Zhou Yi, Mr. Ke Xiang and Mr. Wang Jianwen. Mr. Zhou Yi currently serves as the chairman of the committee. The main duties of the Compliance and Risk Management Committee include (but are not limited to):

- reviewing and making recommendations on the overall targets and fundamental policies of compliance management and risk management;

- reviewing and making recommendations on the setup of compliance management and risk management bodies and their duties;

- evaluating and making recommendations on the risks of major decisions which require the Board's review as well as the solutions to these risks;

- reviewing and making recommendations on the compliance reports and risk assessment reports that require the Board's review; and

- other duties as prescribed in the Guarantor's articles of association.

Audit Committee

The Audit Committee of the Guarantor consists of three directors, namely Mr. Lee Chi Ming, Mr. Ding Feng and Mr. Chen Zhibin. Mr. Lee Chi Ming currently serves as the chairman of the committee. The main duties of the Audit Committee of the Board include (but are not limited to):

- supervising and guiding the audit work, such as managing and guiding the internal audit work planning and audit team construction, regularly listening to and reviewing the comprehensive report of audit work, annual audit plan and important audit reports, making judgments on the truthfulness, accuracy and completeness of the audited financial reports and submitting them to the Board for review, supervising the integrity of the Guarantor's financial statements and the completeness of the Guarantor's annual reports and accounts, interim reports, quarterly reports, and review statements as well as major opinions on financial declaration in reports;

- proposing the engagement or changing of external audit institutions and supervising the professional conduct of external audit institutions, so as to ensure the coordination of internal and external auditors, ensuring the internal audit institution is given enough resources for operation and appropriate status within the Guarantor and checking and supervising its validity;

- considering and putting forward suggestions for the appointment, reappointment, remuneration, terms of appointment and any other issues relating to the resignation or dismissal of external auditors. The Audit Committee shall act as the main representative between the Guarantor and the external auditor of the Guarantor and supervise their relationship;

- discussing with the external auditors about the nature, scope and relevant responsibility of audit and frequently checking if the audit procedure is valid and whether the external auditor is objective and independent before carrying out the audit work;

- checking the Explanation Letter on Audit offered by external auditors to the management and any major doubts put forward by the auditors to the management about the accounting record, financial account or monitoring system as well as the response of the management and ensuring that the Board can timely reply to issues put forward in the Explanation Letter on Audit offered by external auditors to the management;

- checking and monitoring the Guarantor's financial supervision, risk management and internal monitoring system and checking the financial and accounting policies and practices of the Guarantor and its subsidiaries;

- discussing the risk management and internal supervision system with the management so as to ensure that the management has performed its duty and established a valid internal supervision system and studying the important investigations results and responses of the management related to risk management and internal supervision system actively or as assigned by the Board of Directors;

- reporting the above issues to the Board;

- checking the Guarantor's arrangement that employees of the Guarantor may secretly raise concerns on irregular conducts about financial reporting, internal monitoring, or other aspects. The Audit Committee shall ensure that there is appropriate arrangement for the Company to make fair and independent investigation and take appropriate actions on such issues;

- studying other projects defined by the Board; and

- other responsibilities stipulated in the Guarantor's articles of association or the Listing Rules or laws and regulations of the place where the Guarantor is listed.

Nomination Committee

The Nomination Committee of the Guarantor consists of three directors, namely Mr. Chen Chuanming, Mr. Zhu Xuebo and Ms. Liu Yan. Mr. Chen Chuanming currently serves as the chairman of the committee. The main duties of the Nomination Committee of the Board include (but are not limited to):

- reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes of the Board in line with the Guarantor's strategies;

- considering and making suggestions on the criteria and procedures for the selection of Directors and senior management members;

- searching for qualified candidates for the Board of Directors and senior management, and selecting from the list of candidates nominated by Directors or making recommendations to the Board;

- reviewing and making suggestions on the qualification requirements for Directors and senior management;

- assessing the independence of independent non-executive Directors;

- making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (in particular the chairman and the president); and

- other responsibilities stipulated in the Guarantor's articles of associations or as required by the Board.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Guarantor consists of three directors, namely Mr. Chen Chuanming, Ms. Liu Yan and Mr. Chen Zhibin. Mr. Chen Chuanming currently serves as the chairman of the committee. The main duties of the Remuneration and Appraisal Committee include (but are not limited to):

- reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the Guarantor's overall policy and structure for the remuneration of the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy;

- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- conducting assessment on and making recommendations to the Directors and senior management, such as making recommendations on the remuneration packages, including benefits in kind, pensions and compensation payments (including any compensation payable for loss or termination of their appointment) for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors;

- considering salaries paid by comparable companies, time commitment and responsibilities and engagement conditions elsewhere in the Group;

- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be reasonable and appropriate;

- ensuring that no Director or any of his associates is involved in determining his/her own remuneration; and

- other responsibilities stipulated in the Guarantor's articles of association.

Executive Committee

On 29 March 2019, the Guarantor announced that, in order to actively explore and establish a new business management system, improve management and operational efficiency, and specify work responsibilities, the Guarantor intends to establish an Executive Committee and a position of CEO, and no longer keeps the positions of president and vice president. The Executive committee of the Guarantor is the highest operational and management organisation of the Guarantor for the purpose of the implementation of the guidelines and policies of the board of directors. Its members are senior management of the Guarantor. The CEO is the chairman of the Executive Committee of the Guarantor. The first session of the Executive Committee of the Guarantor commenced office in December 2019.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions, laws resulting from international treaties entered into by the PRC government and judicial interpretations. In general, PRC court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, **provided that** the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years after the enforcement period stipulated in the judgement by the court. If a person fails to satisfy a final judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System, effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "Provisional Regulations"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange of the PRC ("**Control of Foreign Exchange Regulations**") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations was further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the "**New Forex Regulation**"). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date. It is possible that the PRC government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against the U.S. dollar or any other foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect the Group's cash flows, operating income, earnings and financial position, as well as the value of any distributions payable to the Guarantor by its PRC subsidiaries.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (the "**NDRC Regulation No. 9**") effective from 8 May 2014 and replacing the Interim Measures for the Administration of Verification and Approval of Overseas Investment Projects, which was later amended by the Decision for Amendment of Relevant Articles in the Measures for the Administration of Approval and Filing of Overseas Investment Projects and Measures for the Administration of Approval and Filing of Projects Invested by Foreign Investors issued on 27 December 2014, the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, areas or industries, the projects shall be subject to the approval of NDRC. Specifically, where the amount of the investment made by the Chinese party is U.S.$2 billion or more, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for the approval. Other than the projects specified above, the other projects shall be subject to the filing administration. Specifically, overseas investment projects carried out by enterprises under central management, and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.$300 million shall be subject to the record-filing by NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.$300 million shall be subject to the record-filing by competent investment departments of the provincial government.

According to the Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects, the Circular of NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities was terminated.

Investment projects to be carried out in Hong Kong and/or the Macao Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

On 4 August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the "Guiding Opinions on Further Orienting and Regulating Outbound Investment" (the "**Guiding Opinion**"), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the "One Belt, One Road" strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance the PRC's technology R&D, production, and manufacturing capacity; help resolve the country's energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the "*One Belt One Road*" initiative, and basic infrastructure construction in the surrounding areas.

- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.

- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up R&D centres overseas.

- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.

- Projects involving cooperation in agriculture.

- The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with the PRC; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with the PRC.

- Real estate, hotel, cinema, entertainment, and sports clubs.

- A stock investment fund or investment platform that does not invest in any real business overseas.

- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.

- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the PRC government.

- Projects involving the use of technologies, techniques, or products that are prohibited for exports.

- Projects involving gambling or pornography.

- Projects involving breach of international conventions which the PRC is a signatory to.

- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment – such as in taxation, foreign exchange, insurance, customs, and information areas.

- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.

- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

On 26 December 2017, NDRC issued the Administrative Measures for Enterprise Outbound Investment (the "**NDRC Regulation No. 11**"), effective from 1 March 2018. Compared to NDRC Regulation No. 9, there is a change of title of NDRC Regulation No. 11 which expressly indicates that monitoring of outbound investments will no longer be limited to pre-transaction "verification" and "record-filing", but will also cover the periods during and after transactions. NDRC Regulation No. 11 has also eliminated the "road-pass" regime in NDRC Regulation No. 9, evidencing NDRC's intention to "further streamline administration and delegate power". Under NDRC Regulation No. 11, NDRC has specified that Regulation No. 11 applies to outbound investments made by domestic financial enterprises.

NDRC Regulation No. 11 defines "sensitive countries and regions" as including countries and regions:

- without diplomatic relations with China;

- experiencing war or internal strife;

- where investment by enterprise is restricted by international treaties, or agreements China concluded or acceded to.

- other sensitive countries and regions.

With respect to the newly-added category "other sensitive countries and regions", investors may consult with NDRC through the procedure stated in Article 15 of NDRC Regulation No. 11.

NDRC Regulation No. 11 redefines "sensitive industries" as including:

- research on, manufacture and repair of weaponry;
- cross-border water resources development and utilisation;
- news media;
- industries to be restricted from outbound investments according to laws, regulations and relevant macro-control policies.

Based on NDRC Regulation No. 11, a Sensitive Industry Directory was released by NDRC, effective from 1 March 2018 which includes:

- Research and development, production and maintenance of weaponry and equipment;
- Development and utilisation of cross-border water resources;
- News media;
- Following industries in which outbound investment by enterprises needs to be restricted pursuant to the Guiding Opinion:

  (1) Real estate;

  (2) Hotels;

  (3) Cinemas and theatres;

  (4) The entertainment industry;

  (5) Sports clubs; and

  (6) Equity investment funds or investment platforms with no specific industrial project overseas.

NDRC Regulation No. 11 is relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying NDRC Regulation No. 11.

MOFCOM Supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted.

For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise's application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill and complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form. The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of "China" ("中國" or "中華") in its name, unless otherwise approved.

MOFCOM, in conjunction with the other six ministries, promulgated the Interim Measures for the Record-filing (Verification and Approval) and the Reporting of Outbound Investment Projects on 28 January 2018 ("**MOFCOM Regulation 24**"). MOFCOM Regulation 24 mainly focuses on information reporting requirements in relation to overseas investments. MOFCOM and its local departments still mainly follow the New Overseas Investment Rules when handling overseas investment filing/approval procedures for a domestic enterprise intending to carry out any overseas investment. As it has been several years since the introduction of the New Overseas Investment Rules and the regulatory policy, regulatory environment and market conditions of overseas investment have changed considerably in these years, the understanding and the application of the New Overseas Investment Rules in various localities and at different levels in practice may vary.

Foreign Exchange Administration

SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) on 13 February 2015, abolishing the verification and approval processes of foreign exchange registration of overseas direct investment. The foreign exchange banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via foreign exchange banks.

According to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as at 13 May 2013, borrowers of foreign debts are required to register with the SAFE. Borrowers other than banks and financial departments of the government shall go through registration or record filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such borrower is not handled through a domestic bank, the borrower shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 11 January 2017, the PBOC issued the Circular of the People's Bank of China Matters relating to the Macro-prudential Management of Full-covered Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Cross Border Financing Circular**"), which came into effect on the same day. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by Central Enterprises and their subsidiaries at all levels are involved in contribution with non-monetary assets, they shall retain a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or valuate subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval.

If the domestic enterprise is a Central Enterprise, it shall establish and perform investment decision-making procedures and management control system, establish and improve administration systems and submit them to SASAC for record-filing, and establish annual investment plan and submit it to SASAC and make a copy of the project approval documents to SASAC.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

Environmental Protection Laws

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC, Prevention and Control of Environmental Noise Pollution Law of the PRC, Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Air Pollution Law of the PRC and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

CROSS-BORDER SECURITY LAWS

On 12 May 2014, SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security (跨境擔保外匯管理規定) and the relating implementation guidelines (collectively the "New Regulations"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, or any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 business days after its execution (or 15 business days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. The onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

On 18 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (the "**SAFE Circular 3**"), which eases certain restrictions on the use of proceeds raised under a "NBWD" structure and generally allows the proceeds raised under a "NBWD" structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)政策問答(第二期)) (the "**Policy Q&As in relation to the SAFE Circular 3**") published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the New Regulations above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to SAFE' discretion on a case by case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor's obligations in respect of the Bonds and the Trust Deed are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the local SAFE will review of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration certificate or record to the Guarantor to confirm the completion of the registration.

Under the New Regulations:

- non-registration does not render the Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Terms and Conditions provide that the Guarantor will register, or cause to be registered, the Deed of Guarantee with SAFE in accordance with, and within the time period prescribed by, the New Regulations and use its best endeavours to complete the registration and obtain a registration record from SAFE on or before the date following 90 PRC Business Days after the Original Bonds Issue Date (the "**Registration Deadline**"). If the Guarantor fails to complete the SAFE registration and deliver the registration records to the Trustee before the Registration Deadline, the holders will have a put option to require the Issuer to redeem the Bonds held by them at 100 per cent. of their principal amount together with accrued interest (see Condition 6(c) of the Terms and Conditions).

TAXATION

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

HONG KONG TAXATION

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

PRC TAXATION

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "*Taxation – PRC*" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions.

In addition, as the Guarantor is currently regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), subject to the provisions of any applicable tax treaty.

On 23 March 2016, MOF and SAT issued Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer could be consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as resident enterprises under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Issuer is treated as PRC tax residents. In which case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as PRC tax residents and if PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the Bondholders under the Deed of Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer or the Guarantor pays interest income to Bondholders who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located within the PRC.

The Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Circular 36.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer or its members.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with Huatai Financial Holdings (Hong Kong) Limited and Industrial and Commercial Bank of China Limited, Singapore Branch as joint lead managers (the "**Joint Lead Managers**") dated 13 April 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, (i) the aggregate principal amount of the New Bonds set forth opposite its name below:

Joint Lead Managers	Principal amount of the New Bonds to be subscribed
Huatai Financial Holdings (Hong Kong) Limited	U.S.$70,000,000
Industrial and Commercial Bank of China Limited, Singapore Branch	U.S.$30,000,000
Total	**U.S.$100,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the New Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the Offering of the New Bonds, the Joint Lead Managers and/or their respective affiliates may place orders, receive allocations and purchase New Bonds for their own account (without a view to distributing such New Bonds). Such entities may hold or sell such New Bonds or purchase further New Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the New Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the New Bonds being "offered" should be read as including any offering of the New Bonds to the Joint Lead Managers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the New Bonds. If this is the case, liquidity of trading in the New Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – The liquidity and price of the Bonds following this offering may be volatile*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the New Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Guarantor, including the New Bonds and could adversely affect the trading prices of the New Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the New Bonds or other financial instruments of the Issuer, the Guarantor or the Group, and may recommend to their clients that they acquire long and/or short positions in the New Bonds or other financial instruments.

In connection with the issue of the New Bonds, any Stabilisation Manager may over-allot bonds or effect transactions with a view to supporting the market price of the bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the New Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the New Bonds and 60 days after the date of the allotment of the New Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the New Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the New Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the New Bonds or any other offering or publicity material relating to the New Bonds, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver New Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the New Bonds, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The New Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of New Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the New Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Each of the Joint Lead Managers represents, warrants and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Bonds to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prohibition of Sales To EEA Retail Investors

Each Joint Lead Manager has severally and not jointly with other Joint Lead Managers represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Bonds to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Bonds to be offered so as to enable an investor to decide to purchase or subscribe the New Bonds.

HONG KONG

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any New Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

SINGAPORE

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any New Bonds or caused such New Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such New Bonds or cause such New Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such New Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Bonds are subscribed or purchased under section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore Securities and Futures Act Product Classification – *Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the New Bonds (as defined in the Offering Circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

JAPAN

The New Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager represents, warrants and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any New Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

THE PRC

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that the New Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

BRITISH VIRGIN ISLANDS

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the New Bonds.

This offering circular does not constitute, and will not be, an offering of the New Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Legal Entity Identifier**: The legal entity identifier of the Issuer is 213800S7P8CY8UE2TH93.

2. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 232695439 and the ISIN for the Bonds is XS2326954398.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds and the execution of the Trust Deed and the Agency Agreement were authorised by resolutions of the director of the Issuer dated 26 March 2021, 31 March 2021 and 13 April 2021, respectively. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The execution of the Trust Deed, the Agency Agreement and the Deed of Guarantee was authorised by the board resolutions of the Guarantor dated 31 December 2020.

4. **No Material and Adverse Change**: Save as disclosed in this Offering Circular, there has not occurred any adverse change, (nor any development or event involving a prospective adverse change) in the financial condition, prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group, which is material and adverse in the context of the issue and offering of the New Bonds since 31 December 2020.

5. **Litigation**: None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened. The Issuer, the Guarantor or members of the Group may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

6. **Available Documents**: Copies of the Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020, the Trust Deed, the Deed of Guarantee and the Agency Agreement relating to the Bonds will be available for inspection upon prior written request and proof of holding at the principal place of business of the Trustee, at all reasonable times during normal business hours (being 9.00 a.m. to 3.00 p.m.), so long as any Bond is outstanding.

7. **Listing of New Bonds**: Application has been made to Hong Kong Stock Exchange for the listing of and permission to deal in the New Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 21 April 2021.

8. **Independent Auditors**: The Guarantor's consolidated financial statements as at and for the two years ended 31 December 2019 and 2020 (including comparative figures for the year ended 31 December 2018), which are included elsewhere in this Offering Circular, have been audited by KPMG, the independent auditor of the Guarantor, which are Certified Public Accountants in Hong Kong.

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Independent auditor's report
To the shareholders of Huatai Securities Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages F-10 to F-158, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent auditor's report (continued)

Key audit matters (continued)

Assessing the fair value of financial instruments

Refer to Note 61 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 2 and level 3 financial instruments, estimates need to be developed which can involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments; • assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data; • reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments; • engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

Loss allowances of financial assets measured at amortised cost	
Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).	
The Key Audit Matter	**How the matter was addressed in our audit**
The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, the loan balances to collateral ratio and the stock holding concentration of the borrower, the industry sector and the operation of the issuer, and the liquidity, restriction on sales and price volatility of the stock will also be taken into account in the judgement.	Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances; • with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

Key audit matters (continued)

Loss allowances of financial assets measured at amortised cost (continued)	
Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers, the industry sector and the operation of the stock issuer, and the liquidity, restriction on sales and price volatility of the stock; • for selected samples of the financial assets measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively; • evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.

Key audit matters (continued)

Consolidation of structured entities	
Refer to Note 56 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein. The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • selecting a sample of structured entities for each key product type and performing the following procedures for each item selected: - inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;

Independent auditor's report (continued)

Key audit matters (continued)

Consolidation of structured entities (continued)	
Refer to Note 56 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.	• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected (continued): - evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - evaluating management's judgement over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor’s report (continued)

Auditor’s responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Lee Lok Man.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building,
10 Chater Road
Central, Hong Kong

23 March 2021

Consolidated statement of profit or loss
For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	*Year ended 31 December* 2020	2019
Revenue			
Fee and commission income	4	18,457,811	13,011,269
Interest income	5	10,963,881	8,682,693
Net investment gains	6	10,159,587	9,179,944
Total revenue		39,581,279	30,873,906
Other income and gains	7	953,157	1,562,875
Total revenue and other income		40,534,436	32,436,781
Fee and commission expenses	8	(4,849,322)	(3,723,642)
Interest expenses	9	(8,358,703)	(6,561,019)
Staff costs	10	(10,403,649)	(7,693,154)
Depreciation and amortisation expenses	11	(1,341,384)	(1,197,068)
Tax and surcharges	12	(209,157)	(151,890)
Other operating expenses	13	(4,765,630)	(3,533,560)
Net provision for impairment loss on financial assets	14	(1,306,208)	(719,549)
Net reversal of impairment loss on other assets		346	2,617
Total expenses		(31,233,707)	(23,577,265)

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of profit or loss (continued)
For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Operating profit		9,300,729	8,859,516
Share of profit of associates and joint ventures		4,203,647	2,726,449
Profit before income tax		13,504,376	11,585,965
Income tax expense	15	(2,633,930)	(2,528,752)
Profit for the year		10,870,446	9,057,213
Attributable to:			
Shareholders of the Company		10,822,497	9,001,644
Non-controlling interests		47,949	55,569
		10,870,446	9,057,213
Basic earnings per share (in Renminbi per share)	19	1.20	1.04
Diluted earnings per share (in Renminbi per share)	19	1.19	1.03

The notes on pages F-22 to F-158 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 54(j).

Consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Profit for the year		10,870,446	9,057,213
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
- Net change in fair value		248,725	494,709
Income tax impact		(58,771)	(123,677)
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income		77,974	5,460
Reserve from cash flow hedging instruments		(34,348)	-
Share of other comprehensive income of associates and joint ventures		(55,583)	95,531
Exchange differences on translation of financial statements in foreign currencies		(717,314)	162,258
Total other comprehensive income for the year, net of tax	18	(539,317)	634,281
Total comprehensive income for the year		10,331,129	9,691,494
Attributable to:			
Shareholders of the Company		10,402,443	9,611,074
Non-controlling interests		(71,314)	80,420
Total		10,331,129	9,691,494

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2020	2019
Non-current assets			
Property and equipment	20	5,014,084	4,668,116
Investment properties	21	408,338	527,089
Goodwill	22	2,260,945	2,333,862
Other intangible assets	23	5,276,069	5,711,457
Interest in associates	25	17,691,161	14,974,547
Interest in joint ventures	26	1,641,846	664,458
Debt investment at amortised cost	27	19,230,660	15,128,953
Financial assets at fair value through other comprehensive income	28	14,401,106	11,232,633
Financial assets at fair value through profit or loss	30	9,229,523	6,966,333
Refundable deposits	31	24,763,790	12,653,540
Deferred tax assets	32	339,502	202,825
Other non-current assets	33	283,320	260,669
Total non-current assets		100,540,344	75,324,482
Current assets			
Accounts receivable	34	9,095,561	5,511,168
Other receivables and prepayments	35	1,131,408	880,271
Margin accounts receivable	36	102,574,007	69,006,280
Debt investment at amortised cost	27	11,180,848	4,610,805
Financial assets held under resale agreements	29	19,536,413	18,466,280
Financial assets at fair value through profit or loss	30	282,577,589	245,829,339
Financial assets at fair value through other comprehensive income	28	1,545,266	1,125,342
Derivative financial assets	37	7,295,357	1,858,041
Clearing settlement funds	38	6,988,396	6,755,604
Cash held on behalf of brokerage clients	39	124,635,007	82,959,838
Cash and bank balances	40	49,651,039	49,853,188
Total current assets		616,210,891	486,856,156
Total assets		716,751,235	562,180,638

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2020	2019
Current liabilities			
Short-term bank loans	42	11,299,859	5,724,131
Short-term debt instruments issued	43	43,951,388	46,425,196
Placements from other financial institutions	44	4,815,236	11,362,598
Accounts payable to brokerage clients	45	136,387,634	89,817,920
Employee benefits payable	46	4,156,895	2,573,753
Other payables and accruals	47	105,880,311	86,836,626
Contract liabilities	48	92,366	19,179
Current tax liabilities		1,275,589	388,154
Financial assets sold under repurchase agreements	49	139,899,968	109,719,045
Financial liabilities at fair value through profit or loss	50	12,196,234	4,689,620
Derivative financial liabilities	37	13,398,830	1,278,399
Long-term bonds due within one year	51	11,428,893	14,716,533
Total current liabilities		484,783,203	373,551,154
Net current assets		131,427,688	113,305,002
Total assets less current liabilities		231,968,032	188,629,484
Non-current liabilities			
Long-term bonds	52	85,624,295	49,899,825
Long-term bank loans	53	475,414	850,997
Non-current employee benefits payable	46	6,974,615	6,360,633
Deferred tax liabilities	32	2,545,647	2,566,800
Financial liabilities at fair value through profit or loss	50	3,185,296	2,690,563
Other payables and accruals	47	850,730	605,958
Total non-current liabilities		99,655,997	62,974,776
Net assets		132,312,035	125,654,708

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	*As at 31 December* *2020*	*2019*
Equity			
Share capital	54	9,076,650	9,076,650
Treasury shares	54	(1,626,546)	-
Reserves	54	92,622,778	90,282,418
Retained profits	54	28,998,618	23,178,411
Total equity attributable to shareholders of the Company		129,071,500	122,537,479
Non-controlling interests		3,240,535	3,117,229
Total equity		132,312,035	125,654,708

Approved and authorised for issue by the board of directors on 23 March 2021.

Zhang Wei
Chairman of the Board,
Director

Chen Chuanming
Director

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company											
			Reserves									
	Share capital (Note 54)	Treasury shares (Note 54)	Capital reserve (Note 54)	Surplus reserve (Note 54)	General reserve (Note 54)	Fair value reserve (Note 54)	Cash flow hedges reserve (Note 37)	Translation reserve (Note 54)	Retained profits (Note 54)	Total	Non-controlling interests	Total equity
As at 1 January 2020	9,076,650	-	70,290,533	5,118,691	14,084,427	393,572	-	395,195	23,178,411	122,537,479	3,117,229	125,654,708
Changes in equity for 2020												
Profit for the year	-	-	-	-	-	-	-	-	10,822,497	10,822,497	47,949	10,870,446
Other comprehensive income	-	-	-	-	-	212,345	(34,348)	(598,051)	-	(420,054)	(119,263)	(539,317)
Total comprehensive income	-	-	-	-	-	212,345	(34,348)	(598,051)	10,822,497	10,402,443	(71,314)	10,331,129
Equity-settled share-based payments	-	-	459,514	-	-	-	-	-	-	459,514	194,620	654,134
Acquisition of treasury shares	-	(1,626,546)	-	-	-	-	-	-	-	(1,626,546)	-	(1,626,546)
Appropriation to surplus reserve	-	-	-	592,376	-	-	-	-	(592,376)	-	-	-
Appropriation to general reserve	-	-	-	-	1,708,519	-	-	-	(1,708,519)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	-	-	(2,701,395)	(2,701,395)	-	(2,701,395)
Others	-	-	5	-	-	-	-	-	-	5	-	5
As at 31 December 2020	9,076,650	(1,626,546)	70,750,052	5,711,067	15,792,946	605,917	(34,348)	(202,856)	28,998,618	129,071,500	3,240,535	132,312,035

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital (Note 54)	*Capital reserve* (Note 54)	*Surplus reserve* (Note 54)	*General reserve* (Note 54)	*Fair value reserve* (Note 54)	*Translation reserve* (Note 54)	*Retained profits* (Note 54)	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2019	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604
Changes in equity for 2019										
Profit for the year	-	-	-	-	-	-	9,001,644	9,001,644	55,569	9,057,213
Other comprehensive income	-	-	-	-	472,023	137,407	-	609,430	24,851	634,281
Total comprehensive income	-	-	-	-	472,023	137,407	9,001,644	9,611,074	80,420	9,691,494
Issuance of GDRs (representing A shares)	825,150	10,614,306	-	-	-	-	-	11,439,456	-	11,439,456
Capital injection by non-controlling shareholders	-	(80,411)	-	-	-	-	-	(80,411)	977,294	896,883
Recognition on decrease of interests in subsidiaries without a change in control	-	511,659	-	-	-	-	-	511,659	654,229	1,165,888
Equity-settled share-based payments	-	300,798	-	-	-	-	-	300,798	49,907	350,705
Appropriation to surplus reserve	-	-	628,860	-	-	-	(628,860)	-	-	-
Appropriation to general reserve	-	-	-	1,887,482	-	-	(1,887,482)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,722,995)	(2,722,995)	(648)	(2,723,643)
Others	-	84,321	-	-	-	-	-	84,321	-	84,321
As at 31 December 2019	9,076,650	70,290,533	5,118,691	14,084,427	393,572	395,195	23,178,411	122,537,479	3,117,229	125,654,708

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities:			
Profit before income tax		13,504,376	11,585,965
Adjustments for:			
Interest expenses		8,358,703	6,561,019
Share of profit of associates and joint ventures		(4,203,647)	(2,726,449)
Depreciation and amortisation expenses		1,341,384	1,197,068
Net provision for impairment losses		1,305,862	716,932
Expenses recognised from equity-settled share-based payment		654,134	172,620
Net gains on disposal of property and equipment and intangible assets		(1,455)	(447)
Foreign exchange losses / (gains)		821,223	(147,877)
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		(1,125,358)	(1,645,371)
Net losses arising from derecognition of financial assets at fair value through other comprehensive income		10,601	3,478
Net gains arising from derecognition of debt investment at amortised cost		(3,567)	(11,842)
Unrealised fair value changes in financial instruments through profit or loss		(4,678,762)	(3,497,517)
Unrealised fair value changes in derivatives		6,371,886	1,440,211
Excess of interest in the fair value of investee's identifiable net assets over investment costs of associates venture acquired		(60,073)	-
Operating cash flows before movements in working capital		22,295,307	13,647,790

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	*Year ended 31 December* 2020	2019
Cash flows from operating activities (continued):			
Increase in refundable deposits		(12,110,250)	(4,817,034)
Increase in margin accounts receivable		(34,923,307)	(22,811,713)
Increase in accounts receivable, other receivables and prepayments		(3,729,127)	(2,073,020)
(Increase) / decrease in financial assets held under resale agreements		(444,591)	21,900,719
Increase in financial instruments at fair value through profit or loss		(30,161,539)	(113,046,695)
Decrease / (increase) in restricted bank deposits		1,817,601	(5,493,562)
Increase in cash held on behalf of brokerage clients		(41,567,511)	(24,081,828)
Increase in accounts payable to brokerage clients		46,569,714	30,325,745
Increase in other payables and accruals		18,416,886	30,920,500
Increase in employee benefits payable and other non-current liabilities		2,197,123	1,019,355
Increase in financial assets sold under repurchase agreements		30,180,923	69,623,991
(Decrease) / increase in placements from other financial institutions		(6,536,368)	5,549,111
Cash (used in) / generated from operations		(7,995,139)	663,359
Income taxes paid		(1,961,778)	(1,270,322)
Interest paid		(3,912,007)	(2,987,674)
Net cash used in operating activities		(13,868,924)	(3,594,637)

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		12,391	12,464
Dividends received from associates		767,576	827,844
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		1,125,358	1,645,371
Net losses arising from derecognition of financial assets at fair value through other comprehensive income		(10,601)	(3,478)
Net gains arising from derecognition of debt investment at amortised cost		3,567	11,842
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(1,007,100)	(1,084,941)
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		(117,832)	(164,411)
Acquisition of interests in associates, joint ventures and other investments		(1,730,752)	(472,143)
Divestments of associates and joint ventures		1,523,872	219,877
Purchase of debt investment at amortised cost		(10,693,105)	(3,466,291)
Purchase of financial assets through other comprehensive income		(3,324,919)	(1,405,863)
Others		-	(63,744)
Net cash used in investing activities		(13,451,545)	(3,943,473)

The notes on pages F-22 to F-158 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from financing activities:			
Proceeds from issuance of short-term debt instruments		147,192,346	103,166,070
Proceeds from issuance of long-term bonds		47,079,773	30,989,005
Repayment of long-term bank loans		(371,748)	(847,772)
Proceeds from short-term bank loans		5,564,492	2,708,340
Repayment of debt securities issued		(164,042,119)	(107,436,069)
Short-term bank loans interest paid		(28,235)	(80,915)
Long-term bank loans interest paid		(38,130)	(87,520)
Short-term debt instruments interest paid		(769,501)	(488,317)
Long-term bonds interest paid		(2,988,523)	(2,732,056)
Dividends paid		(2,701,395)	(2,723,643)
Payment of lease liabilities		(420,344)	(321,399)
Payment of acquisition of treasury shares		(1,626,546)	-
Net proceeds from issuance of A shares		-	11,586,661
Proceeds from non-controlling interests		-	896,883
Proceeds from partially disposal of a subsidiary without losing control		-	1,165,888
Payment for other financing activities		-	(126,036)
Net cash generated from financing activities	41(b)	26,850,070	35,669,120
Net (decrease) / increase in cash and cash equivalents		(470,399)	28,131,010
Cash and cash equivalents at the beginning of the year		69,198,778	40,792,310
Effect of foreign exchange rate changes		(1,081,966)	275,458
Cash and cash equivalents at the end of the year	41(a)	67,646,413	69,198,778

The notes on pages F-22 to F-158 form part of these financial statements.

1 General information

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

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

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

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

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

As at 31 December 2020, the Company's registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

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

2 Significant accounting policies

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. Note 2(3) provides information on any change in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2020 are set out in Note 64.

(2) Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income. The methods used to measure fair value are discussed further in Note 2(8).

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(29).

(3) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

A number of other new standards are also effective from 1 January 2020, but they do not have a material effect on the Group's financial statements. Impacts of the adoption of the aforementioned amended IFRSs are discussed below:

(a) Amendments to IFRS 3, *Definition of a Business*

The Group applied Amendments to IFRS 3, *Definition of a Business* to business combinations whose acquisition dates on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 2(4)(i). See also Note 24(c) for details of the Group's acquisition of subsidiary during the year.

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

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

(4) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 2(4)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(4)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Insteadly, the investment continues to be accounted for under the equity method.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss.

(5) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(15)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(6) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity securities investment designated as at fair value through other comprehensive income (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), which are recognised as OCI in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

(8) Financial instruments

(i) Recognition and initial measurement

Financial instruments are recognised / derecognised on the date the Group commits to purchase / sell the investment. Financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 2(8)(iv). Financial instruments are subsequently accounted for as follows, depending on their classification.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets — Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities — Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk is to be recognised in OCI (without reclassification to profit or loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI; and

– contract assets.

Debt investment at fair value, FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Significant increases in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganisations; or

– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iv) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(v) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

– the contractual rights to the cash flows from the financial asset expire; or

– the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vii) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(viii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(ix) Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

The Group designates such hedged items as debt securities issued with floating interest that expose the Group to the risk of variability of its cash flows.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

(9) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(8). Securities lent are not derecognised when the risk and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognised using the effective interest rate method.

The collateral is not recognised on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(10) Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses, respectively.

(11) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(15)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

(12) Property and equipment and construction in progress

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

– the cost of materials and direct labour;

– any other costs directly attributable to bringing the assets to a working condition for their intended use;

– when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

– capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(Expressed in thousands of Renminbi, unless otherwise stated)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	*Estimated useful lives*	*Estimated residual values*	*Depreciation rates*
Buildings	30 - 35 years	3%	2.77% - 3.23%
Motor vehicles	5 - 8 years	3%	12.13% - 19.40%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

No depreciation is provided in respect of construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(15)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	*Estimated residual values*	*Depreciation rates*
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

(14) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Types of assets	*Estimated useful lives*
Existing relationships with broker-dealers	Indefinite
Land-use rights	50 years
Trade names	20 years
Software and others	2 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

(15) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries, associates and joint ventures
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(16) Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(8)(iii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(17) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(18) Share-based payments

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recongised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company’s ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but the Group has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

(19) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(20) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-Related Rent Concessions

The Group has applied Amendment to IFRS 16, *COVID-19-Related Rent Concessions*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(15)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income and gains'.

(21) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(22) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(23) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting fee is recognised when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsor fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(iii) Advisory fees

Depending on the nature of the advisory services and the contract terms, advisory fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(iv) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(v) Other income

Other income is recognised on an accrual basis.

(24) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

(25) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

(26) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(27) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(28) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(29) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value of financial instruments

As indicated in Note 2(8)(i), financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(8)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(ii) Measurement of ECL

The following significant judgements are required in applying the accounting requirements for measuring the ECL.

Significant increase of credit risk

As explained in Note 2(8)(iii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Loss ratio (LR)

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

(iii) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(iv) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vi) Determination scope of consolidation

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(Expressed in thousands of Renminbi, unless otherwise stated)

For asset management schemes where the Group involves as the manager or investment consultant, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

3 Taxation

The Group's main applicable taxes and tax rates are as follows:

Tax type	*Tax basis*	*Tax rate*
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 17%[(i)]
City maintenance and construction tax	Based on value added tax paid	1% - 7%
Education surcharge	Based on value added tax paid	2% - 3%
Local Education surcharge	Based on value added tax paid	1% - 2%
Income tax	Based on taxable profits	25%[(ii)]

(i) According to Notice on Adjusting VAT rate (Cai Shui [2018] No.32), since 1 May 2018, the VAT rates applicable to 17% and 11% have been adjusted to 16% and 10% respectively. According to Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No.140), Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No.2) and Notice on Issues Relating to VAT on Asset Management Products (Cai Shui [2017] No.56) issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simplified VAT method will temporarily be applied to the operation of asset management products with a VAT rate of 3%. The manager of asset management products will be the taxpayer.

(ii) The income tax rate applicable to the Company and its subsidiaries in the Mainland China is 25% (2019: 25%). The income tax rate applicable to subsidiaries in Hong Kong is 16.5% (2019: 16.5%). The corporate income tax rate applicable to subsidiaries in the United States is 21% (2019: 21%). Taxes of other overseas subsidiaries are charged at the relevant local rates.

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Fee and commission income

	Year ended 31 December	
	2020	*2019*
Income from securities brokerage and advisory business	9,198,734	5,937,905
Income from asset management business	4,091,547	3,904,318
Income from underwriting and sponsorship business	3,351,882	1,507,209
Income from futures brokerage business	1,268,196	1,028,961
Income from financial advisory business	422,499	506,076
Other commission income	124,953	126,800
Total	18,457,811	13,011,269

5 Interest income

	Year ended 31 December	
	2020	*2019*
Interest income from margin financing and securities lending	6,149,310	4,013,140
Interest income from financial institutions	3,243,487	2,497,914
Interest income from debt instruments at amortised cost	851,854	905,851
Interest income from debt instruments at fair value through other comprehensive income	272,184	78,212
Interest income from securities-backed lending	248,120	973,304
Interest income from other financial assets held under resale agreements	190,757	214,272
Others	8,169	-
Total	10,963,881	8,682,693

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net investment gains

	Year ended 31 December	
	2020	*2019*
Dividend income and interest income from financial instruments at fair value through profit or loss	8,695,327	4,603,446
Dividend income from financial assets at fair value through other comprehensive income	1,320	657,830
Net realised losses from disposal of derivative financial instruments	(10,441,578)	(1,751,145)
Net realised gains from disposal of financial instruments at fair value through profit or loss	14,659,676	3,604,143
Net realised losses from disposal of financial instruments at fair value through other comprehensive income	(10,601)	(3,478)
Net gains arising from derecognition of debt investment at amortised cost(i)	3,567	11,842
Unrealised fair value changes of derivative financial instruments	(7,426,886)	(1,440,211)
Unrealised fair value changes of financial instruments at fair value through profit or loss	4,678,762	3,497,517
Total	10,159,587	9,179,944

(i) For the year ended 31 December 2020 and 31 December 2019, the Group sold certain investment securities measured at amortised cost. These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

7 Other income and gains

	Year ended 31 December	
	2020	*2019*
Income from commodity sales	1,206,870	935,544
Government grants(i)	273,423	247,437
Rental income	69,746	101,105
Excess of interest in the fair value of investee's identifiable net assets over investment costs of associates venture acquired(ii)	60,073	-
Gains on disposal of property and equipment	1,455	447
Foreign exchange (losses) / gains	(821,223)	147,877
Others	162,813	130,465
Total	953,157	1,562,875

(i) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

(Expressed in thousands of Renminbi, unless otherwise stated)

(ii) During the year of 2020, as approved by the CSRC License [2020]2952, Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu") performed allotment of A shares at the ratio of 3 for every 10 shares. The total effective subscriptions of the Company amounted at RMB881.28 million. Other income and gains amounting to RMB60.07 million arose due to the excess of the Group's share of the net fair value of identifiable assets and liabilities of the associate over the total investment cost.

8 Fee and commission expenses

	Year ended 31 December	
	2020	*2019*
Expenses for securities brokerage and advisory business	2,922,867	1,898,076
Expenses for asset management business	936,597	952,225
Expenses for futures brokerage business	857,101	785,844
Expenses for underwriting and sponsorship business	128,992	64,831
Expenses for financial advisory business	1,462	1,177
Other commission expenses	2,303	21,489
Total	4,849,322	3,723,642

9 Interest expenses

	Year ended 31 December	
	2020	*2019*
Interest expenses on long-term bonds	2,912,479	2,649,316
Interest expenses on financial assets sold under repurchase agreements	2,863,130	2,229,589
Interest expenses on short-term debt instruments issued	903,219	750,491
Interest expenses on placements	737,949	341,609
Interest expenses of accounts payable to brokerage clients	528,517	336,034
Interest expenses on short-term bank loans	230,169	65,074
Interest expenses on lease liabilities	39,470	30,144
Interest expenses on long-term bank loans	34,295	87,520
Others	109,475	71,242
Total	8,358,703	6,561,019

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Staff costs

	Note	*Year ended 31 December* *2020*	*2019*
Salaries, bonuses and allowances		8,225,010	6,312,665
Contribution to pension schemes		863,813	459,717
Equity-settled share-based payment expenses	62(a)	654,134	172,620
Cash-settled share-based payment expenses		-	78,292
Other social welfare		660,692	669,860
Total		10,403,649	7,693,154

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

11 Depreciation and amortisation on expenses

	Year ended 31 December *2020*	*2019*
Amortisation of other intangible assets	523,708	437,013
Depreciation of property and equipment	709,705	661,589
- Right-of-use assets	374,309	285,175
- Other property and equipment	335,396	376,414
Amortisation of leasehold improvements and long-term deferred expenses	88,173	73,440
Depreciation of investment properties	19,798	25,026
Total	1,341,384	1,197,068

12 Tax and surcharges

	Year ended 31 December *2020*	*2019*
City maintenance and construction tax	97,179	56,573
Education surcharges	67,986	43,447
Others	43,992	51,870
Total	209,157	151,890

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Other operating expenses

	Year ended 31 December	
	2020	2019
Cost of commodity sales	1,178,340	933,090
IT expenses	597,426	192,091
Marketing, advertising and promotion expenses	428,571	246,831
Stock exchange fees	280,004	215,553
Consulting fees	257,685	226,676
Postal and communication expenses	231,806	157,956
Products distribution expenses	208,705	155,456
Business entertainment expenses	171,603	161,247
Business travel expenses	170,052	229,114
Securities investor protection funds	102,376	85,636
Rental expenses	77,792	79,889
Utilities	43,336	45,934
Auditors' remuneration	13,278	10,208
Others	1,004,656	793,879
Total	4,765,630	3,533,560

14 Net provision for impairment loss on financial assets

	Year ended 31 December	
	2020	2019
(Reversal of) / provision for impairment losses against cash and bank balances	(9,749)	9,832
Provision for / (reversal of) impairment losses against margin accounts receivable	1,355,580	(5,682)
(Reversal of) / provision for impairment losses against other receivables and prepayments	(149,505)	197,380
Provision for impairment losses against debt investment at amortised cost	21,355	1,147
Provision for impairment losses against financial assets at fair value through other comprehensive income	63,220	4,350
(Reversal of) / provision for impairment losses against financial assets held under resale agreements	(18,138)	510,557
Provision for impairment losses against accounts receivable	43,445	1,965
Total	1,306,208	719,549

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Income tax expense

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2020	*2019*
Current income tax		
- Mainland China	2,728,349	1,673,811
- Hong Kong	-	-
- Overseas	124,325	162,560
	2,852,674	1,836,371
Adjustment in respect of prior years		
- Mainland China	(3,460)	7,977
- Hong Kong	-	-
- Overseas	-	-
	(3,460)	7,977
Deferred tax		
Origination and reversal of temporary differences	(215,284)	684,404
Total	2,633,930	2,528,752

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2020	*2019*
Profit before income tax	13,504,376	11,585,965
Notional tax calculated using the PRC statutory tax rate	3,376,094	2,896,491
Tax effect of non-deductible expenses	148,308	105,050
Tax effect of non-taxable income	(844,011)	(490,168)
Tax effect of unused tax losses not recognised	21,523	21,201
Recognition of previously unrecognised tax losses	(86,544)	(22,936)
Effect of different tax rates of the subsidiaries	19,327	5,047
Adjustment for prior years	(3,460)	7,977
Others	2,693	6,090
Actual income tax expense	2,633,930	2,528,752

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

	Year ended 31 December 2020					
Name	*Directors' fees*	*Salaries, allowances and benefits in kind*	*Contribution to pension schemes*	*Discretionary bonuses*	*Annuity plan*	*Total*
Executive directors						
Zhang Wei(2)	-	371	28	388	134	921
Zhou Yi(3)	-	1,152	28	1,260	143	2,583
Zhu Xuebo	-	305	25	586	142	1,058
Non-executive directors						
Ding Feng(1)	-	-	-	-	-	-
Chen Yongbing(1)	-	-	-	-	-	-
Xu Qing(1)	-	-	-	-	-	-
Hu Xiao(1)	-	-	-	-	-	-
Wang Tao(1)(4)	-	-	-	-	-	-
Independent non-executive directors						
Chen Chuanming	240	-	-	-	-	240
Liu Hongzhong(5)	120	-	-	-	-	120
Lee Chi Ming	240	-	-	-	-	240
Liu Yan	240	-	-	-	-	240
Chen Zhibin	240	-	-	-	-	240
Wang Jianwen(6)	140	-	-	-	-	140
Supervisors						
Zhai Jun (7)	-	848	51	2,670	98	3,667
Zhang Min(1) (8)	-	-	-	-	-	-
Yu Lanying(1)	-	-	-	-	-	-
Zhang Xiaohong(9)	-	-	-	-	-	-
Fan Chunyan(1)(10)	-	-	-	-	-	-
Gu Chengzhong (11)	-	828	28	2,661	97	3,614
Wang Ying (12)	-	772	28	1,725	76	2,601
Total	1,220	4,276	188	9,290	690	15,664

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December 2019					
Name	*Directors' fees*	*Salaries, allowances and benefits in kind*	*Contribution to pension schemes*	*Discretionary bonuses*	*Annuity plan*	*Total*
Executive directors						
Zhang Wei[2]	-	239	23	179	-	441
Zhou Yi[3]	-	359	38	1,069	72	1,538
Zhu Xuebo	-	323	38	687	72	1,120
Non-executive directors						
Ding Feng[1]	-	-	-	-	-	-
Chen Yongbing[1]	-	-	-	-	-	-
Xu Qing[1]	-	-	-	-	-	-
Hu Xiao[1]	-	-	-	-	-	-
Wang Tao[1][4]	-	-	-	-	-	-
Independent non-executive directors						
Chen Chuanming	240	-	-	-	-	240
Liu Hongzhong[5]	240	-	-	-	-	240
Lee Chi Ming	240	-	-	-	-	240
Liu Yan	240	-	-	-	-	240
Chen Zhibin	240	-	-	-	-	240
Supervisors						
Yu Yimin[1][13]	-	-	-	-	-	-
Zhai Jun[7]	-	855	49	1,598	49	2,551
Chen Ning[1][14]	-	-	-	-	-	-
Zhang Ming[1][8]	-	-	-	-	-	-
Yu Lanying[1]	-	-	-	-	-	-
Yang Yaling[1][15]	-	-	-	-	-	-
Zhang Xiaohong[9]	-	-	-	-	-	-
Fan Chunyan[1][10]	-	-	-	-	-	-
Peng Ming[16]	-	199	4	-	12	215
Zhou Xiang[17]	-	147	11	-	13	171
Meng Qinglin[18]	-	984	49	2,902	76	4,011
Gu Chengzhong[11]	-	822	38	1,135	49	2,044
Wang Ying[12]	-	696	38	1,159	38	1,931
Total	1,200	4,624	288	8,729	381	15,222

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, CMB Wealth Management Company Limited and Jiangsu Govtor Capital Group Co., Ltd.. No allocation of the remunerations between these shareholders and the Group has been made during the reporting period.

(2) Appointed as chairman of the board on 16 December 2019.

(3) Appointed as CEO and director of executive committee on 29 October 2019 and resigned as chairman of the board on 16 December 2019.

(4) Appointed as non-executive director on 16 December 2019.

(5) Resigned as independent non-executive director on 19 June 2020.

(6) Appointed as independent non-executive director on 19 June 2020.

(7) Appointed as supervisor on 26 April 2019 and as chairman of the supervisory board on 16 December 2019.

(8) Appointed as supervisor on 16 December 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)

(9) Appointed as supervisor on 16 December 2019.

(10) Resigned as non-executive director on 16 December 2019 and appointed as supervisor on 16 December 2019.

(11) Appointed as supervisor on 26 April 2019.

(12) Appointed as supervisor on 16 December 2019.

(13) Resigned as chairman of the supervisory board on 16 December 2019.

(14) Resigned as supervisor on 16 December 2019.

(15) Resigned as supervisor on 16 December 2019.

(16) Resigned as supervisor on 26 April 2019.

(17) Resigned as supervisor on 26 April 2019.

(18) Resigned as supervisor on 16 December 2019.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration.

17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2020	*2019*
Salaries and allowances	14,764	16,741
Discretionary bonuses	35,138	33,279
Employer's contribution to pension schemes	462	462
Share-based payments	108,130	19,843
Total	158,494	70,325

(Expressed in thousands of Renminbi, unless otherwise stated)

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2020 Number of individuals	2019 Number of individuals
HKD9,500,001 to HKD10,000,000	-	1
HKD10,000,001 to HKD15,000,000	-	2
HKD15,000,001 to HKD20,000,000	2	1
HKD20,000,001 to HKD25,000,000	-	1
Over HKD25,000,000	3	-
Total	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

18 Other comprehensive income

	Year ended 31 December 2020		
	Before tax	Tax expense	Net of tax
Net gain from debt investments at FVOCI	77,974	-	77,974
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	248,725	(58,771)	189,954
Reserve from cash flow hedging instruments	(34,348)	-	(34,348)
Share of other comprehensive income of associates and joint ventures	(55,583)	-	(55,583)
Exchange differences on translation of financial statements in foreign currencies	(717,314)	-	(717,314)
Total	(480,546)	(58,771)	(539,317)

	Year ended 31 December 2019		
	Before tax	*Tax expense*	*Net of tax*
Net gain from debt investments at FVOCI	5,460	-	5,460
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	494,709	(123,677)	371,032
Share of other comprehensive income of associates and joint ventures	95,531	-	95,531
Exchange differences on translation of financial statements in foreign currencies	162,258	-	162,258
Total	757,958	(123,677)	634,281

19 Basic and diluted earnings per share

(1) Basic earnings per share

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

		Year ended 31 December	
	Note	*2020*	*2019*
Profit attributable to shareholders of the Company		10,822,497	9,001,644
Weighted average number of ordinary shares (in thousands)	19(1)(a)	9,027,078	8,686,374
Basic earnings per share attributable to equity shareholders (in Renminbi per share)		1.20	1.04

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

	Year ended 31 December	
	2020	*2019*
Number of ordinary shares as at 1 January	9,076,650	8,251,500
Decrease in weighted average number of ordinary shares	(49,572)	-
Increase in weighted average number of ordinary shares	-	434,874
Weighted average number of ordinary shares	9,027,078	8,686,374

(2) Diluted earnings per share

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

	Note	*Year ended 31 December* *2020*	*2019*
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	19(2)(a)	10,744,913	8,962,366
Weighted average number of ordinary shares outstanding (in thousands)	19(1)(a)	9,027,078	8,686,374
Diluted earnings per share attributable to equity shareholders (in Renminbi per share)		1.19	1.03

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

	Year ended 31 December *2020*	*2019*
Consolidated net profit attributable to ordinary shareholders of the Company	10,822,497	9,001,644
Diluted adjustments:		
Effect of conversion of convertible bonds from the associate of the Company[(i)]	(77,584)	(39,278)
Assumed vesting of shares granted to employees of a subsidiary[(ii)]	-	-
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	10,744,913	8,962,366

(i) Bank of Jiangsu, the associate of the Company issued convertible bonds in March 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.

(Expressed in thousands of Renminbi, unless otherwise stated)

(ii) During 2019, AssetMark Financial Holdings, Inc., the subsidiary of the Company granted stock options and restricted stock units to its certain employees. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary when additional shares have to be issued to relevant employees. Since AssetMark Financial Holdings, Inc. was in a loss position for the year ended 31 December 2020, the inclusion of all potential ordinary shares outstanding would have been anti-dilutive and excluded from the calculation of diluted earnings per share for the year ended 31 December 2020.

For the year ended 31 December 2020 and 31 December 2019, the Company had no potentially dilutive shares outstanding, respectively.

20 Property and equipment

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Right-of-use assets*	*Total*
Cost							
As at 1 January 2020	3,655,708	155,821	1,148,900	271,929	29,969	1,252,706	6,515,033
Additions	-	6,449	318,220	25,517	87,013	636,051	1,073,250
Transfer during the year (Note 33(b))	357	-	2,680	3,569	(80,431)	-	(73,825)
Transfer in from investment properties (Note 21)	124,454	-	-	-	-	-	124,454
Disposals	(2,202)	(8,314)	(76,481)	(12,761)	-	(91,261)	(191,019)
As at 31 December 2020	3,778,317	153,956	1,393,319	288,254	36,551	1,797,496	7,447,893
Accumulated depreciation							
As at 1 January 2020	(742,695)	(106,512)	(541,368)	(172,641)	-	(283,701)	(1,846,917)
Charge for the year	(103,792)	(8,115)	(193,600)	(29,889)	-	(374,309)	(709,705)
Transfer in from investment properties (Note 21)	(25,618)	-	-	-	-	-	(25,618)
Disposals	425	8,066	71,838	8,611	-	59,491	148,431
As at 31 December 2020	(871,680)	(106,561)	(663,130)	(193,919)	-	(598,519)	(2,433,809)
Carrying amount							
As at 31 December 2020	2,906,637	47,395	730,189	94,335	36,551	1,198,977	5,014,084

(Expressed in thousands of Renminbi, unless otherwise stated)

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Right-of-use assets*	*Total*
Cost							
As at 31 December 2018	3,574,577	147,871	791,119	221,437	49,026	-	4,784,030
Impact on initial application of IFRS 16	-	-	-	-	-	725,265	725,265
As at 1 January 2019	3,574,577	147,871	791,119	221,437	49,026	725,265	5,509,295
Additions	-	34,567	412,178	49,469	60,600	531,197	1,088,011
Transfer during the year (Note 33(b))	-	-	15,852	12,159	(79,657)	-	(51,646)
Transfer in from investment properties (Note 21)	81,131	-	-	-	-	-	81,131
Disposals	-	(26,617)	(70,249)	(11,136)	-	(3,756)	(111,758)
As at 31 December 2019	3,655,708	155,821	1,148,900	271,929	29,969	1,252,706	6,515,033
Accumulated depreciation							
As at 1 January 2019	(598,166)	(125,141)	(433,285)	(79,285)	-	-	(1,235,877)
Charge for the year	(97,617)	(6,447)	(173,752)	(98,598)	-	(285,175)	(661,589)
Transfer in from investment properties (Note 21)	(46,912)	-	-	-	-	-	(46,912)
Disposals	-	25,076	65,669	5,242	-	1,474	97,461
As at 31 December 2019	(742,695)	(106,512)	(541,368)	(172,641)	-	(283,701)	(1,846,917)
Carrying amount							
As at 31 December 2019	2,913,013	49,309	607,532	99,288	29,969	969,005	4,668,116

As at 31 December 2020 and 31 December 2019, included in buildings, there is a carrying amount of RMB6.56 million and RMB34.68 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investment properties

	As at 31 December	
	2020	*2019*
Cost		
As at 1 January	769,459	850,590
Additions	-	-
Transfer to property and equipment (Note 20)	(124,454)	(81,131)
Disposals	(219)	-
As at 31 December	644,786	769,459
Accumulated depreciation		
As at 1 January	(237,823)	(259,709)
Charge for the year	(19,798)	(25,026)
Transfer to property and equipment (Note 20)	25,618	46,912
Disposals	102	-
As at 31 December	(231,901)	(237,823)
Impairment		
As at 1 January	(4,547)	(4,547)
Impairment losses for the year	-	-
As at 31 December	(4,547)	(4,547)
Carrying amount	408,338	527,089

As at 31 December 2020 and 31 December 2019, included in investment properties, there is a carrying amount of RMB46.06 million and RMB55.91 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Goodwill

Cost	
As at 1 January 2020	2,333,862
Acquisition through business combination	79,266
Effect of movements in exchange rates	(152,183)
As at 31 December 2020	2,260,945
Impairment losses	
As at 1 January 2020	-
Impairment losses	-
As at 31 December 2020	-
Carrying amounts	
As at 1 January 2020	2,333,862
As at 31 December 2020	2,260,945

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2020	*2019*
Investment banking	51,090	51,090
Futures brokerage	252	252
Overseas asset management	2,209,603	2,282,520
Total	2,260,945	2,333,862

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Global Financial Private Capital, Inc. in April 2019. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of WBI OBS Financial, Inc. in Feburary 2020. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

For the investment banking and futures brokerage CGU, the cash flows generated from each subsidiary acquired are independent. Therefore, each of these acquired subsidiaries is a separate CGU. For the overseas asset management CGU, the Group considered that the primary business of Global Financial Private Capital, Inc. acquired in 2019 and WBI OBS Financial, Inc. acquired in 2020 are the same as AssetMark Financial Holdings, Inc., and they can bring synergies to overseas asset management business. The Group assessed that there was only one CGU within AssetMark Financial Holdings, Inc.. The Group performed the impairment test for the goodwill generated from each CGU.

(1) Investment banking and futures brokerage CGU

The recoverable amounts of each CGU are determined based on value-in-use calculations, respectively. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. As at 31 December 2020, the pre-tax discount rate used by the investment banking and futures brokerage CGUs were 20% and 18%, respectively (18% and 20%, respectively, as at 31 December 2019), and the weighted average growth rate were 5% and 6.6%, respectively (5% and 6.6%, respectively, as at 31 December 2019). The pre-tax discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows / outflows which include budgeted income and profit margins. Such estimation is based on the CGU's past performance and management's expectations for the market development.

(2) Overseas asset management CGU

The recoverable amount of the CGU has been determined based on fair value less costs of disposal based on the stock price of AssetMark Financial Holdings, Inc. in New York Stock Exchange as at 31 December 2020.

As at 31 December 2020, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU. The Group believes that appropriate assumptions have been made based on available information. The key assumptions based on the cash flow projections of the asset groups may change, which may cause the recoverable amounts to be over or below its book value.

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Other intangible assets

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2020	362,281	3,979,783	319,719	2,530,698	7,192,481
Acquisition of subsidiaries	-	-	-	66,563	66,563
Additions	-	-	-	326,147	326,147
Disposals	-	-	-	(94)	(94)
Exchange differences	-	(240,853)	(19,349)	(76,692)	(336,894)
As at 31 December 2020	362,281	3,738,930	300,370	2,846,622	7,248,203
Accumulated amortisation					
As at 1 January 2020	(85,362)	-	(53,653)	(1,342,009)	(1,481,024)
Charge for the year	(7,260)	-	(36,645)	(479,803)	(523,708)
Disposals	-	-	-	94	94
Exchange differences	-	-	3,286	29,218	32,504
As at 31 December 2020	(92,622)	-	(87,012)	(1,792,500)	(1,972,134)
Carrying amount					
As at 31 December 2020	269,659	3,738,930	213,358	1,054,122	5,276,069

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2019	359,161	3,917,479	314,714	1,912,694	6,504,048
Acquisition of subsidiaries	-	-	-	95,632	95,632
Additions	3,120	-	-	503,711	506,831
Disposals	-	-	-	(3,514)	(3,514)
Exchange differences	-	62,304	5,005	22,175	89,484
As at 31 December 2019	362,281	3,979,783	319,719	2,530,698	7,192,481
Accumulated amortisation					
As at 1 January 2019	(78,123)	-	(37,323)	(926,590)	(1,042,036)
Charge for the year	(7,239)	-	(15,736)	(414,038)	(437,013)
Disposals	-	-	-	3,514	3,514
Exchange differences	-	-	(594)	(4,895)	(5,489)
As at 31 December 2019	(85,362)	-	(53,653)	(1,342,009)	(1,481,024)
Carrying amount					
As at 31 December 2019	276,919	3,979,783	266,066	1,188,689	5,711,457

Existing relationships with brokers and dealers are regarded as having an indefinite useful life and are not amortised because there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

As at 31 December 2020, the Group performed its impairment test on the above individual intangible assets based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to financial budget approved by management covering a 9-year period and the pre-tax discount rate of 15.6%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 3.5%.

Based on management's impairment assessment of the Group, no impairment loss was recognised for the year ended 31 December 2020 (31 December 2019: Nil).

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investments in subsidiaries

(a) *Details of principal subsidiaries*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares hold is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan:

Name of company	*Place and date of incorporation / establishment*	*Issued and fully paid-up capital*	*Equity interest held by the Company as at 31 December*		*Principal activity*	*Auditor[(1)] GAAP*	
			2020	*2019*		*2020*	*2019*
Huatai United Securities Co., Ltd.	PRC 5 September 1997	RMB 997,480,000	99.92%	99.92%	Investment banking	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC 10 July 1995	RMB 1,609,000,000	60.00%	60.00%	Futures brokerage	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Purple Gold Investment Co., Ltd.	PRC 12 August 2008	RMB 5,200,000,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited[(2)]	Hong Kong 23 November 2006	HKD 8,800,000,000	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai International Financial Holdings Co., Ltd.	Hong Kong 5 April 2017	HKD 8,800,000,002	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd.	PRC 21 November 2013	RMB 1,700,000,000	100.00%	100.00%	Alternative investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd.	PRC 16 October 2014	RMB 2,600,000,000	100.00%	100.00%	Asset management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenzhen Huatai Ruilin Equity Management (Limited Partnership)[(2)(3)]	PRC 28 September 2014	RMB -	31.00%	31.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)[(2)(3)]	PRC 1 June 2015	RMB 276,615,840	45.00%	45.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Yili Suxin Investment Fund (Limited Partnership)[(2)(3)]	PRC 19 February 2016	RMB 1,810,000,000	24.73%	24.73%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
AssetMark Financial Holdings, Inc.[(2)]	US 1 January 1996	USD 72,449	70.27%	70.27%	Asset management	KPMG LLP US GAAP	KPMG LLP US GAAP
Huatai Great Wall Capital Management Co., Ltd.[(2)]	PRC 6 December 2013	RMB 650,000,000	100.00%	100.00%	Spread trading and commodity warrant trading	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Great Wall Investment Management Co., Ltd.[(2)]	PRC 3 August 2017	RMB 550,000,000	100.00%	100.00%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP

(Expressed in thousands of Renminbi, unless otherwise stated)

(1) Auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;

- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and

- KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.

(2) These subsidiaries are indirectly controlled by the Company.

(3) As at 31 December 2020, the Company indirectly held less than 50% of the equity of Shenzhen Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) and Yili Suxin Investment Fund (Limited Partnership). According to the articles of partnership agreement, the Company has the power to control these funds and has the ability to use the power to affect the Company's variable return amount. Therefore, they are included in the scope of the consolidated financial statements.

(b) Partially-owned subsidiaries with material non-controlling interests

The following tables list out the information relating to Huatai Futures Co., Ltd. and AssetMark Financial Holdings, Inc., the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Huatai Futures Co., Ltd.		*AssetMark Financial Holdings, Inc.*	
	2020	*2019*	*2020*	*2019*
NCI percentage	40%	40%	29.73%	29.73%
Assets	42,842,627	25,103,587	7,983,789	8,246,392
Liabilities	(39,867,604)	(22,345,524)	(2,078,279)	(2,254,806)
Net assets	2,975,023	2,758,063	5,905,510	5,991,586
Carrying amount of NCI	1,189,665	1,103,225	1,755,703	1,785,262
Revenue	2,232,482	1,701,654	3,003,554	2,875,601
Profit / (loss) for the year	220,572	90,668	(355,513)	(2,897)
Other comprehensive income	(3,613)	1,573	-	-
Total comprehensive income	216,959	92,241	(355,513)	(2,897)
Profit / (loss) allocated to NCI	88,229	36,897	(106,361)	(8,962)
Dividend paid to NCI	-	-	-	-
Cash flows from operating activities	10,104,878	499,437	534,889	379,988
Cash flows from investing activities	359,050	391,898	(347,361)	(413,314)
Cash flows from financing activities	(46,819)	(55,789)	(352,429)	(15,052)

(Expressed in thousands of Renminbi, unless otherwise stated)

(c) Acquisition of subsidiary

WBI OBS Financial, Inc.

In 2020, the Company's subsidiary AssetMark Financial Holdings, Inc. acquired WBI OBS Financial, LLC, which was renamed as WBI OBS Financial, Inc. effective in June 2020. The Company closed the acquisition and paid a final purchase price of USD21.34 million (RMB149.51 million). The equity interest held by the Group is 100% after the acquisition in February 2020. The Group recognised the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

The fair values of the identifiable assets and liabilities of WBI OBS Financial, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of acquisition
Property and equipment	1,876
Other intangible assets	66,563
Deferred tax assets	1,317
Accounts receivable	4,164
Other receivables and prepayments	4,954
Cash and bank balances	31,681
Other payables and accruals	(40,307)
Total identifiable net assets at fair value	70,248
Goodwill arising from acquisition	79,266
Consideration transferred	149,514
Less: fair value of net assets acquired	(70,248)
Carrying amount of goodwill	79,266

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, WBI OBS Financial, Inc. contributed RMB29.17 million to the Group's revenue and RMB3.26 million losses to the consolidated profit for the year ended 31 December 2020.

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Interest in associates

	As at 31 December	
	2020	*2019*
Share of net assets	17,691,161	14,974,547

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

			Proportion of ownership interest			
Name of associate	*Registered place*	*Registered capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
Bank of Jiangsu[i]	Nanjing	14,769,607	5.63%	5.63%	-	Commercial banking
China Southern Asset Management Co., Ltd.	Shenzhen	361,720	41.16%	41.16%	-	Fund management
Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership) [ii]	Nanjing	5,442,000	48.27%	-	48.27%	Equity investment

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

(i) For the year ended 31 December 2020, the Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it. Bank of Jiangsu converted 548,000 shares convertible bonds, accounting for 0.0006% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion. As approved by the CSRC License [2020]2952, Bank of Jiangsu performed allotment of A shares at the ratio of 3 for every 10 shares. The total effective subscriptions were 3,225,083,672 shares, and the Company subscribed 192,000,000 shares. The equity ratio of Bank of Jiangsu held by the Company was changed from 5.54% to 5.63%.

(ii) As at 31 December 2020, the Group holds 48.27% equity interest of Nanjing Huatai Ruilian No.1 Funds Mergers (Limited Partnership) ("No.1 Funds Mergers"). Pursuant to the limited partnership agreement, the Group is the co-manager of the fund, which has a significant influence over the fund. Therefore, it is accounted as an associate of the Group.

(Expressed in thousands of Renminbi, unless otherwise stated)

Summarised financial information of Bank of Jiangsu, China Southern Asset Management Co., Ltd. and NO. 1 Funds Mergers which are individually significant associates to the Group, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Bank of Jiangsu

	2020	*2019*
Gross amounts of the associate		
Assets	2,337,893,000	2,065,058,000
Liabilities	(2,155,755,443)	(1,928,083,074)
Net assets	182,137,557	136,974,926
Revenue	52,026,000	44,974,000
Profit for the year	15,522,021	16,921,980
Other comprehensive income	(372,384)	(866,500)
Total comprehensive income	15,149,637	16,055,480
Dividend received from the associate	177,920	217,600
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	135,275,105	110,027,043
The Group's effective interest	5.63%	5.54%
The Group's share of net assets of the associate	7,588,140	6,099,377
Carrying amount in the consolidated financial statements	7,588,140	6,099,377

China Southern Asset Management Co., Ltd.

	2020	*2019*
Gross amounts of the associate		
Assets	12,009,246	9,435,117
Liabilities	(4,168,198)	(2,370,765)
Net assets	7,841,048	7,064,352
Revenue	5,629,639	3,872,937
Profit for the year	1,484,107	896,907
Other comprehensive income	(24,743)	97,767
Total comprehensive income	1,459,364	994,674
Dividend received from the associate	277,864	149,226
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	7,625,332	6,837,404
The Group's effective interest	41.16%	41.16%
The Group's share of net assets of the associate	3,138,587	2,814,276
Carrying amount in the consolidated financial statements	3,138,587	2,814,276

(Expressed in thousands of Renminbi, unless otherwise stated)

NO.1 Funds Mergers

	2020	*2019*
Gross amounts of the associate		
Assets	8,561,102	8,195,643
Liabilities	-	-
Net assets	8,561,102	8,195,643
Revenue	3,227,169	2,649,799
Profit for the year	3,133,644	2,547,011
Other comprehensive income	-	-
Total comprehensive income	3,133,644	2,547,011
Dividend received from the associate	45,506	-
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	8,561,102	8,195,643
The Group's effective interest	48.27%	48.27%
The Group's share of net assets of the associate	4,132,152	3,955,757
Other adjustment	(100,201)	(37,418)
Carrying amount in the consolidated financial statements	4,031,951	3,918,339

Aggregate information of associates that are not individually material:

	2020	*2019*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	2,932,483	2,142,555
Aggregate amounts of the Group's share of those associates' gains	1,249,837	556,874
Other comprehensive income	(502)	(56)
Total comprehensive income	1,249,335	556,818

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Interest in joint ventures

	As at 31 December	
	2020	*2019*
Unlisted investment in a joint venture at fair value through profit or loss (i)	888,195	-
Unlisted investment in a joint venture	753,651	664,458
Total	1,641,846	664,458

(i) The Group elected to measure its investment Huatai International Greater Bay Area Investment Fund, L.P. of RMB888.20 million held through Huatai Financial Holdings (Hong Kong) Limited, a directly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this joint venture on a fair value basis as at 31 December 2020.

The following list contains only the particulars of material joint venture accounted for in the consolidated financial statements under the equity method, which is unlisted corporate entity whose quoted market price is not available:

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

(i) As at 31 December 2020, the Group held 10% equity interest of Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the limited partnership agreement, the Group and the third party contractually agree to share control and net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

(ii) Summarised financial information of Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), which are individually significant joint venture to the Group, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

(Expressed in thousands of Renminbi, unless otherwise stated)

Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)

	2020	*2019*
Gross amounts of the joint venture		
Assets	7,537,023	6,629,266
Liabilities	(516)	-
Net assets	7,536,507	6,629,266
Revenue	949,474	295,645
Profit for the year	929,307	275,301
Other comprehensive income	-	-
Total comprehensive income	929,307	275,301
Dividend received from the joint venture	-	-
Reconciled to the Group's interest in the joint venture:		
Net assets of the joint venture attributable to the parent company	7,536,507	6,629,266
The Group's effective interest	10%	10%
The Group's share of net assets of the joint venture	753,651	662,927
Carrying amount in the consolidated financial statements	753,651	662,927

Information of joint venture that is not individually material:

	2020	*2019*
Carrying amount of individually immaterial joint venture in the consolidated financial statements	-	1,531
Amounts of the Group's share of immaterial joint venture's gains	-	76
Other comprehensive income	-	-
Total comprehensive income	-	76

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Debt investment at amortised cost

(a) Analysed by nature:

Non-current

	As at 31 December	
	2020	*2019*
Debt securities	19,244,156	14,434,594
Loan and advances	-	699,570
Less: impairment losses	(13,496)	(5,211)
Total	19,230,660	15,128,953
Analysed as:		
Listed outside Hong Kong	6,342,628	6,743,982
Listed inside Hong Kong	189,025	554,254
Unlisted	12,699,007	7,830,717
Total	19,230,660	15,128,953

Current

	As at 31 December	
	2020	*2019*
Debt securities	11,195,920	4,322,908
Loan and advances	-	289,899
Less: impairment losses	(15,072)	(2,002)
Total	11,180,848	4,610,805
Analysed as:		
Listed outside Hong Kong	3,699,647	2,538,970
Listed inside Hong Kong	19,356	42,470
Unlisted	7,461,845	2,029,365
Total	11,180,848	4,610,805

As at 31 December 2020, the Group has pledged debt investment at amortised cost with a total fair value of RMB25,218 million and carrying amount of RMB25,167 million for the purpose of repurchase agreement business (as at 31 December 2019: a total fair value of RMB15,897 million and carrying amount of RMB15,737 million). The fair values of these securities have taken into account the relevant features including the restrictions.

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at 31 December	
	2020	2019
At the beginning of the year	7,213	6,066
Charge for the year	31,922	3,736
Reversal of impairment	(10,567)	(2,589)
At the end of the year	28,568	7,213

28 Financial assets at fair value through other comprehensive income

(a) *Analysed by nature:*

Non-current

	As at 31 December	
	2020	2019
Equity investment		
Equity securities designated at FVOCI		
- Unlisted equity securities	190,143	90,069
- Other unlisted equity investment[1]	10,488,274	10,254,673
	10,678,417	10,344,742
Debt investment		
Debt securities	3,253,698	731,785
Loan and advances	468,991	156,106
Total	14,401,106	11,232,633
Analysed as:		
Unlisted	11,180,101	10,500,848
Listed inside Hong Kong	2,319,766	696,635
Listed outside Hong Kong	901,239	35,150
Total	14,401,106	11,232,633

(1) As at 31 December 2020, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The Group designated the special amount investment as financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

(Expressed in thousands of Renminbi, unless otherwise stated)

Current

	As at 31 December	
	2020	2019
Debt investment		
Debt securities	1,137,014	283,456
Loan and advances	408,252	841,886
Total	1,545,266	1,125,342
Analysed as:		
Unlisted	474,435	841,886
Listed inside Hong Kong	604,646	196,178
Listed outside Hong Kong	466,185	87,278
Total	1,545,266	1,125,342

29 Financial assets held under resale agreements

(a) Analysed by collateral type:

Current

	As at 31 December	
	2020	2019
Debt securities	13,883,007	13,787,673
Equity securities	6,692,818	5,736,157
Less: impairment losses	(1,039,412)	(1,057,550)
Total	19,536,413	18,466,280

(b) Analysed by market:

Current

	As at 31 December	
	2020	2019
Inter-bank market	840,974	10,117,307
Shenzhen stock exchange	8,716,535	4,734,581
Shanghai stock exchange	10,616,150	3,947,540
Others	402,166	724,402
Less: impairment losses	(1,039,412)	(1,057,550)
Total	19,536,413	18,466,280

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at 31 December	
	2020	2019
At the beginning of the year	1,057,550	546,993
Charge for the year	268,519	660,363
Reversal of impairment	(286,657)	(149,806)
At the end of the year	1,039,412	1,057,550

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

	As at 31 December	
	2020	2019
Within 1 month	1,631,622	3,203,587
1 to 3 months	688,997	1,410,422
3 months to 1 year	4,372,199	1,122,148
Less: impairment losses	(1,039,412)	(1,057,550)
Total	5,653,406	4,678,607

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

	As at 31 December 2020			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Amortised cost	5,047,694	13,510	1,631,614	6,692,818
Impairment losses	(11,996)	(135)	(1,027,281)	(1,039,412)
Carrying amount	5,035,698	13,375	604,333	5,653,406
Collateral	16,323,423	17,414	2,039,804	18,380,641

	As at 31 December 2019			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Amortised cost	3,201,553	400	2,534,204	5,736,157
Impairment losses	(8,002)	(4)	(1,049,544)	(1,057,550)
Carrying amount	3,193,551	396	1,484,660	4,678,607
Collateral	8,595,770	4,969	4,337,698	12,938,437

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Financial assets at fair value through profit or loss

Non-current

(a) Analysed by type:

	As at 31 December	
	2020	*2019*
Equity securities	6,019,789	4,219,220
Debt securities	355,484	554,937
Funds	39,988	185,288
Wealth management products	60,123	1,712,701
Loan and advances	2,754,139	294,187
Total	9,229,523	6,966,333

(b) Analysed as:

	As at 31 December	
	2020	*2019*
Listed outside Hong Kong	1,358,266	356,529
Unlisted	7,871,257	6,609,804
Total	9,229,523	6,966,333

Current

(a) Analysed by type:

	As at 31 December	
	2020	*2019*
Equity securities	57,688,801	29,781,301
Debt securities	187,981,318	180,958,126
Funds	24,369,887	28,855,524
Wealth management products	11,241,881	5,905,224
Loan and advances	1,295,702	329,164
Total	282,577,589	245,829,339

(Expressed in thousands of Renminbi, unless otherwise stated)

(b) Analysed as:

	As at 31 December	
	2020	*2019*
Listed outside Hong Kong	138,088,905	114,257,958
Listed inside Hong Kong	18,995,576	7,901,751
Unlisted	125,493,108	123,669,630
Total	282,577,589	245,829,339

As at 31 December 2020 and 31 December 2019, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB55 million and RMB62 million, respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 31 December 2020 and 31 December 2019, the listed equity securities held by the Group included approximately RMB2,447 million and RMB790 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

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

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

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

As at 31 December 2020 and 31 December 2019, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB5,426 million and RMB1,476 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2020 and 31 December 2019, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB1,890 million and RMB1,329 million to CSF for the purpose of replacement, respectively. The fair value of these securities have taken into account the relevant features including the restrictions.

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 31 December 2020 and 31 December 2019, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB113,003 million and RMB91,387 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

31 Refundable deposits

	As at 31 December	
	2020	2019
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	1,197,346	774,158
– Hong Kong Securities Clearing Company Limited	44,638	7,668
– Hong Kong Stock Exchange	926	45
	1,242,910	781,871
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	10,042,875	5,057,555
– Shanghai Futures Exchange	2,352,019	2,023,044
– Dalian Commodity Exchange	2,737,945	1,429,232
– Zhengzhou Commodity Exchange	1,685,852	894,701
– Shanghai International Energy Exchange	386,069	316,689
– Overseas commodity exchange	50,918	208,865
	17,255,678	9,930,086
Deposits with other institutions		
– China Securities Finance Corporation Limited	4,784,580	775,493
– Shanghai Clearing House	360,142	848,118
– Shanghai Gold Exchange	400	400
– Others financial institutions	1,120,080	317,572
	6,265,202	1,941,583
Total	24,763,790	12,653,540

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Deferred taxation

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

Deferred tax arising from:	*Provision for impairment losses*	*Employee benefits payable*	*Changes in fair value of financial instruments measured at FVTPL*	*Changes in fair value of derivative financial instruments*	*Changes in fair value of financial instruments measured at FVOCI*	*Intangible assets recognised in the acquisition*	*Others*	*Total*
As at 1 January 2020	548,666	1,648,863	(1,232,786)	(78,052)	(94,541)	(1,250,141)	(1,905,984)	(2,363,975)
Recognised in profit or loss	309,086	133,814	(51,064)	259,976	-	75,403	(511,931)	215,284
Acquisition of subsidiary	-	-	-	-	-	-	1,317	1,317
Recognised in reserves	-	-	-	-	(58,771)	-	-	(58,771)
As at 31 December 2020	857,752	1,782,677	(1,283,850)	181,924	(153,312)	(1,174,738)	(2,416,598)	(2,206,145)
As at 1 January 2019	370,853	1,386,041	(284,721)	(313,601)	29,136	(1,224,780)	(1,547,969)	(1,585,041)
Recognised in profit or loss	177,813	262,822	(948,065)	235,549	-	(25,361)	(387,162)	(684,404)
Acquisition of subsidiary	-	-	-	-	-	-	29,147	29,147
Recognised in reserves	-	-	-	-	(123,677)	-	-	(123,677)
As at 31 December 2019	548,666	1,648,863	(1,232,786)	(78,052)	(94,541)	(1,250,141)	(1,905,984)	(2,363,975)

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at 31 December 2020	2019
Net deferred tax assets recognised in the consolidated statement of financial position	339,502	202,825
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,545,647)	(2,566,800)
Total	(2,206,145)	(2,363,975)

(c) *Deferred tax assets not recognised*

As at 31 December 2020 and 31 December 2019, in accordance with the accounting policy set out in Note 2(19)(ii), the Group has not recognised unused tax losses of RMB878 million and RMB1,138 million, respectively, as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Most of the tax losses will not expire under current tax legislation.

33 Other non-current assets

(a) *Analysed by nature:*

	As at 31 December 2020	2019
Leasehold improvements and long-term deferred expenses	283,320	260,669

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

	As at 31 December 2020	2019
Balance at the beginning of the year	260,669	259,751
Additions	36,999	22,712
Transfer in from property and equipment (Note 20)	73,825	51,646
Amortisation	(88,173)	(73,440)
Balance at the end of the year	283,320	260,669

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2020	*2019*
Accounts receivable of:		
- Return swap and OTC options	4,385,953	2,328,096
- Brokers, dealers and clearing house	2,564,670	550,212
- Redemption of open-ended fund	940,017	775,274
- Fee and commission	910,563	864,235
- Settlement	168,810	798,260
- Subscription receivable	112,018	107,628
- Others	76,830	107,318
Less: impairment losses	(63,300)	(19,855)
Total	9,095,561	5,511,168

(b) Analysed by aging:

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

	As at 31 December	
	2020	*2019*
Within 1 month	6,109,005	5,264,183
1 to 3 months	1,774,958	57,958
Over 3 months	1,211,598	189,027
Total	9,095,561	5,511,168

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

	As at 31 December	
	2020	*2019*
At the beginning of the year	19,855	17,890
Charge for the year	46,245	14,559
Reversal of impairment	(2,800)	(12,594)
At the end of the year	63,300	19,855

(d) Accounts receivable that is not impaired

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Other receivables and prepayments

(a) Analysed by nature:

	As at 31 December	
	2020	*2019*
Other receivables(1)	310,993	468,259
Prepayments	206,754	-
Interest receivable(2)	161,663	131,942
Tax refund	63,074	29,834
Deductable VAT	56,165	36,874
Deferred expenses	19,425	14,576
Dividends receivable	15,469	4,564
Others	297,865	194,222
Total	1,131,408	880,271

(1) Other receivables:

	As at 31 December	
	2020	*2019*
Other receivables	1,109,046	1,374,639
Less: impairment losses	(798,053)	(906,380)
Total	310,993	468,259

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

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

	As at 31 December	
	2020	*2019*
At the beginning of the year	906,380	714,315
Charge for the year	313,481	210,758
Reversal of impairment	(421,808)	(18,693)
At the end of the year	798,053	906,380

(Expressed in thousands of Renminbi, unless otherwise stated)

(2) Interest receivable:

	As at 31 December	
	2020	2019
Interest receivable	195,946	207,403
Less: impairment losses	(34,283)	(75,461)
Total	161,663	131,942

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

	As at 31 December	
	2020	2019
At the beginning of the year	75,461	70,146
Charge for the year	25,683	43,511
Reversal of impairment	(66,861)	(38,196)
At the end of the year	34,283	75,461

36 Margin accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2020	2019
Individuals	92,398,831	63,208,640
Institutions	11,643,427	5,910,311
Less: impairment losses	(1,468,251)	(112,671)
Total	102,574,007	69,006,280

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

	As at 31 December	
	2020	2019
At the beginning of the year	112,671	118,353
Charge for the year	1,377,835	33,329
Reversal of impairment	(22,255)	(39,011)
At the end of the year	1,468,251	112,671

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at 31 December	
	2020	*2019*
Fair value of collaterals:		
- Equity securities	345,971,252	208,232,831
- Funds	30,090,346	4,364,467
- Cash	15,637,131	10,757,058
- Debt securities	1,578,121	433,164
Total	393,276,850	223,787,520

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

37 Derivative financial instruments

	As at 31 December 2020		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	483,283,684	41,333	(1,165,435)
Currency derivatives	69,388,949	173,507	(227,347)
Equity derivatives	238,259,561	6,724,106	(13,243,909)
Credit derivatives	436,626	202	(10,745)
Others	110,314,868	395,648	(576,535)
Total	901,683,688	7,334,796	(15,223,971)
Less: settlement		(39,439)	1,825,141
Net position		7,295,357	(13,398,830)

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2019		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	187,871,177	93,489	(8,447)
Currency derivatives	3,685,733	65,447	(47,146)
Equity derivatives	98,238,017	1,657,753	(1,906,397)
Credit derivatives	2,558,479	2,385	(23,297)
Others	64,841,228	136,794	(121,641)
Total	357,194,634	1,955,868	(2,106,928)
Less: settlement		(97,827)	828,529
Net position		1,858,041	(1,278,399)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settling with Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures trading through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the Group has maintained no open position for these contracts at 31 December 2020 and 31 December 2019, respectively.

Cash flow hedges

The Group's cash flow hedges consist of interest swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated hedging instruments in cash flow hedges are set out below:

	As at 31 December 2020						
	Notional amount					*Fair value*	
	Within 3 months	*Over 3 months but within 1 year*	*Over 1 year but within 5 years*	*Over 5 years*	*Total*	*Assets*	*Liabilities*
Interest rate derivatives	-	-	1,304,980	-	1,304,980	-	(34,348)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

	As at 31 December 2020				
	Carrying amount of hedged items		*Effect of hedging instruments on other comprehensive income during the period*	*Accumulated effect of hedging instruments on other comprehensive income*	*Line items in the statement of financial position*
	Assets	*Liabilities*			
Bonds	-	(2,611,554)	(34,348)	(34,348)	Long-term bonds

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Clearing settlement funds

	As at 31 December	
	2020	*2019*
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	6,253,766	6,716,642
- Hong Kong Securities Clearing Company Limited	600,201	11,431
Deposits with other institutions	134,429	27,531
Total	6,988,396	6,755,604

39 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

40 Cash and cash balances

(a) Analysed by nature:

	As at 31 December	
	2020	*2019*
Cash on hand	201	190
Bank balances	49,652,268	49,864,177
Less: impairment losses	(1,430)	(11,179)
Total	49,651,039	49,853,188

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at 31 December	
	2020	2019
At the beginning of the year	11,179	1,347
Charge for the year	1,268	11,168
Reversal of impairment	(11,017)	(1,336)
At the end of the year	1,430	11,179

41 Cash and cash equivalents

(a) *Cash and cash equivalents comprise:*

	As at 31 December	
	2020	2019
Cash on hand	201	190
Bank balances	49,570,987	49,720,685
Clearing settlement funds	6,988,285	6,755,433
Financial assets held under resale agreements within 3 months	13,474,774	12,867,370
Bond investment within 3 months original maturity	7,061,738	11,122,273
Less: restricted bank deposits	(9,449,572)	(11,267,173)
Total	67,646,413	69,198,778

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits and risk reserve deposits.

(Expressed in thousands of Renminbi, unless otherwise stated)

(b) Reconciliation of liabilities arising from financing activities:

The following table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Short-term debt instruments	*Long-term bonds*	*Short-term bank loans*	*Long-term bank loans*	*Lease liabilities*	*Share capital*	*Treasury shares*	*Capital reserve*	*Retained profits*	*Non-controlling interests*	*Total*
At 1 January 2020	46,425,196	64,616,358	5,724,131	850,997	962,441	9,076,650	-	70,290,533	23,178,411	3,117,229	224,241,946
Changes from financing cash flows											
Proceeds from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Proceeds from partially disposal of a subsidiary without losing control	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance	147,192,346	47,079,773	5,564,492	-	-	-	-	-	-	-	199,836,611
Repayment of borrowings	(149,724,988)	(14,317,131)	-	(371,748)	-	-	-	-	-	-	(164,413,867)
Interest paid	(769,501)	(2,988,523)	(28,235)	(38,130)	-	-	-	-	-	-	(3,824,389)
Payment of lease liabilities	-	-	-	-	(420,344)	-	-	-	-	-	(420,344)
Dividend paid	-	-	-	-	-	-	-	-	(2,701,395)	-	(2,701,395)
Acquisition of treasury shares	-	-	-	-	-	-	(1,626,546)	-	-	-	(1,626,546)
Total changes from financing cash flows	(3,302,143)	29,774,119	5,536,257	(409,878)	(420,344)	-	(1,626,546)	-	(2,701,395)	-	26,850,070
Other changes											
Interest expenses	903,219	2,912,479	230,169	34,295	39,470	-	-	-	-	-	4,119,632
New leases	-	-	-	-	667,232	-	-	-	-	-	667,232
Others	(74,884)	(249,768)	(190,698)	-	-	-	-	-	-	-	(515,350)
Total liability-related other changes	828,335	2,662,711	39,471	34,295	706,702	-	-	-	-	-	4,271,514
Total equity-related other changes	-	-	-	-	-	-	-	459,519	8,521,602	123,306	9,104,427
At 31 December 2020	43,951,388	97,053,188	11,299,859	475,414	1,248,799	9,076,650	(1,626,546)	70,750,052	28,998,618	3,240,535	264,467,957

(Expressed in thousands of Renminbi, unless otherwise stated)

	Short-term debt instruments	*Long-term bonds*	*Short-term bank loans*	*Long-term bank loans*	*Lease liabilities*	*Share capital*	*Capital reserve*	*Retained profits*	*Non-controlling interests*	*Total*
At 31 December 2018	22,074,000	62,980,730	3,015,791	1,698,769	-	8,251,500	58,859,860	19,416,104	1,356,027	177,652,781
Impact on initial application of IFRS 16	-	-	-	-	707,224	-	-	-	-	707,224
At 1 January 2019	22,074,000	62,980,730	3,015,791	1,698,769	707,224	8,251,500	58,859,860	19,416,104	1,356,027	178,360,005
Changes from financing cash flows										
Proceeds from non-controlling interests	-	-	-	-	-	-	(80,411)	-	977,294	896,883
Proceeds from partially disposal of a subsidiary without losing control	-	-	-	-	-	-	511,660	-	654,228	1,165,888
Proceeds from issuance	103,166,070	30,989,005	2,708,340	-	-	825,150	10,761,511	-	-	148,450,076
Repayment of borrowings	(77,971,589)	(29,464,480)	-	(847,772)	-	-	-	-	-	(108,283,841)
Interest paid	(488,317)	(2,732,056)	(80,915)	(87,520)	-	-	-	-	-	(3,388,808)
Payment of lease liabilities	-	-	-	-	(321,399)	-	-	-	-	(321,399)
Dividend paid	-	-	-	-	-	-	-	(2,722,995)	(648)	(2,723,643)
Other borrowing costs paid	-	-	-	-	-	-	(126,036)	-	-	(126,036)
Total changes from financing cash flows	24,706,164	(1,207,531)	2,627,425	(935,292)	(321,399)	825,150	11,066,724	(2,722,995)	1,630,874	35,669,120
Other changes										
Interest expenses	750,491	2,649,316	65,074	87,520	30,144	-	-	-	-	3,582,545
New leases	-	-	-	-	546,472	-	-	-	-	546,472
Others	(1,105,459)	193,843	15,841	-	-	-	-	-	-	(895,775)
Total liability-related other changes	(354,968)	2,843,159	80,915	87,520	576,616	-	-	-	-	3,233,242
Total equity-related other changes	-	-	-	-	-	-	363,949	6,485,302	130,328	6,979,579
At 31 December 2019	46,425,196	64,616,358	5,724,131	850,997	962,441	9,076,650	70,290,533	23,178,411	3,117,229	224,241,946

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Short-term bank loans

	As at 31 December	
	2020	*2019*
Credit loans	11,194,654	5,455,353
Pledged loans	105,205	268,778
Total	11,299,859	5,724,131

As of 31 December 2020, the interest rates for short-term loans were 1.28% - 1.92% per annum (as of 31 December 2019: 2.74% - 6.15% per annum).

43 Short-term debt instruments issued

As at 31 December 2020

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
19 HUATAI CP005	RMB5,000,000	11/10/2019	09/01/2020	RMB5,000,000	2.83%
19 HUATAI CP006	RMB5,000,000	14/11/2019	12/02/2020	RMB5,000,000	3.05%
19 HUATAI CP007	RMB5,000,000	06/12/2019	05/03/2020	RMB5,000,000	3.02%
20 HUATAI CP001	RMB6,000,000	06/01/2020	05/04/2020	RMB6,000,000	2.80%
20 HUATAI CP002	RMB5,000,000	10/02/2020	10/05/2020	RMB5,000,000	2.65%
20 HUATAI CP003	RMB3,000,000	27/02/2020	27/05/2020	RMB3,000,000	2.39%
20 HUATAI CP004	RMB4,000,000	06/03/2020	04/06/2020	RMB4,000,000	2.31%
20 HUATAI CP005	RMB4,000,000	09/06/2020	28/08/2020	RMB4,000,000	1.90%
20 HUATAI CP006	RMB4,000,000	16/06/2020	14/09/2020	RMB4,000,000	2.20%
20 HUATAI CP007	RMB4,000,000	15/07/2020	13/10/2020	RMB4,000,000	2.55%
20 HUATAI CP008	RMB3,000,000	14/08/2020	12/11/2020	RMB3,000,000	2.62%
20 HUATAI CP009	RMB4,000,000	15/09/2020	14/12/2020	RMB4,000,000	2.70%
20 HUATAI CP010	RMB5,000,000	15/12/2020	15/03/2021	RMB5,000,000	2.94%
20 HUATAI G5	RMB2,300,000	18/06/2020	18/06/2021	RMB2,300,000	2.58%
20 HUATAI S1	RMB5,500,000	31/08/2020	31/08/2021	RMB5,500,000	3.10%
20 HUATAI S2	RMB1,500,000	31/08/2020	28/05/2021	RMB1,500,000	3.05%
20 HUATAI S3	RMB5,000,000	11/09/2020	11/08/2021	RMB5,000,000	3.20%
20 HUATAI S4	RMB4,000,000	17/09/2020	17/04/2021	RMB4,000,000	3.15%
HUATAI B2111	USD50,000	27/11/2020	26/11/2021	USD50,000	0.50%
Structured notes (1)	RMB20,070,414	*Note (1)*	*Note (1)*	RMB20,070,414	*Note (1)*

(Expressed in thousands of Renminbi, unless otherwise stated)

Name	Book value as at 1 January 2020 RMB equivalent	Increase RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2020 RMB equivalent
19 HUATAI CP005	5,031,401	3,394	(5,034,795)	-
19 HUATAI CP006	5,019,637	17,863	(5,037,500)	-
19 HUATAI CP007	5,011,043	26,088	(5,037,131)	-
20 HUATAI CP001	-	6,039,475	(6,039,475)	-
20 HUATAI CP002	-	5,032,582	(5,032,582)	-
20 HUATAI CP003	-	3,012,538	(3,012,538)	-
20 HUATAI CP004	-	4,022,784	(4,022,784)	-
20 HUATAI CP005	-	4,011,036	(4,011,036)	-
20 HUATAI CP006	-	4,021,699	(4,021,699)	-
20 HUATAI CP007	-	4,021,797	(4,021,797)	-
20 HUATAI CP008	-	3,017,012	(3,017,012)	-
20 HUATAI CP009	-	4,022,784	(4,022,784)	-
20 HUATAI CP010	-	5,006,847	-	5,006,847
20 HUATAI G5	-	2,331,813	-	2,331,813
20 HUATAI S1	-	5,557,300	-	5,557,300
20 HUATAI S2	-	1,515,375	-	1,515,375
20 HUATAI S3	-	5,053,333	-	5,053,333
20 HUATAI S4	-	4,042,000	-	4,042,000
HUATAI B2111	-	323,745	-	323,745
Structured notes (1)	31,363,115	86,941,216	(98,183,356)	20,120,975
Total	46,425,196	148,020,681	(150,494,489)	43,951,388

As at 31 December 2019

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
19 HUATAI CP001	RMB3,000,000	29/04/2019	29/07/2019	RMB3,000,000	3.00%
19 HUATAI CP002	RMB3,000,000	10/07/2019	09/10/2019	RMB3,000,000	2.60%
19 HUATAI CP003	RMB4,000,000	08/08/2019	06/11/2019	RMB4,000,000	2.70%
19 HUATAI CP004	RMB2,000,000	12/09/2019	11/12/2019	RMB2,000,000	2.78%
19 HUATAI CP005	RMB5,000,000	11/10/2019	09/01/2020	RMB5,000,000	2.83%
19 HUATAI CP006	RMB5,000,000	14/11/2019	12/02/2020	RMB5,000,000	3.05%
19 HUATAI CP007	RMB5,000,000	06/12/2019	05/03/2020	RMB5,000,000	3.02%
Structured notes (1)	RMB31,298,880	*Note (1)*	*Note (1)*	RMB31,298,880	*Note (1)*

(Expressed in thousands of Renminbi, unless otherwise stated)

Name	*Book value as at 1 January 2019* RMB equivalent	*Increase* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2019* RMB equivalent
18 HUATAI D1	4,727,918	95,693	(4,823,611)	-
FRGN	344,636	22,883	(367,519)	-
19 HUATAI CP001	-	3,022,438	(3,022,438)	-
19 HUATAI CP002	-	3,019,447	(3,019,447)	-
19 HUATAI CP003	-	4,026,630	(4,026,630)	-
19 HUATAI CP004	-	2,013,710	(2,013,710)	-
19 HUATAI CP005	-	5,031,401	-	5,031,401
19 HUATAI CP006	-	5,019,637	-	5,019,637
19 HUATAI CP007	-	5,011,043	-	5,011,043
Structured notes (1)	16,051,446	76,498,220	(61,186,551)	31,363,115
Total	21,124,000	103,761,102	(78,459,906)	46,425,196

(1) In 2020, the Company has issued 3,712 tranches (2019: 4,324 tranches) of structured notes, bearing interest ranging from 2.40% to 6.58% per annum (2019: 2.80% to 6.58% per annum), repayable within 1 year. Structured notes repayable more than 1 year are classified as “Long-term bonds” (Note 52).

44 Placements from other financial institutions

Current

	As at 31 December 2020	*As at 31 December* 2019
Placements from banks	4,815,236	5,352,126
Placements from China Securities Finance Co., Ltd.	-	6,010,472
Total	4,815,236	11,362,598

As at 31 December 2020, the placements from banks are unsecured, bearing interest of 0.50% - 3.15% per annum, with maturities within 76 days (as at 31 December 2019: bearing interest of 1.90% - 3.00% per annum, with maturities within 3 days), and the placements from China Securities Finance Co., Ltd. are secured by the securities investment held by the Group (as at 31 December 2019: bearing interest of 3.25% per annum, with maturities within 177 days).

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Accounts payable to brokerage clients

Current

	As at 31 December	
	2020	*2019*
Clients' deposits for brokerage trading	118,432,619	78,876,364
Clients' deposits for margin financing and securities lending	17,955,015	10,941,556
Total	136,387,634	89,817,920

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

46 Employee benefits payable

Non-current

	As at 31 December	
	2020	*2019*
Salaries, bonuses and allowance	6,974,615	6,360,633

Current

	As at 31 December	
	2020	*2019*
Salaries, bonuses and allowance	3,838,638	2,535,969
Contribution to pension scheme	2,445	633
Other social welfare	315,812	37,151
Total	4,156,895	2,573,753

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Other payables and accruals

Non-current

	As at 31 December	
	2020	*2019*
Lease liabilities	850,730	605,958

(1) During the year of 2020, in accordance with the accounting policy set out in Note 2(20)(i), the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, which amounted to RMB78 million (2019: RMB80 million).

(2) As at 31 December 2020, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

Current

	As at 31 December	
	2020	*2019*
Payables to interest holders of consolidated structured entities (1)	59,032,383	72,790,316
Trade payable	36,314,244	8,734,439
Settlement payables	5,131,183	1,350,093
Payable to open-ended funds	1,810,719	869,580
Dividend payable of pledged exchangeable bond	1,178,430	757,334
Other tax payable	674,394	740,239
Lease liabilities	398,069	356,483
Fee and commission payable	260,483	129,722
Futures risk reserve	144,622	123,904
Payable to the securities investor protection fund	57,173	43,482
Payable for office building construction	56,571	58,404
Dividend payable	28,192	24,192
Redemption payables	27,215	66,548
Others (2)	766,633	791,890
Total	105,880,311	86,836,626

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Contract liabilities

	As at 31 December	
	2020	*2019*
Advance consideration received from customers	92,366	19,179

49 Financial assets sold under repurchase agreements

(a) Analysed by collateral type:

	As at 31 December	
	2020	*2019*
Debt securities	111,403,580	93,280,267
Precious metal	18,564,573	14,231,197
Equity securities	9,631,494	1,206,743
Margin loans receivable backed repurchase	300,321	1,000,838
Total	139,899,968	109,719,045

As at 31 December 2020, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB158,284 million (as at 31 December 2019: RMB120,334 million).

(b) Analysed by market:

	As at 31 December	
	2020	*2019*
Shanghai stock exchange	47,838,283	41,007,228
Inter-bank market	45,930,433	46,157,634
Over-the-counter	37,114,141	16,438,778
Shenzhen stock exchange	9,017,111	6,115,405
Total	139,899,968	109,719,045

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Financial liabilities at fair value through profit or loss

Non-current

	As at 31 December	
	2020	*2019*
Financial liabilities designated at fair value through profit or loss	3,185,296	2,690,563

Current

	As at 31 December	
	2020	*2019*
Financial liabilities held for trading	11,469,173	4,586,478
Financial liabilities designated at fair value through profit or loss	727,061	103,142
Total	12,196,234	4,689,620

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 31 December 2020 and 31 December 2019, there were no significant fair value changes related to the changes in the credit risk of the Group, respectively.

51 Long-term bonds due within one year

As at 31 December 2020

Name	*Par value* *Original currency*	*Issuance date*	*Due date*	*Issue amount* *Original currency*	*Nominal interest rate*
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes (1)	RMB190,360	*Note (1)*	*Note (1)*	RMB190,360	*Note (1)*

(Expressed in thousands of Renminbi, unless otherwise stated)

Name	*Book value as at 1 January 2020* RMB equivalent	*Increase* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2020* RMB equivalent
16 HUATAI G2	-	2,603,101	(94,500)	2,508,601
16 HUATAI G4	-	3,125,454	(119,100)	3,006,354
17 HUATAI 02	2,078,732	7,750	(2,086,482)	-
17 HUATAI 04	6,198,493	105,000	(6,303,493)	-
17 HUATAI C2	5,107,815	123,750	(5,231,565)	-
18 HUATAI C1	1,044,090	9,497	(1,053,587)	-
18 HUATAI C2	-	3,039,342	(145,600)	2,893,742
18 HUATAI G1	-	3,126,579	(116,400)	3,010,179
HUATAI B2006	105,345	3,305	(108,650)	-
Structured notes [(1)]	182,058	11,448	(183,489)	10,017
Total	14,716,533	12,155,226	(15,442,866)	11,428,893

As at 31 December 2019

Name	*Par value* *Original currency*	*Issuance date*	*Due date*	*Issue amount* *Original currency*	*Nominal interest rate*
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes [(1)]	RMB180,360	*Note (1)*	*Note (1)*	RMB180,360	*Note (1)*

Name	*Book value as at 1 January 2019* RMB equivalent	*Increase* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2019* RMB equivalent
HUATAI B1910	2,767,406	184,300	(2,951,706)	-
16 HUATAI C1	-	5,159,462	(5,159,462)	-
16 HUATAI G1	3,508,901	116,620	(3,625,521)	-
16 HUATAI G3	5,009,345	181,078	(5,190,423)	-
17 HUATAI 02	-	2,171,732	(93,000)	2,078,732
17 HUATAI 03	4,126,575	66,667	(4,193,242)	-
17 HUATAI 04	-	6,513,493	(315,000)	6,198,493
17 HUATAI C2	-	5,355,315	(247,500)	5,107,815
17 HUATAI 06	5,049,800	62,250	(5,112,050)	-
18 HUATAI C1	-	1,100,590	(56,500)	1,044,090
HUATAI B2006	-	105,345	-	105,345
Structured notes [(1)]	4,382,589	228,301	(4,428,832)	182,058
Total	24,844,616	21,245,153	(31,373,236)	14,716,533

(1) As at 31 December 2020, RMB10.02 million of structured notes would mature within one year (as at 31 December 2019: RMB182.06 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Long-term bonds

As at 31 December 2020

Name	*Par value* Original currency	*Issuance date*	*Due date*	*Issue amount* Original currency	*Nominal interest rate*
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
20 HUATAI C1	RMB5,000,000	13/11/2020	13/11/2025	RMB5,000,000	4.48%
20 HUATAI G1	RMB8,000,000	26/03/2020	26/03/2023	RMB8,000,000	2.99%
20 HUATAI G3	RMB3,500,000	29/04/2020	29/04/2025	RMB3,500,000	2.90%
20 HUATAI G4	RMB3,000,000	21/05/2020	21/05/2025	RMB3,000,000	3.20%
20 HUATAI G6	RMB3,200,000	18/06/2020	18/06/2023	RMB3,200,000	3.10%
20 HUATAI G7	RMB3,500,000	24/11/2020	24/11/2023	RMB3,500,000	3.90%
20 HUATAI G8	RMB4,000,000	09/12/2020	09/12/2022	RMB4,000,000	3.67%
20 HUATAI G9	RMB4,000,000	09/12/2020	09/12/2023	RMB4,000,000	3.79%
20 HUATAI 02	RMB10,000,000	24/07/2020	24/07/2022	RMB10,000,000	3.20%
HUATAIB2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
HUATAIB2302	USD400,000	12/02/2020	12/02/2023	USD400,000	LIBOR+0.95%
Structured notes (1)	RMB312,000	*Note (1)*	*Note (1)*	RMB312,000	*Note (1)*

Name	*Book value as at 1 January 2020* RMB equivalent	*Increase* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2020* RMB equivalent
13 HUATAI 02	6,170,097	307,393	(306,000)	6,171,490
16 HUATAI G2	2,507,113	-	(2,507,113)	-
16 HUATAI G4	3,006,353	-	(3,006,353)	-
18 HUATAI C2	2,892,934	-	(2,892,934)	-
18 HUATAI G1	3,009,336	-	(3,009,336)	-
18 HUATAI G2	1,003,252	41,861	(41,700)	1,003,413
19 HUATAI G1	7,196,883	259,765	(257,600)	7,199,048
19 HUATAI G3	5,128,000	191,536	(190,000)	5,129,536
19 HUATAI 02	5,114,007	198,532	(197,000)	5,115,539
19 HUATAI 03	4,023,800	148,407	(147,200)	4,025,007
19 Finance 01	6,071,533	204,920	(204,000)	6,072,453
20 HUATAI C1	-	5,029,728	(4,670)	5,025,058
20 HUATAI G1	-	8,185,109	(7,472)	8,177,637
20 HUATAI G3	-	3,568,645	(3,269)	3,565,376
20 HUATAI G4	-	3,059,161	(2,802)	3,056,359
20 HUATAI G6	-	3,253,475	(2,750)	3,250,725
20 HUATAI G7	-	3,513,826	(1,090)	3,512,736
20 HUATAI G8	-	4,008,844	(778)	4,008,066
20 HUATAI G9	-	4,009,221	(778)	4,008,443
20 HUATAI 02	-	10,140,808	(8,376)	10,132,432
HUATAIB2205	3,497,217	12,183	(234,976)	3,274,424
HUATAIB2302	-	2,831,582	(220,028)	2,611,554
Structured notes (1)	279,300	38,000	(32,301)	284,999
Total	49,899,825	49,002,996	(13,278,526)	85,624,295

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 31 December 2019

Name	*Par value* Original currency	*Issuance date*	*Due date*	*Issue amount* Original currency	*Nominal interest rate*
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
Structured notes (1)	RMB279,300	*Note (1)*	*Note (1)*	RMB279,300	*Note (1)*

Name	*Book value as at 1 January 2019* RMB equivalent	*Increase* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2019* RMB equivalent
13 HUATAI 02	6,168,633	307,464	(306,000)	6,170,097
16 HUATAI C1	5,035,712	82,500	(5,118,212)	-
16 HUATAI G2	2,506,732	94,881	(94,500)	2,507,113
16 HUATAI G4	3,005,873	119,580	(119,100)	3,006,353
17 HUATAI 02	2,078,732	-	(2,078,732)	-
17 HUATAI 04	6,198,493	-	(6,198,493)	-
17 HUATAI C2	5,107,815	-	(5,107,815)	-
18 HUATAI C1	1,041,554	-	(1,041,554)	-
18 HUATAI C2	2,891,369	147,165	(145,600)	2,892,934
18 HUATAI G1	3,008,192	117,544	(116,400)	3,009,336
18 HUATAI G2	1,003,009	41,943	(41,700)	1,003,252
19 HUATAI G1	-	7,204,147	(7,264)	7,196,883
19 HUATAI G3	-	5,132,527	(4,527)	5,128,000
19 HUATAI 02	-	5,118,534	(4,527)	5,114,007
19 HUATAI 03	-	4,027,951	(4,151)	4,023,800
19 Finance 01	-	6,074,363	(2,830)	6,071,533
HUATAI B2006	-	105,345	(105,345)	-
HUATAI B2205	-	3,497,217	-	3,497,217
Structured notes(1)	-	461,075	(181,775)	279,300
Total	38,046,114	32,532,236	(20,678,525)	49,899,825

(1) The Company has issued 4 tranches of long-term structured notes for the year ended 31 December 2020 (as at 31 December 2019: 21 tranches). As at 31 December 2020, 2 tranches of long-term structured notes due within one year are classified as "Long-term bonds due within one year" (as at 31 December 2019: 12 tranches) (Note 51).

(Expressed in thousands of Renminbi, unless otherwise stated)

53 Long-term bank loans

	As at 31 December	
	2020	*2019*
Credit bank loans	475,414	850,997
Less: credit bank loans due within one year	-	-
Total	475,414	850,997

On 14 November 2018, the Group executed a Loan and Security Agreement with Credit Suisse for USD250 million term loan and secured a revolving line of credit that permit the Group to borrow up to USD20 million, interest on amounts borrowed under the term loan and line of credit equal to LIBOR plus 3.50%.

On 26 July 2019, the Group made USD125 million repayment of the aforementioned loan in advance. The loan was repaid in full on 30 December 2020.

On 30 December 2020, the Group entered into a Credit Agreement with Bank of Montreal for a senior secured credit facility and the Group drew down the long-term bank loan under the Revolving Credit Facility on 30 December 2020.

(Expressed in thousands of Renminbi, unless otherwise stated)

54 Share capital, reserves and retained profits

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

				Reserves						
	Note	Share capital	Treasury shares	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	Total
As at 1 January 2020		9,076,650	-	69,229,337	5,118,691	10,449,289	203,556	18,981	16,159,562	110,256,066
Changes in equity for 2020										
Profit for the year		-	-	-	-	-	-	-	5,923,763	5,923,763
Other comprehensive income		-	-	-	-	-	119,618	-	-	119,618
Total comprehensive income		-	-	-	-	-	119,618	-	5,923,763	6,043,381
Acquisition of treasury shares		-	(1,626,546)	-	-	-	-	-	-	(1,626,546)
Appropriation to surplus reserve		-	-	-	592,376	-	-	-	(592,376)	-
Appropriation to general reserve		-	-	-	-	1,185,106	-	-	(1,185,106)	-
Dividends declared for the year		-	-	-	-	-	-	-	(2,701,395)	(2,701,395)
Others		-	-	5	-	-	-	-	-	5
As at 31 December 2020	63	9,076,650	(1,626,546)	69,229,342	5,711,067	11,634,395	323,174	18,981	17,604,448	111,971,511

(Expressed in thousands of Renminbi, unless otherwise stated)

			Reserves						
	Note	*Share capital*	*Capital reserve*	*Surplus reserve*	*General reserve*	*Fair value reserve*	*Translation reserve*	*Retained profits*	*Total*
As at 1 January 2019		8,251,500	58,621,923	4,489,830	9,191,569	(257,250)	18,981	14,480,535	94,797,088
Changes in equity for 2019									
Profit for the year		-	-	-	-	-	-	6,288,603	6,288,603
Other comprehensive income		-	-	-	-	460,806	-	-	460,806
Total comprehensive income		-	-	-	-	460,806	-	6,288,603	6,749,409
Issuance of A share		825,150	10,523,093	-	-	-	-	-	11,348,243
Appropriation to surplus reserve		-	-	628,861	-	-	-	(628,861)	-
Appropriation to general reserve		-	-	-	1,257,720	-	-	(1,257,720)	-
Dividends declared for the year		-	-	-	-	-	-	(2,722,995)	(2,722,995)
Other		-	84,321	-	-	-	-	-	84,321
As at 31 December 2019	63	9,076,650	69,229,337	5,118,691	10,449,289	203,556	18,981	16,159,562	110,256,066

(Expressed in thousands of Renminbi, unless otherwise stated)

(b) Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2020		As at 31 December 2019	
	Number of shares (Thousand)	Nominal value	Number of shares (Thousand)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	7,357,604	7,357,604	7,357,604	7,357,604
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	9,076,650	9,076,650	9,076,650	9,076,650

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed private placement of issuance of 1,088,731,200 new A shares.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 750,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change is RMB9,076,650,000.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

(c) Treasury shares

On 30 March 2020, the fifth meeting of the fifth session of the Board of the Company approved the Resolution on Repurchase of A Shares through Centralized Price Bidding, planned to repurchase no less than 45,383,250 A shares and no more than 90,766,500 A shares in the next 12 months, which will be used for restricted share incentive scheme of A shares.

As of 31 December 2020, 88,090,995 A shares had been purchased by the Company from the Shanghai Stock Exchange by centralised bidding.

(d) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(e) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(f) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

In accordance with the requirements of the CSRC No. 94 Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds, the Company appropriates 2.5% from its fund custody fee income to the general risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(g) Fair value reserve

The fair value reserve comprises:

The cumulative net change in the fair value of equity securities designated at FVOCI; and

The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

(h) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(Expressed in thousands of Renminbi, unless otherwise stated)

(i) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

(j) Dividends

Pursuant to the resolution of the general meeting of the shareholders dated 18 June 2020, on 16 July 2020, the Company distributed cash dividends of RMB3.00 (tax inclusive) per 10 shares, totalling RMB2,701 million based on 9,004,649,966 shares, the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account).

55 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2020 and 31 December 2019 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2020	*2019*
Contracted, but not provided for	1,888,359	3,700,000

The aforementioned capital commitments mainly represent the land use right purchase commitments, the securities underwriting commitments and the private equity fund investment commitments of the Group.

56 Interests in structured entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly include asset management schemes where the Group involves as manager or investment consultant and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2020, the Group consolidates 47 structured entities (as at 31 December 2019 the Group consolidates 42 structured entities), which are mainly asset management schemes. As at 31 December 2020 and 31 December 2019, the total assets of the consolidated structured entities are RMB96,479 million and RMB93,747 million, respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB34,831 million and RMB18,208 million, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

(b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 56(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2020 and 31 December 2019, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB542,764 million and RMB663,098 million, respectively. As at 31 December 2020 and 31 December 2019, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB1,809 million and RMB2,070 million, respectively.

During the year ended 31 December 2020 and 31 December 2019, income derived from these unconsolidated structured entities held by the Group amounted to RMB999 million and RMB834 million, respectively.

(c) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2020 and 31 December 2019, which are listed as below:

	As at 31 December 2020		
	Financial assets at FVTPL	*Financial assets at FVOCI*	*Total*
Funds	23,800,198	-	23,800,198
Wealth management products	10,102,553	10,586,865	20,689,418
Total	33,902,751	10,586,865	44,489,616

	As at 31 December 2019		
	Financial assets at FVTPL	*Financial assets at FVOCI*	*Total*
Funds	28,119,817	-	28,119,817
Wealth management products	6,406,221	10,254,673	16,660,894
Total	34,526,038	10,254,673	44,780,711

57 Outstanding litigations

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2020 and 31 December 2019, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations. As at 31 December 2020, the major legal actions of the Group as the defendant are listed below:

During the year of 2020, the Group's subsidiary Huatai United Securities Co., Ltd. ("Huatai United Securities") received the Notice of Legal Action and relevant litigation materials sent by the First Intermediate People's Court of Beijing. The plaintiffs, China Foreign Economy and Trade Trust Co., Ltd., Shenzhen Rongtong Capital Management Co., Ltd. and CITIC Trust Co., Ltd., who failed to fully cash its investment in "2015 public issuance of corporate bonds of Bright Oceans Group Co., Ltd. to qualified investors with no more than RMB2.5 billion", sued to the Court to require the lead underwriter of the bond (the first defendant) and Huatai United Securities, the co-lead underwriter of the bond (the second defendant), to bear joint and several liability for compensation. The claim amount was RMB687 million. At the date of this report, the case has not yet been heard. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.

During the year of 2020, the Group's subsidiary Huatai United Securities received the Notice of Legal Action and relevant litigation materials sent by Shanghai Financial Court. The plaintiff, Postal Savings Bank of China Co., Ltd., failed to fully cash its investment in "Huatai Magnate Light Asset-backed Securities", sued to the Court to require the manager (the first defendant), the legal adviser (the second defendant), the rating agency (the third defendant), the issuer (the fourth defendant) and Huatai United Securities, the financial adviser (the fifth defendant), to bear joint and several liability for compensation. The claim amount was RMB598 million. At the date of this report, the case has not yet been heard. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.

58 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders and their subsidiaries is set out in Note 58(b)(i).

(ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

(iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

(Expressed in thousands of Renminbi, unless otherwise stated)

(iv) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 26.

(v) Other related parties

Other related parties can be individuals or enterprises, which include members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders and their subsidiaries:

	As at 31 December	
	2020	*2019*
Balances at the end of the year:		
Financial assets at FVTPL	341,337	244,897
Debt investment at amortised cost	62,039	301,725
Accounts payable to brokerage clients	43,407	18,708
Other payables and accruals	3,211	3,211

	Year ended 31 December	
	2020	*2019*
Transactions during the year:		
Fee and commission income	9,075	19,164
Net investment gains	16,992	5,124
Interest income	5,011	5,679
Interest expenses	1,181	4,886

During the year of 2020, the Group has redeemed the bonds issued by major shareholders amounting to RMB135 million. During the year of 2019, the Group has redeemed the bonds issued by major shareholders amounting to RMB86 million.

During the year of 2020 and 2019, the major shareholders' subsidiaries subscribed the corporate bonds issued by the Group amounting to RMB20 million and nil, respectively.

During the year of 2020 and 2019, the Group has made repurchase agreements with major shareholders and their subsidiaries for the total amount of nil and RMB1,989 million, respectively.

During the year of 2020 and 2019, the Group has taken placements from other financial institutions with major shareholders and their subsidiaries for the total amounts of RMB2,500 million and RMB7,200 million, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

(ii) Transactions between the Group and associates:

	As at 31 December	
	2020	*2019*
Balances at the end of the year:		
Cash and bank balances	277,361	208,253
Right-of-use assets	130,112	98,835
Accounts receivable	138,386	127,819
Other receivables and prepayments	368	353
Financial assets at FVTPL	8,681	61,186
Accounts payable to brokerage clients	12,553	7,390
Placements from other financial institutions	500,211	1,000,000
Short-term debt instruments issued	1,154,502	872,450
Lease liabilities	137,850	98,767
Contract liabilities	643	-

	Year ended 31 December	
	2020	*2019*
Transactions during the year:		
Fee and commission income	237,706	229,586
Interest income	7,764	4,995
Net investment (losses) / gains	(31,993)	89,660
Fee and commission expenses	2,077	-
Other income and gains	7,601	10,098
Interest expenses	14,396	19,583

During the year of 2020, the Group has redeemed the bonds issued by associates for RMB245 million. During the year of 2019, the Group has subscribed the bonds issued by associates for RMB254 million.

During the year of 2020 and 2019, the associates subscribed the corporate bonds issued by the Group amounting to RMB390 million and nil, respectively.

During the year of 2020 and 2019, the capital injection made by the Group into the associates are RMB889 million and RMB472 million, respectively. During the year of 2020 and 2019, the divestment made by the Group from the associates are RMB1,516 million and RMB196 million, respectively.

During the year of 2020 and 2019, the Group has made repurchase agreements with associates for the total amount of RMB130,925 million and RMB57,267 million, respectively.

During the year of 2020 and 2019, the Group has taken placements from other financial institutions with associates for the total amount of RMB98,200 million and RMB96,000 million, respectively.

During the year of 2020 and 2019, the Group has received dividends from associates for the total amounts of RMB768 million and RMB828 million, respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

During the year of 2020 and 2019, the Group has paid rental fee to associates for the total amounts of RMB32 million and RMB25 million, respectively.

(iii) Transactions between the Group and joint ventures:

	As at 31 December	
	2020	*2019*
Balances at the end of the year:		
Other receivables and prepayments	1,514	-

	Year ended 31 December	
	2020	*2019*
Transactions during the year:		
Fee and commission income	19,811	19,811

During the year of 2020, the capital divestment made by the Group from the joint ventures are RMB8 million. During the year of 2019, the capital divestment made by the Group from the joint ventures are RMB24 million.

(iv) Transactions between the Group and other related parties:

	As at 31 December	
	2020	*2019*
Balances at the end of the year:		
Accounts payable to brokerage clients	2,817	4,636

	Year ended 31 December	
	2020	*2019*
Transactions during the year:		
Fee and commission income	49	84

(Expressed in thousands of Renminbi, unless otherwise stated)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	Year ended 31 December	
	2020	*2019*
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	34,619	35,907
Post-employment benefits		
- Contribution to pension scheme	2,025	1,361
Total	36,644	37,268

Total remuneration is included in "staff costs" (see Note 10).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions set out in Note 58(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and 14A.93.

59 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.

- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.

- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.

- The international business segment mainly includes the overseas business of overseas subsidiaries.

- Other segments include other operations of head office, mainly including interest income, share of profit of associates, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

(Expressed in thousands of Renminbi, unless otherwise stated)

(a) Business segments

For the year ended 31 December 2020

	Wealth management	*Institutional services*	*Investment management*	*International business*	*Others*	*Total*
Revenue						
- External	17,965,074	10,421,451	3,759,466	5,842,220	1,593,068	39,581,279
- Inter-segment	218,956	37,766	-	-	43,070	299,792
Other income and gains	1,293,403	65,494	310,631	(291,613)	(367,073)	1,010,842
Segment revenue and other income	19,477,433	10,524,711	4,070,097	5,550,607	1,269,065	40,891,913
Segment expenses	(14,213,154)	(6,426,891)	(1,756,231)	(5,290,461)	(3,896,320)	(31,583,057)
Segment operating profit / (loss)	5,264,279	4,097,820	2,313,866	260,146	(2,627,255)	9,308,856
Share of profit of associates and joint ventures	-	11,986	2,675,170	(63)	1,516,554	4,203,647
Profit before income tax	5,264,279	4,109,806	4,989,036	260,083	(1,110,701)	13,512,503
Interest income	8,439,428	450,740	406,838	616,903	1,093,043	11,006,952
Interest expenses	(3,216,307)	(2,831,617)	(402,861)	(653,087)	(1,314,483)	(8,418,355)
Depreciation and amortisation expenses	(394,151)	(112,249)	(66,568)	(322,105)	(490,605)	(1,385,678)
Net reversal of impairment loss on other assets	346	-	-	-	-	346
Net (provision for) / reversal of impairment loss on financial assets	(1,324,705)	126,317	18,170	(86,540)	(39,450)	(1,306,208)
Segment assets	256,640,781	216,306,068	103,238,486	94,398,197	113,821,676	784,405,208
Additions to non-current segment assets during the year	227,944	62,686	33,801	1,048,830	474,918	1,848,179
Segment liabilities	(254,171,513)	(214,585,003)	(67,898,374)	(83,388,407)	(32,049,876)	(652,093,173)

(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2019

	Wealth management	*Institutional services*	*Investment management*	*International business*	*Others*	*Total*
Revenue						
- External	13,146,755	8,303,940	4,097,815	3,963,881	1,361,516	30,873,907
- Inter-segment	284	18,540	-	91,212	797,336	907,372
Other income and gains	996,721	45,179	270,178	(6,576)	314,198	1,619,700
Segment revenue and other income	14,143,760	8,367,659	4,367,993	4,048,517	2,473,050	33,400,979
Segment expenses	(10,057,458)	(5,314,444)	(1,429,079)	(3,945,267)	(2,935,054)	(23,681,302)
Segment operating profit / (loss)	4,086,302	3,053,215	2,938,914	103,250	(462,004)	9,719,677
Share of profit of associates and joint ventures	-	8,208	1,685,802	-	1,032,439	2,726,449
Profit before income tax	4,086,302	3,061,423	4,624,716	103,250	570,435	12,446,126
Interest income	6,632,992	369,196	270,021	529,359	881,125	8,682,693
Interest expenses	(2,257,545)	(2,508,729)	(90,906)	(447,032)	(1,274,240)	(6,578,452)
Depreciation and amortisation expenses	(331,768)	(64,542)	(57,740)	(265,941)	(505,551)	(1,225,542)
Net reversal of / (provision for) impairment loss on other assets	2,717	-	-	(100)	-	2,617
Net (provision for) / reversal of impairment loss on financial assets	(591,605)	(5,146)	(139,286)	(8,105)	24,593	(719,549)
Segment assets	169,792,956	180,665,359	113,510,026	36,435,362	99,691,815	600,095,518
Additions to non-current segment assets during the year	288,998	45,806	10,575	231,359	510,699	1,087,437
Segment liabilities	(166,688,469)	(178,697,367)	(80,861,035)	(25,614,722)	(22,579,217)	(474,440,810)

(Expressed in thousands of Renminbi, unless otherwise stated)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	Year ended 31 December	
	2020	*2019*
Revenue		
Total revenue and other income for segments	40,891,913	33,400,979
Elimination of inter-segment revenue	(357,477)	(964,198)
Consolidated revenue and other income	40,534,436	32,436,781
Profit		
Total profit before income tax for segments	13,512,503	12,446,126
Elimination of inter-segment profit	(8,127)	(860,161)
Consolidated profit before income tax	13,504,376	11,585,965

	As at 31 December	
	2020	*2019*
Assets		
Total assets for segments	784,405,208	600,095,518
Elimination of inter-segment assets	(67,653,973)	(37,914,880)
Consolidated total assets	716,751,235	562,180,638
Liabilities		
Total liabilities for segments	(652,093,173)	(474,440,810)
Elimination of inter-segment liabilities	67,653,973	37,914,880
Consolidated total liabilities	(584,439,200)	(436,525,930)

For the year ended 31 December 2020 and 31 December 2019, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

(Expressed in thousands of Renminbi, unless otherwise stated)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates, interest in joint ventures and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates and interest in joint ventures.

	Year ended 31 December 2020			*Year ended 31 December 2019*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Segment Revenue						
Revenue from external customers	33,739,122	5,842,157	39,581,279	26,910,025	3,963,881	30,873,906
Other income and gains	1,244,770	(291,613)	953,157	1,569,451	(6,576)	1,562,875
Total	34,983,892	5,550,544	40,534,436	28,479,476	3,957,305	32,436,781

	Year ended 31 December 2020			*Year ended 31 December 2019*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Specified non-current assets	24,545,028	8,237,489	32,782,517	21,466,328	7,673,870	29,140,198

60 Financial instruments and risk management

(a) Risk management policies and structure

(i) Risk management policies

In order to enhance the Group's scientific, standardised and effective management and operation, strengthen the capability of defending against risks and ensure the continuous, stable and rapid development of the Group's businesses, the Group had formulated the Basic System for Risk Management which had been deliberated and approved by the Board of Directors in accordance with the Securities Law of the People's Republic of China, the Rules on Supervision over Securities Companies, the Guidelines on the Internal Control of Securities Companies, the Regulation on Comprehensive Risk Management of Securities Companies and other relevant regulations in combination with the business operation and business management. This has clarified the risk management objectives and principles, the risk appetite and risk tolerance level of the Company as a whole and for different risk types, the risk management procedures, and the relevant resource assurance and appraisal mechanisms. In terms of operation management, the Group had formulated and issued various professional risk management guidelines to clearly establish the management processes and measures, risk indicators and limits for various types of risks; in addition, the Group had also formulated policies such as the Administration Measures for Risk Control Indicators, the Rules on the Risk Management of Subsidiaries (Trial Implementation) and the Implementation Plan and Detailed Implementation Rules for Stress Test at the operation level. In the specific business level, the Group had established business risk management system or risk management manual based on the risk points of different business areas and business management lines.

The principal types of risk faced by the Group in daily operation mainly include credit risk, liquidity risk, market risk, operational risk, reputational risk, information technology risk and compliance risk. The Group had formulated corresponding policies and procedures to identify and analyse these risks, and set up risk indicators, risk limits and internal risk control processes in combination with the actual circumstances with a view to continuously manage the above risks through the support of information systems and effective mechanisms.

Risk management is a shared responsibility of all the Group's employees. The Group continuously enhances the risk management awareness and risk sensitivity of all its employees through training and assessment to cultivate the risk management culture.

(ii) Risk governance structure

The risk management structure of the Company covers five major parts: The Board and its Compliance and Risk Management Committee, Board of Supervisors, Business Operation Management and Risk Control Committee, Risk Management Department and various professional risk management departments as well as other departments, branches and subsidiaries.

The board of directors is the highest decision-making body for risk management and assumes ultimate responsibility for the effectiveness of the Company's comprehensive risk management system. The Compliance and Risk Management Committee is set up by the Board to review and make recommendations on the overall risk management targets, fundamental policies and risk assessment reports; and evaluate and make recommendations on the risks of major decisions which require the Board's review as well as the solutions to these major risks. The Board of Supervisors is responsible for the supervision of overall risk management, supervising and examining the Board and the President's Office on the performance of their risk management duties and urging them to make rectifications. Based on the authorisation and approval of the Board and in combination with the operational targets of the Company, the management is specifically responsible for the implementation of risk management activities, with the Risk Control Committee established under it. The Chief Risk Officer of the Company is responsible for leading the overall risk management initiatives. The Risk Management Department is charged with comprehensive risk management duties, it reports to the management and is responsible for managing the overall risks of the Company, taking the lead in managing market risk, credit risk and operational risk. Relevant functional departments of the Company are responsible for taking the lead in managing other types of risks according to their responsibilities and positioning; other departments, branches and subsidiaries of the Company are responsible for the management of risks in respective lines, implementing policies, procedures and measures formulated by the Company and risk management departments, accepting the guidance from risk management departments and the decomposition of risk management and implementation responsibilities by the risk management departments. The Audit Department is responsible for the review and evaluation of the effectiveness and implementation of the risk management procedures of the Company and taking the lead in evaluating the overall risk management system of the Company.

(b) Credit risk management

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

The Group mainly faced four types of credit risks, namely (i) the risks of suffering from loss in respect of the financing bills and interests lent out due to customer's default in financing business; (ii) the risks caused by default of the bond issuer in bond investment business; (iii) the risk of assets suffering from loss due to the default by the counterparty; (iv) the risks of loss suffered by the Group arising from payment made on customer's behalf due to insufficient fund of the customer in guarantee settlement business.

The Company's credit risk management system covers self-owned deposit funding and entrusted funding business. The Company applies a unified credit risk management system for all subsidiaries at home and abroad, and also for the sub-subsidiaries managed with reference to the subsidiary's management approach, thereby achieving full credit risk management coverage.

With respect to financing business, the Group adopted full-process control measures such as stringent customer and underlying assets management, continuous dynamic monitoring and timely risk mitigation to control the credit risk in its business operation.

With respect to bond investment business, the Company established a unified management system for issuers for the aggregated monitoring of the total investment amount of the same issuer for different business units within the Group through the system and implemented bottom-line control over credit bond investment in key industries. At the same time, it also steadily promoted the construction of the credit analysis management system (CAMS system) to improve the consistency of the internal assessment system and enhance the Group's overall risk identification and control capabilities.

With respect to counterparty management, during the reporting period, the Group promoted the construction of the unified management system for counterparty, and further expanded the coverage of the unified management of counterparty credit limit at group level and enhanced systematic monitoring measures in order to strictly control its business risk exposures.

With respect to guarantee settlement business, the Group explored ways to enhance the management system and access threshold for customer qualifications, continued to improve the front-end control of risk indicator design and promoted the establishment of systematic measures, as well as strengthened its risk event handling and risk transmission control capabilities.

At the same time, the Company promoted the establishment of a unified customer penetration management system within the Group, implemented customer ESG risk management mechanism, comprehensively collated the bottom-line measures for strengthening the control of credit risk points, consolidated the unified management system for credit risk, improved the capability to address the complex external credit business environment, and provided robust risk management control support for the development of various credit businesses.

The Group provided credit loss allowances for securities-backed lending of financial assets sold under repurchase agreements. The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the risk factors and identified the three stages of credit loss allowances of the securities-backed lending assets. The details are as below:

<table>
<tr><th>Description</th><th colspan="2">Stage of credit loss allowances</th></tr>
<tr><td>Collateral to loan ratios above the force liquidation thresholds, with no past due days</td><td>12-month ECL</td><td>Stage I</td></tr>
<tr><td>Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments</td><td rowspan="3">Lifetime ECL-not credit impaired</td><td rowspan="3">Stage II</td></tr>
<tr><td>Collateral to loan ratios below the force liquidation thresholds but above 100%,, with no past due days</td></tr>
<tr><td>Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments</td></tr>
<tr><td>Collateral to loan ratios below 100%</td><td rowspan="4">Lifetime ECL- credit impaired</td><td rowspan="4">Stage III</td></tr>
<tr><td>Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments</td></tr>
<tr><td>Borrowers in default or lawsuit</td></tr>
<tr><td>Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring</td></tr>
</table>

(Expressed in thousands of Renminbi, unless otherwise stated)

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage I and II, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. The credit loss rate is 0.25% and 1%-4% for assets classified under Stage I and II, respectively.

For credit impaired assets classified under Stage III, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2020	*2019*
Debt investment at amortised cost	30,411,508	19,739,758
Refundable deposits	24,763,790	12,653,540
Accounts receivable	9,095,561	5,511,168
Other receivables and prepayments	472,655	600,201
Margin accounts receivable	102,574,007	69,006,280
Financial assets at fair value through other comprehensive income	5,267,955	2,013,233
Financial assets held under resale agreements	19,536,413	18,466,280
Financial assets at fair value through profit or loss	197,813,082	183,612,198
Derivative financial assets	7,295,357	1,858,041
Clearing settlement funds	6,988,396	6,755,604
Cash held on behalf of brokerage clients	124,635,007	82,959,838
Bank balances	49,650,839	49,852,998
Total maximum credit risk exposure	578,504,570	453,029,139

(Expressed in thousands of Renminbi, unless otherwise stated)

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	As at 31 December 2020			
Impairment and loss allowance	*12-month ECL*	*Lifetime ECL-not credit impaired*	*Lifetime ECL-credit impaired*	*Total*
Bank balances	1,430	-	-	1,430
Margin accounts receivable	355,422	996,449	116,380	1,468,251
Financial assets held under resale agreements	11,996	135	1,027,281	1,039,412
Accounts receivable	-	63,300	-	63,300
Debt investment measured at amortised cost	2,911	25,657	-	28,568
Financial assets at fair value through other comprehensive income	68,019	-	-	68,019
Other receivables and prepayments	-	25,972	806,364	832,336
Total	439,778	1,111,513	1,950,025	3,501,316

	As at 31 December 2019			
Impairment and loss allowance	*12-month ECL*	*Lifetime ECL-not credit impaired*	*Lifetime ECL-credit impaired*	*Total*
Bank balances	11,179	-	-	11,179
Margin accounts receivable	90,206	-	22,465	112,671
Financial assets held under resale agreements	8,002	4	1,049,544	1,057,550
Accounts receivable	-	19,855	-	19,855
Debt investment measured at amortised cost	7,213	-	-	7,213
Financial assets at fair value through other comprehensive income	4,799	-	-	4,799
Other receivables and prepayments	-	21,551	960,290	981,841
Total	121,399	41,410	2,032,299	2,195,108

(Expressed in thousands of Renminbi, unless otherwise stated)

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	*Outside Mainland China*	*Total*
31 December 2020			
Debt investment at amortised cost	30,120,021	291,487	30,411,508
Refundable deposits	23,696,138	1,067,652	24,763,790
Accounts receivable	5,960,725	3,134,836	9,095,561
Other receivables and prepayments	318,079	154,576	472,655
Margin accounts receivable	100,819,185	1,754,822	102,574,007
Financial assets at fair value through other comprehensive income	-	5,267,955	5,267,955
Financial assets held under resale agreements	19,134,247	402,166	19,536,413
Financial assets at fair value through profit or loss	142,528,247	55,284,835	197,813,082
Derivative financial assets	1,454,555	5,840,802	7,295,357
Clearing settlement funds	6,388,195	600,201	6,988,396
Cash held on behalf of brokerage clients	120,060,010	4,574,997	124,635,007
Bank balances	42,460,402	7,190,437	49,650,839
Total maximum credit risk exposure	492,939,804	85,564,766	578,504,570

(Expressed in thousands of Renminbi, unless otherwise stated)

	By geographical area		
	Mainland China	*Outside Mainland China*	*Total*
31 December 2019			
Debt investment at amortised cost	17,780,767	1,958,991	19,739,758
Refundable deposits	12,119,390	534,150	12,653,540
Accounts receivable	4,422,451	1,088,717	5,511,168
Other receivables and prepayments	430,286	169,915	600,201
Margin accounts receivable	68,122,908	883,372	69,006,280
Financial assets at fair value through other comprehensive income	-	2,013,233	2,013,233
Financial assets held under resale agreements	17,549,896	916,384	18,466,280
Financial assets at fair value through profit or loss	175,322,508	8,289,690	183,612,198
Derivative financial assets	1,508,264	349,777	1,858,041
Clearing settlement funds	6,744,173	11,431	6,755,604
Cash held on behalf of brokerage clients	82,033,073	926,765	82,959,838
Bank balances	45,177,318	4,675,680	49,852,998
Total maximum credit risk exposure	431,211,034	21,818,105	453,029,139

(iii) Credit rating analysis of financial assets

With respect to bond investment business, the Company established a unified management system for issuers for the aggregated monitoring of the total investment amount of the same issuer for different business units within the Group through the system and implemented bottom-line control over credit bond investment in key industries. At the same time, it also steadily promoted the construction of the credit analysis management system (CAMS system) to improve the consistency of the internal assessment system and enhance the Group’s overall risk identification and control capabilities.

(c) Liquidity risk management

Liquidity risk refers to the risk of the Company not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform payment obligations and meet the capital requirements of normal businesses. The Company established a liquidity risk management system to identify, measure, monitor, control and report on its overall liquidity risk to improve the informatisation of liquidity risk management, enhance the capabilities in the identification, measurement and monitoring of liquidity risk, and strengthen the Company’s ability in addressing liquidity risk. In addition, the Company also established a right-sized liquidity assets reserves based on the risk appetite and maintained sufficient liquidity assets with high quality to ensure the satisfaction of liquidity needs under stressful scenarios in a timely manner.

(Expressed in thousands of Renminbi, unless otherwise stated)

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2020								
Financial Liabilities	*Carrying amount*	*Overdue / repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	11,299,859	-	6,748,444	3,458,889	1,110,698	-	-	-	11,318,031
Short-term debt instruments issued	43,951,388	-	8,563,804	12,381,730	23,365,612	-	-	-	44,311,146
Placements from other financial institutions	4,815,236	-	3,948,126	869,006	-	-	-	-	4,817,132
Accounts payable to brokerage clients	136,387,634	134,493,228	464,729	480,622	958,017	-	-	-	136,396,596
Other payables and accruals	105,900,966	102,865,940	655,526	86,245	275,905	2,031,340	96,326	-	106,011,282
Financial assets sold under repurchase agreements	139,899,968	-	118,207,484	6,765,142	15,296,680	-	-	-	140,269,306
Derivative financial liabilities	13,398,830	-	86,923	2,252,398	1,544,147	9,515,362	-	-	13,398,830
Financial liabilities at fair value through profit or loss	15,381,530	1,176,256	307,786	1,200,000	3,815,036	6,849,314	2,033,138	-	15,381,530
Long-term bonds	97,053,188	-	-	521,595	14,257,552	89,641,107	-	-	104,420,254
Long-term bank loans	475,414	-	-	2,674	8,023	507,504	-	-	518,201
Total	568,564,013	238,535,424	138,982,822	28,018,301	60,631,670	108,544,627	2,129,464	-	576,842,308

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2019								
Financial Liabilities	*Carrying amount*	*Overdue / repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	5,724,131	-	268,823	5,469,214	-	-	-	-	5,738,037
Short-term debt instruments issued	46,425,196	-	11,964,511	22,734,810	13,182,721	-	-	-	47,882,042
Placements from other financial institutions	11,362,598	-	5,352,616	-	6,098,583	-	-	-	11,451,199
Accounts payable to brokerage clients	89,817,920	89,331,946	394,887	92,976	-	-	-	-	89,819,809
Other payables and accruals	86,702,244	84,116,882	1,607,208	136,552	246,449	663,470	8,471	-	86,779,032
Financial assets sold under repurchase agreements	109,719,045	-	93,025,280	6,237,375	10,794,182	-	-	-	110,056,837
Derivative financial liabilities	1,278,399	-	233,136	368,476	545,455	131,332	-	-	1,278,399
Financial liabilities at fair value through profit or loss	7,380,183	103,142	158,639	1,738,826	1,981,165	1,750,623	1,654,191	-	7,386,586
Long-term bonds	64,616,358	-	-	3,407,100	13,528,749	52,908,371	-	-	69,844,220
Long-term bank loans	850,997	-	-	16,017	46,936	227,742	713,280	-	1,003,975
Total	423,877,071	173,551,970	113,005,100	40,201,346	46,424,240	55,681,538	2,375,942	-	431,240,136

(d) Market risk management

Market risk refers to the risk resulting from the movements in market prices such as exchange rates, interest rates and stock prices, which could have an impact on the income of the Group or the value of financial instruments held by the Group. The objective of market risk management is to manage and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the risk that movements in market interest rate will cause fluctuation in the Company's financial position and cash flow. The Company's interest-bearing assets mainly include bank balances, clearing settlement funds, margin accounts receivable, financial assets purchased under resale agreements, refundable deposits and bond investments; interest-bearing liabilities mainly include short-term bank loans, short-term debt instruments issued, placements from other financial institutions, financial assets sold under repurchase agreements, long-term bonds and long-term bank loans, amongst others.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group adopts sensitivity analysis as the primary instrument for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and potential changes to the interest rate on the net profits and shareholders' equity under the assumption that all the other variables remain constant.

(Expressed in thousands of Renminbi, unless otherwise stated)

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 31 December 2020						
Financial assets	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Investment in a joint venture at fair value through profit or loss	-	-	-	-	-	888,195	888,195
Debt investment at amortised cost	830,000	1,076,858	9,111,486	14,531,827	4,458,530	402,807	30,411,508
Financial assets at fair value through other comprehensive income	41,253	437,390	1,042,922	3,368,486	297,106	10,759,215	15,946,372
Financial assets held under resale agreements	14,079,115	887,843	4,542,121	-	-	27,334	19,536,413
Refundable deposits	8,036,970	-	-	-	-	16,726,820	24,763,790
Accounts receivable	-	-	-	-	-	9,095,561	9,095,561
Other receivables and prepayments	-	-	-	-	-	472,655	472,655
Margin accounts receivable	5,913,898	21,191,268	71,987,533	-	-	3,481,308	102,574,007
Financial assets at fair value through profit or loss	15,104,737	25,378,016	61,180,681	66,486,061	16,343,392	107,314,225	291,807,112
Derivative financial assets	9,701	-	-	-	-	7,285,656	7,295,357
Clearing settlement funds	6,988,285	-	-	-	-	111	6,988,396
Cash held on behalf of brokerage clients	123,054,069	478,888	952,933	-	-	149,117	124,635,007
Cash and bank balances	40,455,931	8,126,624	987,002	-	-	81,482	49,651,039
Total	214,513,959	57,576,887	149,804,678	84,386,374	21,099,028	156,684,486	684,065,412

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2020						
Financial liabilities	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Short-term bank loans	(6,735,226)	(3,444,926)	(1,102,637)	-	-	(17,070)	(11,299,859)
Short-term debt instruments issued	(8,518,234)	(12,320,750)	(22,855,245)	-	-	(257,159)	(43,951,388)
Placements from other financial institutions	(3,945,820)	(867,812)	-	-	-	(1,604)	(4,815,236)
Accounts payable to brokerage clients	(134,937,770)	(478,888)	(952,933)	-	-	(18,043)	(136,387,634)
Other payables and accruals	(47,570)	(85,388)	(265,110)	(771,860)	(78,870)	(104,652,168)	(105,900,966)
Financial assets sold under repurchase agreements	(118,061,442)	(6,595,357)	(14,911,087)	-	-	(332,082)	(139,899,968)
Derivative financial liabilities	(54,708)	-	-	-	-	(13,344,122)	(13,398,830)
Financial liabilities at fair value through profit or loss	(517,302)	(1,200,001)	(3,815,037)	(5,696,683)	-	(4,152,507)	(15,381,530)
Long-term bonds	-	-	(11,310,000)	(84,384,410)	-	(1,358,778)	(97,053,188)
Long-term bank loans	-	-	-	(475,414)	-	-	(475,414)
Total	(272,818,072)	(24,993,122)	(55,212,049)	(91,328,367)	(78,870)	(124,133,533)	(568,564,013)
Net interest rate risk exposure	(58,304,113)	32,583,765	94,592,629	(6,941,993)	21,020,158	32,550,953	115,501,399

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2019						
Financial assets	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Debt investment at amortised cost	-	167,609	4,371,144	14,580,090	279,101	341,814	19,739,758
Financial assets at fair value through other comprehensive income	99,237	318,306	695,824	887,891	-	10,356,717	12,357,975
Financial assets held under resale agreements	15,938,914	1,289,855	1,114,315	-	-	123,196	18,466,280
Refundable deposits	11,765,965	-	-	-	-	887,575	12,653,540
Accounts receivable	-	-	-	-	-	5,511,168	5,511,168
Other receivables and prepayments	-	-	-	-	-	600,201	600,201
Margin accounts receivable	2,393,075	12,869,438	50,340,427	-	-	3,403,340	69,006,280
Financial assets at fair value through profit or loss	5,802,873	16,871,545	49,875,442	77,646,683	28,579,090	74,020,039	252,795,672
Derivative financial assets	2,310	-	-	-	-	1,855,731	1,858,041
Clearing settlement funds	6,755,433	-	-	-	-	171	6,755,604
Cash held on behalf of brokerage clients	82,825,943	92,436	-	-	-	41,459	82,959,838
Cash and bank balances	36,197,587	5,093,460	8,418,459	-	-	143,682	49,853,188
Total	161,781,337	36,702,649	114,815,611	93,114,664	28,858,191	97,285,093	532,557,545

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2019						
Financial liabilities	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Short-term bank loans	(268,734)	(5,449,562)	-	-	-	(5,835)	(5,724,131)
Short-term debt instruments issued	(10,963,070)	(22,374,400)	(13,023,490)	-	-	(64,236)	(46,425,196)
Placements from other financial institutions	(5,350,000)	-	(6,000,000)	-	-	(12,598)	(11,362,598)
Accounts payable to brokerage clients	(89,725,484)	(92,436)	-	-	-	-	(89,817,920)
Other payables and accruals	(42,546)	(77,353)	(236,584)	(599,052)	(6,906)	(85,739,803)	(86,702,244)
Financial assets sold under repurchase agreements	(92,917,584)	(6,146,694)	(10,468,857)	-	-	(185,910)	(109,719,045)
Derivative financial liabilities	(1,255)	-	-	-	-	(1,277,144)	(1,278,399)
Financial liabilities at fair value through profit or loss	(158,639)	(1,732,423)	(1,981,165)	(713,756)	-	(2,794,200)	(7,380,183)
Long-term bonds	-	(3,000,000)	(11,282,217)	(49,038,257)	-	(1,295,884)	(64,616,358)
Long-term bank loans	-	-	-	-	(847,161)	(3,836)	(850,997)
Total	(199,427,312)	(38,872,868)	(42,992,313)	(50,351,065)	(854,067)	(91,379,446)	(423,877,071)
Net interest rate risk exposure	(37,645,975)	(2,170,219)	71,823,298	42,763,599	28,004,124	5,905,647	108,680,474

(Expressed in thousands of Renminbi, unless otherwise stated)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant and without taking into consideration of the management's activities to reduce interest rate risk, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	As at 31 December	
Move in yield curve	*2020*	*2019*
Up 100 basis points	(1,611,464)	(2,680,917)
Down 100 basis points	1,685,736	2,915,920

	Sensitivity of net equity	
	As at 31 December	
Move in yield curve	*2020*	*2019*
Up 100 basis points	(1,678,900)	(2,701,453)
Down 100 basis points	1,753,171	2,936,455

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. Apart from the assets and liabilities held by the Group's overseas subsidiaries which use Hong Kong dollars or U.S. dollars as their functional currency, other assets and liabilities denominated in foreign currencies mainly represent foreign currency cash and bank balances held by domestic enterprises, foreign currency financial assets and liabilities arising from cross-border business, as well as foreign currency financial assets acquired by subsidiaries. In respect of assets and liabilities denominated in foreign currencies such as cash and bank balances, clearing settlement funds, refundable deposits, accounts receivable, cash held on behalf of brokerage clients, accounts payable and long-term bonds that are not accounted for with their functional currency, the Group has ensured that their net risk exposure are maintained at an acceptable level by buying or selling foreign currencies at market exchange rates where necessary to address the short-term imbalances.

(Expressed in thousands of Renminbi, unless otherwise stated)

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against USD and HKD at the reporting date would have increased / (decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

	Sensitivity of net profit	
	As at 31 December	
Currency	*2020*	*2019*
USD	98,163	(1,023,382)
HKD	(500,808)	(262,584)

	Sensitivity of net equity	
	As at 31 December	
Currency	*2020*	*2019*
USD	(853,351)	(1,167,482)
HKD	(611,490)	(285,990)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

(Expressed in thousands of Renminbi, unless otherwise stated)

	Sensitivity of net profit	
	As at 31 December	
	2020	*2019*
Increase by 10%	3,409,244	3,983,649
Decrease by 10%	(3,409,244)	(3,983,649)

	Sensitivity of net equity	
	As at 31 December	
	2020	*2019*
Increase by 10%	4,210,964	4,759,505
Decrease by 10%	(4,210,964)	(4,759,505)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2020 and 2019.

(e) Operational risk management

Operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events, which lead to inefficient internal procedures, mistakes of staff in operation or failure to strictly enforce the established procedures. The Risk Management Department takes the lead in managing the operational risk of the Company. Each risk management department, business department and support department perform operational risk management in their respective business and management areas according to their segregation of functions. The Company adopts technological measures to prevent the emergence of operational risks in different business and management procedures as well as key segments, whilst at the same time strengthens process controls, to ensure effective implementation of operational risk management policies and systems. The Company carries out self-assessment of risk and control, monitoring of key risk indicators and gathering of loss data as additional approaches to strengthen the management of operational risks.

Based on the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission as well as its supporting guidelines and the relevant requirements of the regulatory authorities and the Company, the Company has developed the risk-based internal control standards and carried out relevant continuous improvement initiatives. It has combined the self-assessment of operational risk with the self-assessment of internal controls; comprehensively sorted out and evaluated the inherent risks and control activities in various business processes; tested the effectiveness of control design and implementation; rectified the internal control weaknesses; comprehensively sorted out and optimised various business segments, systems and processes of the Company; whilst at the same time supplemented and improved the risk control matrix and internal control manual; recorded the risk points, key control activities and major business flow charts in order to ensure that the Company's internal control measures are properly in place and the effectiveness of risk management. In addition, the Company has also integrated the management of operational risk and internal controls into daily operation; participated in the design of system, procedures and plan for new business throughout the entire process; fully identified and comprehensively evaluated the operational risks; and performed various pre-, middle- and post management measures such as setting up front-end controls, standardising business processes, creating risk-discovery indicators and conducting training and inspection in order to implement internal controls at key risk points.

(f) Capital management

The Group's objectives of capital management are:

(i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth;
(iii) To maintain a strong capital base to support the development of their business; and
(iv) To comply with the capital requirements under the PRC, Hong Kong and the United States regulations.

On 23 January 2020 and 20 March 2020, the revised Rules on Standards for the Calculation of Risk Control Indicators of Securities Companies and the revised Administrative Measures for Risk Control Indicators of Securities Companies were issued by the CSRC ("Revised Administrative Measures") . The Company is required to meet the following standards for risk control indicators on a continual basis from 1 June 2020:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
(ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
(iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
(vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
(vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
(viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");
(ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and

(Expressed in thousands of Renminbi, unless otherwise stated)

(x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

As at 31 December 2020 and 31 December 2019, the Company maintained net capital and the above ratios as follows:

	Year ended 31 December	
	2020	*2019* *(Note)*
Net Capital	67,909,921	64,580,659
Ratio 1	236.68%	350.95%
Ratio 2	60.65%	58.57%
Ratio 3	21.86%	26.73%
Ratio 4	36.04%	45.64%
Ratio 5	49.91%	56.82%
Ratio 6	296.70%	275.33%
Ratio 7	21.08%	26.81%
Ratio 8	230.31%	357.58%
Ratio 9	130.22%	142.38%
Ratio 10	194.19%	115.80%

Note: The net capital and the above ratios as at the end of previous year has been restated according to Rules on Standards for the Calculation of Risk Control Indicators of Securities Companies (Announcement [2020] No. 10 of the CSRC) .

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the Mainland China, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the year ended 31 December 2020 and 31 December 2019.

(g) *Transfer of financial assets*

The Group transferred financial assets to certain counterparties through repurchase agreements and securities lending. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities and margin accounts receivable.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost and margin accounts receivable. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and interests of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 31 December 2020

	Financial assets at fair value through profit or loss		*Margin accounts receivable*	*Debt investment at amortised cost*	*Total*
	Sales and repurchase agreements	*Securities lending*	*Margin loans receivable backed repurchase*	*Sales and repurchase agreements*	
Carrying amount of transferred assets	2,649,170	5,426,439	311,411	317,882	8,704,902
Carrying amount of associated liabilities	(2,484,314)	-	(300,321)	(294,586)	(3,079,221)
Net position	164,856	5,426,439	11,090	23,296	5,625,681

As at 31 December 2019

	Financial assets at fair value through profit or loss		*Margin accounts receivable*	*Total*
	Sales and repurchase agreements	*Securities lending*	*Margin loans receivable backed repurchase*	
Carrying amount of transferred assets	5,577,866	1,475,784	1,033,886	8,087,536
Carrying amount of associated liabilities	(5,329,589)	-	(1,000,000)	(6,329,589)
Net position	248,277	1,475,784	33,886	1,757,947

(Expressed in thousands of Renminbi, unless otherwise stated)

61 Fair value information

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Accounts receivable, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of debt investment at amortised cost, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at 31 December	
	2020	*2019*
Financial assets		
- Debt investment at amortised cost	30,411,508	19,739,758
Total	30,411,508	19,739,758
Financial liabilities		
- Short-term debt instruments issued	(43,951,388)	(46,425,196)
- Long-term bonds	(97,053,188)	(64,616,358)
Total	(141,004,576)	(111,041,554)

(Expressed in thousands of Renminbi, unless otherwise stated)

Fair value

	As at 31 December 2020			
	Level I	Level II	Level III	Total
Financial assets				
- Debt investment at amortised cost	9,917,696	20,490,979	-	30,408,675
Total	9,917,696	20,490,979	-	30,408,675
Financial liabilities				
- Short-term debt instruments issued	18,490,590	5,009,910	20,444,719	43,945,219
- Long-term bonds	84,601,075	6,085,902	6,180,994	96,867,971
Total	103,091,665	11,095,812	26,625,713	140,813,190

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Financial assets				
- Debt investment at amortised cost	9,000,594	9,927,710	988,708	19,917,012
Total	9,000,594	9,927,710	988,708	19,917,012
Financial liabilities				
- Short-term debt instruments issued	-	15,064,165	31,363,115	46,427,280
- Long-term bonds	54,554,934	6,073,998	4,063,920	64,692,852
Total	54,554,934	21,138,163	35,427,035	111,120,132

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost less impairment in the Group's consolidated statement of financial position approximate their fair values.

(Expressed in thousands of Renminbi, unless otherwise stated)

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 31 December 2020			
	Level I	*Level II*	*Level III*	*Total*
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	27,242,316	160,410,227	684,259	188,336,802
- Equity securities	56,248,721	3,653,328	3,806,541	63,708,590
- Funds	23,690,715	719,160	-	24,409,875
- Wealth management products	-	7,499,053	3,802,951	11,302,004
- Loan and advances	-	-	4,049,841	4,049,841
Financial assets at fair value through other comprehensive income				
- Debt securities	-	4,390,712	-	4,390,712
- Equity securities	-	10,586,865	91,552	10,678,417
- Loan and advances	-	-	877,243	877,243
Other investment				
- Unlisted investment in a joint venture	-	-	888,195	888,195
Derivative financial assets	117,320	6,775,882	402,155	7,295,357
Total	107,299,072	194,035,227	14,602,737	315,937,036
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(240,151)	(11,229,022)	-	(11,469,173)
- Financial liabilities designated at fair value through profit or loss	(571,186)	(157,153)	(3,184,018)	(3,912,357)
Derivative financial liabilities	(253,515)	(11,636,722)	(1,508,593)	(13,398,830)
Total	(1,064,852)	(23,022,897)	(4,692,611)	(28,780,360)

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December 2019			
	Level I	*Level II*	*Level III*	*Total*
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	36,690,710	143,218,519	1,603,834	181,513,063
- Equity securities	28,859,458	1,619,997	3,521,066	34,000,521
- Funds	28,321,910	718,902	-	29,040,812
- Wealth management products	-	5,566,829	2,051,096	7,617,925
- Loan and advances	-	-	623,351	623,351
Financial assets at fair value through other comprehensive income				
- Debt securities	-	1,015,241	-	1,015,241
- Equity securities	-	10,254,673	90,069	10,344,742
- Loan and advances	-	-	997,992	997,992
Derivative financial assets	81,849	1,000,750	775,442	1,858,041
Total	93,953,927	163,394,911	9,662,850	267,011,688
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	-	(4,586,478)	-	(4,586,478)
- Financial liabilities designated at fair value through profit or loss	-	(103,142)	(2,690,563)	(2,793,705)
Derivative financial liabilities	(105,950)	(629,477)	(542,972)	(1,278,399)
Total	(105,950)	(5,319,097)	(3,233,535)	(8,658,582)

For the year ended 31 December 2020 and year ended 31 December 2019, there was a transfer of amount RMB761 and RMB188 million from Level II to Level I due to its lifting of restricted stocks, respectively. For the year ended 31 December 2020 and year ended 31 December 2019, the transfers into or out of Level III fair value measurements were resulted from the changes of inputs in fair value measurements.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the stock exchanges and funds with quoted bid prices in an active market, which classified as financial instruments at fair value through profit or loss.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2020 and 31 December 2019, the Group's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.

(5) For unlisted equity securities, wealth management products without quoted bid price in an active market, loan and advances, gold leasing and OTC derivative financial instruments, fair value is determined using valuation techniques.

(Expressed in thousands of Renminbi, unless otherwise stated)

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	*Other investment*	*Financial assets at fair value through other comprehensive income*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2020	7,799,347	-	1,088,061	775,442	(2,690,563)	(542,972)	6,429,315
Gains or losses for the year	503,144	46,555	158,545	237,494	(695,601)	(2,511,145)	(2,261,008)
Changes in fair value recognised in other comprehensive income	-	-	(2,871)	-	-	(34,348)	(37,219)
Purchases	8,083,217	841,640	856,485	157,209	-	398,369	10,336,920
Sales and settlements	(4,042,116)	-	(1,131,425)	(767,990)	202,146	1,181,503	(4,557,882)
As at 31 December 2020	12,343,592	888,195	968,795	402,155	(3,184,018)	(1,508,593)	9,910,126
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	211,830	46,555	-	539,665	(592,401)	(1,377,622)	(1,171,973)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2019	5,033,263	689,104	1,578,610	(2,325,405)	(321,553)	4,654,019
Gains or losses for the year	501,266	68,261	419,470	(428,902)	(543,006)	17,089
Changes in fair value recognised in other comprehensive income	-	12,674	-	-	-	12,674
Purchases	3,957,499	386,092	284,939	-	623,683	5,252,213
Sales and settlements	(1,692,681)	(68,070)	(1,507,577)	63,744	(302,096)	(3,506,680)
As at 31 December 2019	7,799,347	1,088,061	775,442	(2,690,563)	(542,972)	6,429,315
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	405,998	-	477,462	(428,902)	(502,400)	(47,842)

(Expressed in thousands of Renminbi, unless otherwise stated)

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets and liabilities	*Fair value hierarchy*	*Valuation technique(s) and key input(s)*	*Significant unobservable input(s)*	*Relationship of unobservable input(s) to fair value*
Wealth management products, loan and advances and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter derivatives	Level III	Black-Scholes option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value
		Monte-Carlo option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value

The fair value of the financial instruments in Level III is not significantly sensitive to a reasonable change in these unobservable inputs.

62 Share-based payment of a subsidiary

(a) Summary information about share-based payments of a subsidiary

	2020			
	As at 1 January	*Accrued for the year*	*Decrease for the year*	*As at 31 December*
Equity-settled share-based payments - USD equivalent to RMB	350,705	654,134	-	1,004,839

On 3 July 2019, AssetMark Financial Holdings, Inc. granted the equity incentive plan ("the 2019 Equity Incentive Plan"). The 2019 Equity Incentive Plan was effective on 17 July 2019, i.e. the effective date of the S-1 registration form of the Initial Public Offering ("IPO").

(i) Restricted Stock Awards (RSAs)

On 17 July 2019, AssetMark Financial Holdings, Inc. granted the original holders of Class C Common Unites Restricted Stock Awards equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock. The Restricted Stock Awards are subject to the same vesting schedule as the Class C Common Units of AssetMark Holdings, LLC.

(ii) Stock Options

In connection with the IPO, AssetMark Financial Holdings, Inc. issued options to certain officers to acquire an aggregate of 918,981 shares of the common stock, with an exercise price of USD22 per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of 18 July 2019. AssetMark Financial Holdings, Inc. uses the Black-Scholes options pricing model to estimate the fair value of Stock Options.
.

(iii) Restricted Stock Units (RSUs)

In connection with the IPO, AssetMark Financial Holdings, Inc. issued Restricted Stock Units to certain officers covering an aggregate of 85,737 shares of the common stock. Each of these Restricted Stock Units is scheduled to vest in substantially equal installments on each of the first three anniversaries of 18 July 2019.

(iv) Stock Appreciation Rights (SARs)

On 9 June 2020, AssetMark Financial Holdings, Inc. issued stock appreciation to certain officers with respect to 831,902 shares of its common stock under the 2019 Equity Incentive Plan. Each SAR has a strike price equal to the fair market value of the common stock of AssetMark Financial Holdings, Inc. on the date of grant and is scheduled to vest and become exercisable insubstantially equal installments on each of the first four anniversaries of 9 June 2020. Upon exercise, each of these SARs will be settled in shares of AssetMark Financial Holdings, Inc. common stock with a value equal to the excess, if any, of the fair market value of its common stock measured on the exercise date over the strike price.

(Expressed in thousands of Renminbi, unless otherwise stated)

63 Company-level statement of financial position

	Note	As at 31 December 2020	As at 31 December 2019
Non-current assets			
Property and equipment		3,427,464	3,091,787
Investment properties		1,216,252	1,363,937
Other intangible assets		490,003	646,399
Investments in subsidiaries		19,374,962	19,374,962
Interest in associates		11,317,184	9,434,339
Debt investment at amortised cost		18,959,784	13,755,153
Financial assets at fair value through other comprehensive income		10,540,968	10,307,367
Financial assets at fair value through profit or loss		973,587	6,674,987
Refundable deposits		9,876,632	4,548,561
Other non-current assets		254,168	237,812
Total non-current assets		76,431,004	69,435,304
Current assets			
Accounts receivable		6,872,139	3,041,432
Other receivables and prepayments		6,001,078	330,090
Margin accounts receivable		100,819,185	68,122,908
Debt investment at amortised cost		11,160,237	4,025,614
Financial assets held under resale agreements		9,983,827	14,155,652
Financial assets at fair value through profit or loss		182,706,227	165,269,314
Derivative financial assets		7,583,195	1,851,978
Clearing settlement funds		9,535,564	7,419,153
Cash held on behalf of brokerage clients		101,415,279	71,142,684
Cash and bank balances		11,830,586	17,806,478
Total current assets		447,907,317	353,165,303
Total assets		524,338,321	422,600,607

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2020	2019
Current liabilities			
Short-term debt instruments issued		43,720,163	47,059,476
Placements from other financial institutions		4,815,236	11,362,598
Accounts payable to brokerage clients		100,723,551	70,663,092
Employee benefits payable		1,832,973	1,120,459
Other payables and accruals		35,725,842	10,746,710
Current tax liabilities		853,166	46,231
Financial assets sold under repurchase agreements		120,402,891	101,900,041
Financial liabilities at fair value through profit or loss		-	852,335
Derivative financial liabilities		6,906,379	953,527
Long-term bonds due within one year		11,419,059	14,611,188
Total current liabilities		326,399,260	259,315,657
Net current assets		121,508,057	93,849,646
Total assets less current liabilities		197,939,061	163,284,950
Non-current liabilities			
Long-term bonds		79,734,524	46,401,284
Non-current employee benefits payable		5,619,040	5,455,462
Deferred tax liabilities		150,743	888,227
Other payable and accruals		463,243	283,911
Total non-current liabilities		85,967,550	53,028,884
Net assets		111,971,511	110,256,066

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	*As at 31 December* *2020*	*2019*
Equity			
Share capital	54(b)	9,076,650	9,076,650
Treasury shares		(1,626,546)	-
Reserves		86,916,959	85,019,854
Retained profits		17,604,448	16,159,562
Total equity		111,971,511	110,256,066

Approved and authorised for issue by the board of directors on 23 March 2021.

Zhang Wei	Chen Chuanming
Chairman of the Board, Director	Director

(Expressed in thousands of Renminbi, unless otherwise stated)

64 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *insurance contracts*, which are not yet effective for the year ended 31 December 2020 and have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts —— Costing of Fulfiling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment what the impact of these amendments is expected to be in the period of initial application. So far it has been concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

65 Events after the reporting date

(a) Issuance of bonds

On 20 January 2021, the Company has publicly issued 3-year corporate bond with a nominal amount of RMB4 billion, bearing interest at 3.58% per annum to qualified investors.

On 25 January 2021, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.48% per annum to qualified investors.

On 27 January 2021, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.42% per annum to qualified investors.

On 29 January 2021, the Company has publicly issued 5-year corporate bond with a nominal amount of RMB9 billion, bearing interest at 4.50% per annum to qualified investors.

On 9 March 2021, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.68% per annum to qualified investors.

(b) Profit distribution plan after accounting periods

On 23 March 2021, based on the total ordinary shares of 9,076,650,000 of the Company deducting the repurchased A shares deposited in the Company's repurchased securities account and not for use in the Company's Restricted Share Incentive Scheme of A Shares at the report date, the Board proposed cash dividends of RMB4.00 (tax inclusive) per 10 ordinary shares, with total cash dividend amounting to RMB3,613 million. The total amount of the actual dividend distribution will be calculated based on the total number of A shares entitled to dividend distribution on the registration date of A share shareholders. The proposal is pending for the approval of the general meeting of the shareholders. The cash dividends are not recognised as a liability as at 31 December 2020.

(c) Restricted Share Incentive Scheme of A Shares

On 8 February 2021, the Company's the first extraordinary General Meeting of 2021 approved the “Management Measures of Huatai Securities Co., Ltd. Restricted Share Incentive Scheme of A Shares”, and the plan is to grant no more than 45.64 million restricted A shares to incentive participants. The source of the restricted shares is ordinary A Shares repurchased by the Company from secondary market.

AUDIT REPORT

Independent auditor's report
To the shareholders of Huatai Securities Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 239 to 379 which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Assessing the fair value of financial instruments

Refer to Note 62 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 2 and level 3 financial instruments, estimates need to be developed which can involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments; • assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data; • reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments; • engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Loss allowances of financial assets measured at amortised cost	
Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).	
The Key Audit Matter	**How the matter was addressed in our audit**
The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, the loan balances to collateral ratio and the stock holding concentration of the borrower, the industry sector and the operation of the issuer, and the liquidity, restriction on sales and price volatility of the stock will also be taken into account in the judgement.	Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances; • with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

Loss allowances of financial assets measured at amortised cost(continued)

Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers, the industry sector and the operation of the stock issuer, and the liquidity, restriction on sales and price volatility of the stock; • for selected samples of the financial assets measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively; • evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.

Consolidation of structured entities

Refer to Note 57 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein. The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • selecting a sample of structured entities for each key product type and performing the following procedures for each item selected: - inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management’s judgement over whether the Group has the ability to exercise power over the structured entity; - evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management’s judgement as to exposure, or rights, to variable returns from the Group’s involvement in such an entity;

Consolidation of structured entities (continued)

Refer to Note 57 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).

The Key Audit Matter	How the matter was addressed in our audit
We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.	• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected (continued): - evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - evaluating management's judgement over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

• Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Shing Chor Eric.

KPMG

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

30 March 2020

ANNUAL FINANCIAL REPORT

Consolidated statement of profit or loss

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Revenue			
Fee and commission income	4	**13,011,269**	10,819,910
Interest income	5	**8,682,693**	9,482,368
Net investment gains	6	**9,179,944**	3,374,651
Total revenue		30,873,906	23,676,929
Other income and gains	7	1,562,875	829,805
Total revenue and other income		32,436,781	24,506,734
Fee and commission expenses	8	**(3,723,642)**	(2,757,773)
Interest expenses	9	**(6,561,019)**	(6,466,970)
Staff costs	10	**(7,693,154)**	(5,372,341)
Depreciation and amortisation expenses	11	**(1,197,068)**	(625,897)
Tax and surcharges	12	**(151,890)**	(139,711)
Other operating expenses	13	**(3,533,560)**	(2,786,691)
Net provision for impairment loss on financial assets	14	**(719,549)**	(862,694)
Net reversal of / (provision for) impairment loss on other assets		**2,617**	(5,295)
Total expenses		**(23,577,265)**	(19,017,372)

The notes on pages 251 to 379 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 55(h).

Consolidated statement of profit or loss(continued)

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Operating profit		**8,859,516**	5,489,362
Share of profit of associates and joint ventures		**2,726,449**	959,309
Profit before income tax		**11,585,965**	6,448,671
Income tax expense	15	**(2,528,752)**	(1,287,784)
Profit for the year		**9,057,213**	5,160,887
Attributable to:			
Shareholders of the Company		**9,001,644**	5,032,738
Non-controlling interests		**55,569**	128,149
		9,057,213	5,160,887
Basic earnings per share (in Renminbi per share)	19	**1.04**	0.66
Diluted earnings per share (in Renminbi per share)	19	**1.03**	0.66

Note:The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 251 to 379 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 55(h).

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Profit for the year		**9,057,213**	5,160,887
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
- Net change in fair value		**494,709**	(1,311,689)
Income tax impact		**(123,677)**	327,923
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income		**5,460**	22,043
Share of other comprehensive income of associates and joint ventures		**95,531**	72,640
Exchange differences on translation of financial statements in foreign currencies		**162,258**	339,244
Total other comprehensive income for the year, net of tax	18	**634,281**	(549,839)
Total comprehensive income for the year		**9,691,494**	4,611,048
Attributable to:			
Shareholders of the Company		**9,611,074**	4,479,437
Non-controlling interests		**80,420**	131,611
Total		**9,691,494**	4,611,048

Note:The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	***2019***	*2018 (Note)*
Non-current assets			
Property and equipment	20	**4,668,116**	3,548,153
Investment properties	21	**527,089**	586,334
Goodwill	22	**2,333,862**	2,099,412
Other intangible assets	23	**5,711,457**	5,462,012
Interest in associates	25	**14,974,547**	12,527,828
Interest in joint ventures	26	**664,458**	649,833
Debt investment at amortised cost	27	**15,128,953**	13,854,878
Financial assets at fair value through other comprehensive income	28	**11,232,633**	10,098,382
Financial assets held under resale agreements	29	**-**	2,812,194
Financial assets at fair value through profit or loss	30	**6,966,333**	5,155,176
Refundable deposits	31	**12,653,540**	7,836,506
Deferred tax assets	32	**202,825**	225,135
Other non-current assets	33	**260,669**	259,751
Total non-current assets		**75,324,482**	65,115,594
Current assets			
Accounts receivable	34	**5,511,168**	3,090,165
Other receivables and prepayments	35	**880,271**	1,555,090
Margin accounts receivable	36	**69,006,280**	46,188,885
Debt investment at amortised cost	27	**4,610,805**	2,419,286
Financial assets held under resale agreements	29	**18,466,280**	40,744,371
Financial assets at fair value through profit or loss	30	**245,829,339**	117,089,156
Financial assets at fair value through other comprehensive income	28	**1,125,342**	358,361
Derivative financial assets	37	**1,858,041**	1,933,958
Clearing settlement funds	38	**6,755,604**	3,023,370
Cash held on behalf of brokerage clients	39	**82,959,838**	58,947,013
Cash and bank balances	40	**49,853,188**	28,200,625
Total current assets		**486,856,156**	303,550,280
Total assets		**562,180,638**	368,665,874

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2019	2018 (Note)
Current liabilities			
Short-term bank loans	42	**5,724,131**	3,015,791
Short-term debt instruments issued	43	**46,425,196**	21,124,000
Placements from other financial institutions	44	**11,362,598**	5,813,487
Accounts payable to brokerage clients	45	**89,817,920**	59,492,176
Employee benefits payable	46	**2,573,753**	2,869,042
Other payables and accruals	47	**86,836,626**	53,793,086
Contract liabilities	48	**19,179**	7,442
Current tax liabilities		**388,154**	284,436
Financial assets sold under repurchase agreements	49	**109,719,045**	40,095,054
Financial liabilities at fair value through profit or loss	50	**4,689,620**	2,874,584
Derivative financial liabilities	37	**1,278,399**	776,102
Long-term bonds due within one year	51	**14,716,533**	24,844,616
Long-term bank loans due within one year	53	**-**	15,820
Total current liabilities		**373,551,154**	215,005,636
Net current assets		**113,305,002**	88,544,644
Total assets less current liabilities		**188,629,484**	153,660,238
Non-current liabilities			
Long-term bonds	52	**49,899,825**	38,046,114
Long-term bank loans	54	**850,997**	1,682,949
Non-current employee benefits payable	46	**6,360,633**	5,045,990
Deferred tax liabilities	32	**2,566,800**	1,810,176
Financial liabilities at fair value through profit or loss	50	**2,690,563**	2,325,405
Other payables and accruals	47	**605,958**	-
Total non-current liabilities		**62,974,776**	48,910,634
Net assets		**125,654,708**	104,749,604

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	2019	2018 (Note)
Equity			
Share capital	55	9,076,650	8,251,500
Reserves	55	90,282,418	75,725,973
Retained profits	55	23,178,411	19,416,104
Total equity attributable to shareholders of the Company		122,537,479	103,393,577
Non-controlling interests		3,117,229	1,356,027
Total equity		125,654,708	104,749,604

Approved and authorised for issue by the board of directors on 30 March 2020.

Zhang Wei
Chairman of the Board,Director

Chen Chuanming
Director

Note:The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital (Note 55)	*Capital reserve* (Note 55)	*Surplus reserve* (Note 55)	*General reserve* (Note 55)	*Fair value reserve* (Note 55)	*Translation reserve* (Note 55)	*Retained profits*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2019	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604
Changes in equity for 2019										
Profit for the year	-	-	-	-	-	-	9,001,644	9,001,644	55,569	9,057,213
Other comprehensive income	-	-	-	-	472,023	137,407	-	609,430	24,851	634,281
Total comprehensive income	-	-	-	-	472,023	137,407	9,001,644	9,611,074	80,420	9,691,494
Issuance of GDRs (representing A shares)	825,150	10,614,306	-	-	-	-	-	11,439,456	-	11,439,456
Capital injection by non-controlling shareholders	-	(80,411)	-	-	-	-	-	(80,411)	977,294	896,883
Recognition on decrease of interests in subsidiaries without a change in control	-	511,659	-	-	-	-	-	511,659	654,229	1,165,888
Equity-settled share-based payments	-	300,798	-	-	-	-	-	300,798	49,907	350,705
Appropriation to surplus reserve	-	-	628,860	-	-	-	(628,860)	-	-	-
Appropriation to general reserve	-	-	-	1,887,482	-	-	(1,887,482)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,722,995)	(2,722,995)	(648)	(2,723,643)
Others	-	84,321	-	-	-	-	-	84,321	-	84,321
As at 31 December 2019	9,076,650	70,290,533	5,118,691	14,084,427	393,572	395,195	23,178,411	122,537,479	3,117,229	125,654,708

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019(continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital (Note 55)	Capital reserve (Note 55)	Surplus reserve (Note 55)	General reserve (Note 55)	Fair value reserve (Note 55)	Translation reserve (Note 55)	Retained profits	Total	Non-controlling interests	Total equity
As at 31 December 2017	7,162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	87,335,938	1,253,974	88,589,912
Impact on initial application of IFRS 9	-	-	34,366	60,799	(715,018)	-	549,914	(69,939)	(151)	(70,090)
As at 1 January 2018	7,162,769	45,820,627	3,953,854	10,068,982	810,632	(77,994)	19,527,129	87,265,999	1,253,823	88,519,822
Changes in equity for 2018										
Profit for the year	-	-	-	-	-	-	5,032,738	5,032,738	128,149	5,160,887
Other comprehensive income	-	-	-	-	(889,083)	335,782	-	(553,301)	3,462	(549,839)
Total comprehensive income	-	-	-	-	(889,083)	335,782	5,032,738	4,479,437	131,611	4,611,048
Issuance of A shares	1,088,731	13,044,475	-	-	-	-	-	14,133,206	-	14,133,206
Acquisition of non-controlling interests without a change in control	-	(5,242)	-	-	-	-	(4,373)	(9,615)	(8,696)	(18,311)
Recognition on disposal of subsidiaries	-	-	-	-	-	-	-	-	(7,996)	(7,996)
Appropriation to surplus reserve	-	-	535,977	-	-	-	(535,977)	-	-	-
Appropriation to general reserve	-	-	-	2,127,963	-	-	(2,127,963)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,475,450)	(2,475,450)	(12,715)	(2,488,165)
As at 31 December 2018 (Note)	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604

Note:The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Cash flows from operating activities:			
Profit before income tax		**11,585,965**	6,448,671
Adjustments for:			
Interest expenses		**6,561,019**	6,466,970
Share of profit of associates and joint ventures		**(2,726,449)**	(959,309)
Depreciation and amortisation expenses		**1,197,068**	625,897
Net provision for impairment losses		**716,932**	867,989
Expenses recognised from equity-settled share-based payment		**172,620**	-
Net gains on disposal of property and equipment and intangible assets		**(447)**	(36)
Foreign exchange gains		**(147,877)**	(30,505)
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		**(1,641,893)**	(1,302,327)
Net gains arising from derecognition of debt investment at amortised cost		**(11,842)**	-
Unrealised fair value changes in financial instruments through profit or loss		**(3,497,517)**	755,282
Unrealised fair value changes in derivatives		**1,440,211**	(2,518,204)
Operating cash flows before movements in working capital		**13,647,790**	10,354,428

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Cash flows from operating activities (continued):			
Increase in refundable deposits		(4,817,034)	(533,396)
(Increase)/decrease in margin accounts receivable		(22,811,713)	16,784,013
Increase in accounts receivable, other receivables and prepayments		(2,073,020)	(5,636,305)
Decrease in financial assets held under resale agreements		21,900,719	20,704,167
Increase in financial instruments at fair value through profit or loss		(113,046,695)	(18,351,440)
(Increase)/decrease in restricted bank deposits		(5,493,562)	4,479,681
(Increase)/decrease in cash held on behalf of brokerage clients		(24,081,828)	6,466,996
Increase/(decrease) in accounts payable to brokerage clients		30,325,745	(7,853,338)
Increase/(decrease) in other payables and accruals		30,920,500	(6,999,766)
Increase/(decrease) in employee benefits payable and other non-current liabilities		1,019,355	(832,294)
Increase in financial assets sold under repurchase agreements		69,623,991	15,108,826
Increase/(decrease) in placements from other financial institutions		5,549,111	(1,311,591)
Cash generated from operations		663,359	32,379,981
Income taxes paid		(1,270,322)	(1,347,018)
Interest paid		(2,987,674)	(2,575,181)
Net cash (used in)/generated from operating activities		(3,594,637)	28,457,782

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	*Year ended 31 December* 2019	2018 (Note)
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		12,464	4,308
Dividends received from associates		827,844	417,472
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		1,641,893	1,302,327
Net gains arising from derecognition of debt investment at amortised cost		11,842	-
(Payment of)/proceeds from other limited partners' interest in private funds		(63,744)	165,624
Cash paid for disposal of subsidiaries, net of cash and bank balances decreased		-	(2,687)
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(1,084,941)	(954,649)
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		(164,411)	-
Purchases of associates, joint ventures and other investments		(472,143)	(166,580)
Divestments of associates and joint ventures		219,877	161,924
Purchase of debt investment at amortised cost		(3,466,291)	(10,831,183)
Purchase of financial assets through other comprehensive income		(1,405,863)	(584,766)
Net cash used in investing activities		(3,943,473)	(10,488,210)

The notes on pages 251 to 379 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note	2019	2018 (Note)
Cash flows from financing activities:			
Proceeds from non-controlling interests		896,883	-
Proceeds from partially disposal of a subsidiary without losing control		1,165,888	-
Proceeds from issuance of short-term debt instruments		103,166,070	46,200,314
Proceeds from issuance of long-term bonds		30,989,005	8,974,000
Repayment from long-term bank loan		(847,772)	-
Proceeds from short-term bank loans		2,708,340	4,698,718
Repayment of debt securities issued		(107,436,069)	(75,557,800)
Short-term bank loans interest paid		(80,915)	(32,626)
Long-term bank loans interest paid		(87,520)	(12,705)
Short-term debt instruments interest paid		(488,317)	(902,944)
Long-term bonds interest paid		(2,732,056)	(3,720,570)
Dividends paid		(2,723,643)	(2,488,165)
Net proceeds from issuance of A shares		11,586,661	14,207,942
Payment of lease liabilities		(321,399)	-
Payment for other financing activities		(126,036)	(74,736)
Net cash generated from/(used in) financing activities	41(b)	35,669,120	(8,708,572)
Net increase in cash and cash equivalents		28,131,010	9,261,000
Cash and cash equivalents at the beginning of the year		40,792,310	31,378,585
Effect of foreign exchange rate changes		275,458	152,725
Cash and cash equivalents at the end of the year	41(a)	69,198,778	40,792,310

Note:The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(3).

The notes on pages 251 to 379 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

1 General information

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

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

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

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

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

As at 31 December 2019, the Company's registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

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

2 Significant accounting policies

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2019 are set out in Note 65.

(2) Basis of preparation of the financial statements

The financial statements has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income. The methods used to measure fair value are discussed further in Note 2(8).

The financial statements is presented in Renminbi ("RMB"), which is the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(29).

(3) Changes in accounting policies

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(20).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Group leases many assets, most of which are properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i) Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 2(3)(d)(i)). Right-of-use assets are measured at:

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all its leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term.

(c) As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property and equipment	725,265
Lease liabilities	(707,224)
Prepaid lease payments	(18,041)
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	832,486
Discounted using the incremental borrowing rate at 1 January 2019	781,902
- Recognition exemption for leases with less than 12 months of lease term at transition	(74,678)
Lease liabilities recognised at 1 January 2019	707,224

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rates range from 4.17%-6.00% per annum.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 16.

	At 31 December 2018	*Impact on initial application of IFRS 16*	*At 1 January 2019*
Property and equipment	3,548,153	725,265	**4,273,418**
Total non-current assets	65,115,594	725,265	**65,840,859**
Other receivables and prepayments	1,555,090	(18,041)	**1,537,049**
Total current assets	303,550,280	(18,041)	**303,532,239**
Total assets	368,665,874	707,224	**369,373,098**
Other payables and accruals	53,793,086	352,022	**54,145,108**
Total current liabilities	215,005,636	352,022	**215,357,658**
Net current assets	88,544,644	(370,063)	**88,174,581**
Total assets less current liabilities	153,660,238	355,202	**154,015,440**
Other payables and accruals	-	355,202	**355,202**
Total non-current liabilities	48,910,634	355,202	**49,265,836**
Net assets	104,749,604	-	**104,749,604**
Total equity	104,749,604	-	**104,749,604**

(4) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(4) (ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(5) and 2(15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(5) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(15)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(6) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity securities investment designated as at fair value through other comprehensive income (FVOCI)(except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), which are recognised as OCI in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding "retained profits", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

(8) Financial instruments

(i) Recognition and initial measurement

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. Financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 2(8)(iv). Financial instruments are subsequently accounted for as follows, depending on their classification.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets — Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities — Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in OCI (without reclassification to profit or loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Debt investment at fair value, FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Significant increases in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iv) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(v) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or

- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vii) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(viii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(ix) Asset-backed securities

The Group securitises the financial assets, which generally results in the sale of these financial assets to structured entities. The structured entities in turn issue asset-backed securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests. For asset securitisation business, the Group has applied the accounting policies set out in Note 2(4) when assessing consolidation of the structured entities and applied the accounting policies described in Note 2(8)(v) when assessing whether or not to derecognise the transferred financial assets.

(9) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(8). Securities lent are not derecognised when the risk and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognised using the effective interest rate method.

The collateral is not recognised on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(10) Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(11) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(15)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

(12) Property and equipment and construction in progress

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;

- any other costs directly attributable to bringing the assets to a working condition for their intended use;

- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	*Estimated useful lives*	*Estimated residual values*	*Depreciation rates*
Buildings	30 - 50 years	3%	1.94% - 3.23%
Motor vehicles	3 - 8 years	3%	12.13% - 32.33%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	2 - 5 years	3%	19.40% - 48.50%

No depreciation is provided in respect of construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(15)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	*Estimated residual values*	*Depreciation rates*
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

(14) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Types of assets	*Estimated useful lives*
Existing relationships with broker-dealers	Indefinite
Land-use right	50 years
Trade names	20 years
Software and others	2 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

(15) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries, associates and joint ventures
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(16) Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(8)(iii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(17) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(18) Share-based payments

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recongised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

(19) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(20) Leases

The Group has applied IFRS 16 since 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

The following accounting policy related to leases is applicable from 1 January 2019. As to leases related policy applicable before 1 January 2019, please refer to the Group's financial statements for the year ended 31 December 2018.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(15)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income and gains'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

(21) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(22) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(23) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting fee is recognised when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsor fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(iii) Advisory fees

Depending on the nature of the advisory services and the contract terms, advisory fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(iv) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For debt investment at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(vi) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Other income

Other income is recognised on an accrual basis.

(24) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

(25) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

(26) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(27) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(28) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(29) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value of financial instruments

As indicated in Note 2(8)(i), financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(8)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(ii) Measurement of ECL

The following significant judgements are required in applying the accounting requirements for measuring the ECL.

Significant increase of credit risk

As explained in Note 2(8)(iii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Loss ratio (LR)

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

(iii) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(iv) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vi) Determination scope of consolidation

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as the manager or investment consultant, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

3 Taxation

The Group's main applicable taxes and tax rates are as follows:

Tax type	*Tax basis*	*Tax rate*
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 17%(i)
City maintenance and construction tax	Based on value added tax paid	1% - 7%
Education surcharge	Based on value added tax paid	2% - 3%
Local Education surcharge	Based on value added tax paid	1% - 2%
Income tax	Based on taxable profits	25%(ii)

(i) According to Notice on Adjusting VAT rate (Cai Shui [2018] No.32), since 1 May 2018, the VAT rates applicable to 17% and 11% have been adjusted to 16% and 10% respectively. According to Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No.140), Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No.2) and Notice on Issues Relating to VAT on

Asset Management Products (Cai Shui [2017] No.56) issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simplified VAT method will temporarily be applied to the operation of asset management products with a VAT rate of 3%. The manager of asset management products will be the taxpayer.

(ii) The income tax rate applicable to the Company and its subsidiaries in the Mainland China is 25% (2018: 25%). The income tax rate applicable to subsidiaries in Hong Kong is 16.5% (2018: 16.5%). Pursuant to the Tax Cuts and Jobs Act of 2017 signed into law on 22 December 2017, the corporate income tax rate applicable to subsidiaries in the United States is reduced from a maximum marginal rate of 35% to a flat 21% rate, effective from 1 January 2018. Taxes of other overseas subsidiaries are charged at the relevant local rates.

4 Fee and commission income

	Year ended 31 December	
	2019	*2018*
Income from securities brokerage and advisory business	5,937,905	4,573,577
Income from asset management business	3,904,318	3,418,081
Income from underwriting and sponsorship business	1,507,209	1,340,398
Income from futures brokerage business	1,028,961	770,433
Income from financial advisory business	506,076	649,248
Other commission income	126,800	68,173
Total	13,011,269	10,819,910

5 Interest income

	Year ended 31 December	
	2019	*2018*
Interest income from margin financing and securities lending	4,013,140	3,906,882
Interest income from financial institutions	2,497,914	2,397,023
Interest income from securities-backed lending	973,304	2,399,075
Interest income from debt instruments at amortised cost	905,851	448,034
Interest income from other financial assets held under resale agreements	214,272	325,162
Interest income from debt instruments at fair value through other comprehensive income	78,212	-
Others	-	6,192
Total	8,682,693	9,482,368

6 Net investment gains

	Year ended 31 December	
	2019	2018
Dividend income and interest income from financial instruments at fair value through profit or loss	4,603,446	4,193,913
Dividend income from financial assets at fair value through other comprehensive income	657,830	854,293
Net realised (losses)/gains from disposal of derivative financial instruments	(1,751,145)	378,340
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	3,604,143	(3,849,837)
Net realised losses from disposal of financial instruments at fair value through other comprehensive income	(3,478)	-
Net gains arising from derecognition of debt investment at amortised cost(i)	11,842	-
Unrealised fair value changes of derivative financial instruments	(1,440,211)	2,553,224
Unrealised fair value changes of financial instruments at fair value through profit or loss	3,497,517	(755,282)
Total	9,179,944	3,374,651

(i) During the year ended 31 December 2019, the Group sold certain investment securities measured at amortised cost (the year ended 31 December 2018: nil). These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

7 Other income and gains

	Year ended 31 December	
	2019	2018
Income from commodity sales	935,544	369,244
Government grants(i)	247,437	181,962
Foreign exchange gains	147,877	30,505
Rental income	101,105	94,658
Gain on previously held interest in subsidiaries and joint ventures upon loss of control or disposal	-	4,870
Gains on disposal of property and equipment	447	36
Others	130,465	148,530
Total	1,562,875	829,805

(i) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

8 Fee and commission expenses

	Year ended 31 December	
	2019	2018
Expenses for securities brokerage and advisory business	1,898,076	1,399,505
Expenses for asset management business	952,225	793,904
Expenses for futures brokerage business	785,844	514,598
Expenses for underwriting and sponsorship business	64,831	40,896
Expenses for financial advisory business	1,177	91
Other commission expenses	21,489	8,779
Total	3,723,642	2,757,773

9 Interest expenses

	Year ended 31 December	
	2019	2018
Interest expenses on long-term bonds	2,649,316	3,251,607
Interest expenses on financial assets sold under repurchase agreements	2,229,589	1,277,343
Interest expenses on short-term debt instruments issued	750,491	807,490
Interest expenses on placements	341,609	549,506
Interest expenses of accounts payable to brokerage clients	336,034	276,027
Interest expenses on long-term bank loans	87,520	12,705
Interest expenses on short-term bank loans	65,074	48,467
Interest expenses on lease liabilities	30,144	-
Others	71,242	243,825
Total	6,561,019	6,466,970

10 Staff costs

		Year ended 31 December	
	Note	2019	2018
Salaries, bonuses and allowances		6,312,665	4,243,506
Contribution to pension schemes		459,717	540,800
Cash-settled share-based payment expenses	63(a)	78,292	71,335
Equity-settled share-based payment expense	63(a)	172,620	-
Other social welfare		669,860	516,700
Total		7,693,154	5,372,341

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

11 Depreciation and amortisation on expenses

	Year ended 31 December	
	2019	2018
Amortisation of other intangible assets	437,013	335,959
Depreciation of property and equipment	661,589	223,630
- Right-of-use assets	285,175	-
- Other property and equipment	376,414	223,630
Amortisation of leasehold improvements and long-term deferred expenses	73,440	37,481
Depreciation of investment properties	25,026	28,827
Total	1,197,068	625,897

12 Tax and surcharges

	Year ended 31 December	
	2019	2018
City maintenance and construction tax	56,573	49,457
Education surcharges	43,447	37,926
Others	51,870	52,328
Total	151,890	139,711

13 Other operating expenses

	Year ended 31 December	
	2019	2018
Cost of commodity sales	**933,090**	367,881
Marketing, advertising and promotion expenses	**246,831**	155,822
Business travel expenses	**229,114**	153,195
Consulting fees	**226,676**	146,028
Stock exchange fees	**215,553**	150,989
IT expenses	**192,091**	71,916
Business entertainment expenses	**161,247**	133,184
Postal and communication expenses	**157,956**	138,892
Products distribution expenses	**155,456**	138,963
Securities investor protection funds	**85,636**	75,954
Rental expenses	**79,889**	356,904
Utilities	**45,934**	50,597
Auditors' remuneration	**10,208**	9,893
Loss on previously held interest in associates upon disposal	**1**	129,785
Others	**793,878**	706,688
Total	**3,533,560**	2,786,691

14 Net provision for impairment loss on financial assets

	Year ended 31 December	
	2019	2018
Provision for / (reversal of) impairment losses against cash and bank balances	**9,832**	(2,149)
Reversal of impairment losses against margin accounts receivable	**(5,682)**	(21,864)
Provision for impairment losses against other receivables and prepayments	**197,380**	397,876
Provision for impairment losses against debt investment at amortised cost	**1,147**	5,915
Provision for impairment losses against financial assets at fair value through other comprehensive income	**4,350**	449
Provision for impairment losses against financial assets held under resale agreements	**510,557**	473,922
Provision for impairment losses against accounts receivable	**1,965**	8,545
Total	**719,549**	862,694

15 Income tax expense

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2019	2018
Current income tax		
- Mainland China	1,673,811	758,174
- Hong Kong	-	455
- Overseas	162,560	95,129
	1,836,371	853,758
Adjustment in respect of prior years		
- Mainland China	7,977	8,065
- Hong Kong	-	-
- Overseas	-	-
	7,977	8,065
Deferred tax		
Origination and reversal of temporary differences	684,404	425,961
Total	2,528,752	1,287,784

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2019	2018
Profit before income tax	11,585,965	6,448,671
National tax calculated using the PRC statutory tax rate	2,896,491	1,612,167
Tax effect of non-deductible expenses	105,050	66,883
Tax effect of non-taxable income	(490,168)	(512,209)
Tax effect of unused tax losses not recognised	21,201	36,536
Recognition of previously unrecognised tax losses	(22,936)	(81,377)
Effect of different tax rates of the subsidiaries	5,047	23,087
Adjustment for prior years	7,977	8,065
Others	6,090	134,632
Actual income tax expense	2,528,752	1,287,784

16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

	Year ended 31 December 2019					
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Total
Executive directors						
Zhang Wei[2]	–	239	23	179	–	441
Zhou Yi[3]	–	359	38	1,069	72	1,538
Zhu Xuebo[4]	–	323	38	687	72	1,120
Non-executive directors						
Ding Feng[1][5]	–	–	–	–	–	–
Chen Yongbing[1][6]	–	–	–	–	–	–
Xu Qing[1]	–	–	–	–	–	–
Hu Xiao[1][7]	–	–	–	–	–	–
Wang Tao[1][8]	–	–	–	–	–	–
Independent non-executive directors						
Chen Chuanming	240	–	–	–	–	240
Liu Hongzhong	240	–	–	–	–	240
Lee Chi Ming	240	–	–	–	–	240
Liu Yan	240	–	–	–	–	240
Chen Zhibin	240	–	–	–	–	240
Supervisors						
Yu Yimin[1][9]	–	–	–	–	–	–
Zhai Jun[10]	–	855	49	1,598	49	2,551
Chen Ning[1][11]	–	–	–	–	–	–
Zhang Ming[1][12]	–	–	–	–	–	–
Yu Lanying[1][13]	–	–	–	–	–	–
Yang Yaling[1][14]	–	–	–	–	–	–
Zhang Xiaohong[15]	–	–	–	–	–	–
Fan Chunyan[1][16]	–	–	–	–	–	–
Peng Ming[17]	–	199	4	–	12	215
Zhou Xiang[18]	–	147	11	–	13	171
Meng Qing Lin[19]	–	984	49	2,902	76	4,011
Gu Cheng Zhong[20]	–	822	38	1,135	49	2,044
Wang Ying[21]	–	696	38	1,159	38	1,931
Total	1,200	4,624	288	8,729	381	15,222

	Year ended 31 December 2018					
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Total
Executive directors						
Zhou Yi(3)	–	342	43	1,249	86	1,720
Zhu Xuebo(4)	–	309	43	1,061	85	1,498
Non-executive directors						
Ding Feng(1)(5)	–	–	–	–	–	–
Chen Yongbing(1)(6)	–	–	–	–	–	–
Xu Qing(1)	–	–	–	–	–	–
Hu Xiao(1)(7)	–	–	–	–	–	–
Fan Chunyan(1)(16)	–	–	–	–	–	–
Independent non-executive directors						
Liu Hongzhong	250	–	–	–	–	250
Lee Chi Ming	250	–	–	–	–	250
Chen Zhibin	140	–	–	–	–	140
Chen Chuanming	250	–	–	–	–	250
Yang Xiongsheng(22)	70	–	–	–	–	70
Liu Yan	250	–	–	–	–	250
Supervisors						
Yu Yimin(1)(9)	–	–	–	–	–	–
Chen Ning(1)(11)	–	–	–	–	–	–
Yu Lanying(1)(13)	–	–	–	–	–	–
Yang Yaling(1)(14)	–	–	–	–	–	–
Peng Ming(17)	–	876	43	3,414	60	4,393
Zhou Xiang(18)	–	732	43	1,671	64	2,510
Meng Qinglin(19)	–	984	50	4,699	94	5,827
Total	1,210	3,243	222	12,094	389	17,158

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, Jiangsu High Hope International Group Co., Ltd., Alibaba Group Holding Limited and Suning Holdings Group Co., Ltd., No allocation of the remunerations between these shareholders and the Group has been made during the reporting period.

(2) Appointed as chairman of the board on 16 December 2019.

(3) Appointed as CEO and director of executive committee on 29 October 2019 and resigned as chairman of the board on 16 December 2019.

(4) Appointed as executive director on 22 October 2018.

(5) Appointed as non-executive director on 22 October 2018.

(6) Appointed as non-executive director on 22 October 2018.

(7) Appointed as non-executive director on 22 October 2018.

(8) Appointed as non-executive director on 16 December 2019.

(9) Resigned as chairman of the supervisory board on 16 December 2019.

(10) Appointed as supervisor on 26 April 2019 and as chairman of the supervisory board on 16 December 2019.

(11) Resigned as supervisor on 16 December 2019.

(12) Appointed as supervisor on 16 December 2019.

(13) Appointed as supervisor on 22 October 2018.

(14) Appointed as supervisor on 22 October 2018 and resigned as supervisor on 16 December 2019.

(15) Appointed as supervisor on 16 December 2019.

(16) Appointed as non-executive director on 22 October 2018 and resigned as non-executive director on 16 December 2019. Appointed as supervisor on 16 December 2019.

(17) Resigned as supervisor on 26 April 2019.

(18) Resigned as supervisor on 26 April 2019.

(19) Resigned as supervisor on 16 December 2019.

(20) Appointed as supervisor on 26 April 2019.

(21) Appointed as supervisor on 16 December 2019.

(22) Resigned as independent non-executive director on 13 March 2018.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration.

17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2019	*2018*
Salaries and allowances	**16,741**	10,669
Discretionary bonuses	**33,279**	35,575
Employer's contribution to pension schemes	**462**	304
Share-based payments	**19,843**	2,133
Total	**70,325**	48,681

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2019	*2018*
	Number of individuals	*Number of individuals*
HKD 9,500,001 to HKD 10,000,000	**1**	-
HKD 10,000,001 to HKD 15,000,000	**2**	5
HKD 15,000,001 to HKD 20,000,000	**1**	-
HKD 20,000,001 to HKD 25,000,000	**1**	-
Total	**5**	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

18 Other comprehensive income

	Year ended 31 December 2019		
	Before tax	Tax (expense)/benefit	Net of tax
Net gain from debt investments at FVOCI	5,460	-	5,460
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	494,709	(123,677)	371,032
Share of other comprehensive income of associates and joint ventures	95,531	-	95,531
Exchange differences on translation of financial statements in foreign currencies	162,258	-	162,258
Total	757,958	(123,677)	634,281

	Year ended 31 December 2018		
	Before tax	Tax (expense)/benefit	Net of tax
Net gain from debt investments at FVOCI	22,043	-	22,043
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	(1,311,689)	327,923	(983,766)
Share of other comprehensive income of associates and joint ventures	72,640	-	72,640
Exchange differences on translation of financial statements in foreign currencies	339,244	-	339,244
Total	(877,762)	327,923	(549,839)

19 Basic and diluted earnings per share

(1) Basic earnings per share

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

		Year ended 31 December	
	Note	2019	2018
Profit attributable to shareholders of the Company		9,001,644	5,032,738
Weighted average number of ordinary shares (in thousands)	19(1)(a)	8,686,374	7,619,141
Basic earnings per share attributable to equity shareholders (in Renminbi per share)		1.04	0.66

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

	Year ended 31 December	
	2019	*2018*
Number of ordinary shares as at 1 January	8,251,500	7,162,769
Increase in weighted average number of ordinary shares	434,874	456,372
Weighted average number of ordinary shares	8,686,374	7,619,141

(2) Diluted earnings per share

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

		Year ended 31 December	
	Note	**2019**	*2018*
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	19(2)(a)	8,962,366	5,032,738
Weighted average number of ordinary shares outstanding (in thousands)		8,686,374	7,619,141
Diluted earnings per share attributable to equity shareholders (in Renminbi per share)		1.03	0.66

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

	Year ended 31 December	
	2019	*2018*
Consolidated net profit attributable to ordinary shareholders of the Company	9,001,644	5,032,738
Diluted adjustments:		
Effect of conversion of convertible bonds from the associate of the Company(i)	(39,278)	-
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	8,962,366	5,032,738

(i) Bank of Jiangsu Co., Ltd., the associate of the Company issued convertible bonds in March 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.

(ii) During 2019, AssetMark Financial Holdings, Inc., the subsidiary of the Company granted stock options and restricted stock units to its certain employees. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary when additional shares have to be issued to relevant employees. Since AssetMark Financial Holdings, Inc. was in a loss position for the year ended 31 December 2019, the inclusion of all potential ordinary shares outstanding would have been anti-dilutive and excluded from the calculation of diluted earnings per share for the year ended 31 December 2019.

The Company has no potentially dilutive shares outstanding for the year ended 31 December 2019. There was no difference between basic and diluted earnings per share for the year ended 31 December 2018 as there were no potentially dilutive shares outstanding and diluted adjustments to the consolidated net profit for the year ended 31 December 2018.

20 Property and equipment

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Right-of-use assets*	*Total*
Cost							
As at 31 December 2018	3,574,577	147,871	791,119	221,437	49,026	-	4,784,030
Impact on initial application of IFRS 16	-	-	-	-	-	725,265	725,265
As at 1 January 2019	3,574,577	147,871	791,119	221,437	49,026	725,265	5,509,295
Additions	-	34,567	412,178	49,469	60,600	531,197	1,088,011
Transfer during the year (Note 33(b))	-	-	15,852	12,159	(79,657)	-	(51,646)
Transfer in from investment properties (Note 21)	81,131	-	-	-	-	-	81,131
Disposals	-	(26,617)	(70,249)	(11,136)	-	(3,756)	(111,758)
As at 31 December 2019	3,655,708	155,821	1,148,900	271,929	29,969	1,252,706	6,515,033
Accumulated depreciation							
As at 1 January 2019	(598,166)	(125,141)	(433,285)	(79,285)	-	-	(1,235,877)
Charge for the year	(97,617)	(6,447)	(173,752)	(98,598)	-	(285,175)	(661,589)
Transfer in from investment properties (Note 21)	(46,912)	-	-	-	-	-	(46,912)
Disposals	-	25,076	65,669	5,242	-	1,474	97,461
As at 31 December 2019	(742,695)	(106,512)	(541,368)	(172,641)	-	(283,701)	(1,846,917)
Carrying amount							
As at 31 December 2019	2,913,013	49,309	607,532	99,288	29,969	969,005	4,668,116

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Total*
Cost						
As at 1 January 2018	3,823,500	153,137	676,102	131,720	59,487	4,843,946
Additions	32,043	1,397	194,711	18,776	41,957	288,884
Transfer during the year (Note 33(b))	-	-	1,793	2,429	(14,721)	(10,499)
Transfer in from investment properties (Note 21)	53,901	-	-	-	-	53,901
Disposals	-	(6,663)	(81,487)	(11,593)	-	(99,743)
Others	(334,867)	-	-	80,105	(37,697)	(292,459)
As at 31 December 2018	3,574,577	147,871	791,119	221,437	49,026	4,784,030
Accumulated depreciation						
As at 1 January 2018	(493,500)	(123,752)	(417,259)	(71,964)	-	(1,106,475)
Charge for the year	(101,894)	(7,860)	(96,638)	(17,238)	-	(223,630)
Transfer in from investment properties (Note 21)	(2,772)	-	-	-	-	(2,772)
Disposals	-	6,471	80,612	9,917	-	97,000
As at 31 December 2018	(598,166)	(125,141)	(433,285)	(79,285)	-	(1,235,877)
Carrying amount						
As at 31 December 2018	2,976,411	22,730	357,834	142,152	49,026	3,548,153

As at 31 December 2019 and 31 December 2018, included in buildings, there is a carrying amount of RMB34.68 million and RMB68.52 million respectively, for which the Group has yet to obtain the relevant land or building certificates.

21 Investment properties

	As at 31 December	
	2019	2018
Cost		
As at 1 January	**850,590**	1,084,322
Additions	**-**	-
Transfer to property and equipment (Note 20)	**(81,131)**	(53,901)
Disposals	**-**	(3,065)
Others	**-**	(176,766)
As at 31 December	**769,459**	850,590
Accumulated depreciation		
As at 1 January	**(259,709)**	(235,070)
Charge for the year	**(25,026)**	(28,827)
Transfer to property and equipment (Note 20)	**46,912**	2,772
Disposals	**-**	1,416
As at 31 December	**(237,823)**	(259,709)
Impairment		
As at 1 January	**(4,547)**	(4,547)
Impairment losses for the year	**-**	-
As at 31 December	**(4,547)**	(4,547)
Carrying amount	**527,089**	586,334

As at 31 December 2019 and 31 December 2018, included in investment properties, there is a carrying amount of RMB55.91 million and RMB103.48 million respectively, for which the Group has yet to obtain the relevant land or building certificates.

22 Goodwill

Cost	
As at 1 January 2019	2,099,412
Acquisition through business combination	178,364
Effect of movements in exchange rates	56,086
As at 31 December 2019	2,333,862
Impairment losses	
As at 1 January 2019	-
Impairment losses	-
As at 31 December 2019	-
Carrying amounts	
As at 1 January 2019	2,099,412
As at 31 December 2019	2,333,862

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2019	*2018*
Investment banking	**51,090**	51,090
Futures brokerage	**252**	252
Overseas asset management	**2,282,520**	2,048,070
Total	**2,333,862**	2,099,412

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Huatai Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Global Financial Private Capital, Inc. in April 2019. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

For the investment banking and futures brokerage CGU, the cash flows generated from each subsidiary acquired are independent. Therefore, each of these acquired subsidiaries is a separate CGU. For the overseas asset management CGU, the Group considered that the primary business of Global Financial Private Capital, Inc. acquired in 2019 is same as AssetMark Financial Holdings, Inc., and it can bring synergies to overseas asset management business, the Group assessed that there was only one CGU within AssetMark Financial Holdings, Inc.. The Group performed the impairment test for the goodwill generated from each CGU.

(1) Investment banking and futures brokerage CGU

The recoverable amounts of each CGU are determined based on value-in-use calculations, respectively. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. As at 31 December 2019, the pre-tax discount rate used by the investment banking and futures brokerage CGUs were 18% and 20%, respectively (18% and 20%, respectively, as at 31 December 2018), and the weighted average growth rate were 5% and 6.6%, respectively (6.6% and 6.6%, respectively, as at 31 December 2018). The pre-tax discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and profit margins, such estimation is based on the CGU's past performance and management's expectations for the market development.

(2) Overseas asset management CGU

The recoverable amount of the CGU has been determined based on fair value less costs of disposal based on the stock price of AssetMark Financial Holdings, Inc. in New York Stock Exchanges as at 31 December 2019.

As at 31 December 2019, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU. The Group believes that appropriate assumptions have been made based on available information. The key assumptions based on the cash flow projections of the asset groups may change, which may cause the recoverable amounts to be over or below its book value.

23 Other intangible assets

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2019	359,161	3,917,479	314,714	1,912,694	6,504,048
Acquisition of subsidiaries	-	-	-	95,632	95,632
Additions	3,120	-	-	503,711	506,831
Disposals	-	-	-	(3,514)	(3,514)
Exchange differences	-	62,304	5,005	22,175	89,484
As at 31 December 2019	362,281	3,979,783	319,719	2,530,698	7,192,481
Accumulated amortisation					
As at 1 January 2019	(78,123)	-	(37,323)	(926,590)	(1,042,036)
Charge for the period	(7,239)	-	(15,736)	(414,038)	(437,013)
Disposals	-	-	-	3,514	3,514
Exchange differences	-	-	(594)	(4,895)	(5,489)
As at 31 December 2019	(85,362)	-	(53,653)	(1,342,009)	(1,481,024)
Carrying amount					
As at 31 December 2019	276,919	3,979,783	266,066	1,188,689	5,711,457

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2018	359,161	3,727,631	299,463	1,445,500	5,831,755
Additions	-	-	-	438,444	438,444
Disposals	-	-	-	(141)	(141)
Exchange differences	-	189,848	15,251	28,891	233,990
As at 31 December 2018	359,161	3,917,479	314,714	1,912,694	6,504,048
Accumulated amortisation					
As at 1 January 2018	(70,927)	-	(20,868)	(602,211)	(694,006)
Charge for the period	(7,196)	-	(14,973)	(313,790)	(335,959)
Disposals	-	-	-	92	92
Exchange differences	-	-	(1,482)	(10,681)	(12,163)
As at 31 December 2018	(78,123)	-	(37,323)	(926,590)	(1,042,036)
Carrying amount					
As at 31 December 2018	281,038	3,917,479	277,391	986,104	5,462,012

Existing relationships with brokers and dealers are regarded as having an indefinite useful life and is not amortised because there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

As at 31 December 2019, the Group performed its impairment test on the above individual intangible assets based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to financial budget approved by management covering a 9-year period and the pre-tax discount rate of 15.7%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 3.5%.

Based on management's impairment assessment, no impairment loss was recognised for the year ended 31 December 2019 (31 December 2018: Nil).

24 Investments in subsidiaries

(a) Details of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares hold is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor[1] GAAP	
			2019	2018		**2019**	2018
Huatai United Securities Co., Ltd.	PRC 5 September 1997	RMB 997,480,000	**99.92%**	99.92%	Investment banking	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC 10 July 1995	RMB 1,609,000,000	**60.00%**	60.00%	Futures brokerage	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Huatai Purple Gold Investment Co., Ltd.	PRC 12 August 2008	RMB 5,200,000,000	**100.00%**	100.00%	Equity investment	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited[6]	Hong Kong 23 November 2006	HKD 8,800,000,000	**100.00%**	100.00%	Securities and futures brokerage	**KPMG HKFRSs**	KPMG HKFRSs
Huatai International Financial Holdings Co., Ltd.	Hong Kong 5 April 2017	HKD 8,800,000,002	**100.00%**	100.00%	Securities and futures brokerage	**KPMG HKFRSs**	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd.[2]	PRC 21 November 2013	RMB 1,700,000,000	**100.00%**	100.00%	Alternative investment	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd.	PRC 16 October 2014	RMB 2,600,000,000	**100.00%**	100.00%	Asset management	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Shenzhen Huatai Ruilin Equity Management (Limited Partnership) [6][7]	PRC 28 September 2014	RMB -	**31.00%**	31.00%	Equity investment	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) [6][7]	PRC 1 June 2015	RMB 910,000,000	**45.00%**	45.00%	Equity investment	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP

Name of company	*Place and date of incorporation/ establishment*	*Issued and fully paid-up capital*	*Equity interest held by the Company as at 31 December*		*Principal activity*	*Auditor[1] GAAP*	
			2019	*2018*		***2019***	*2018*
Yili Suxin Investment Fund (Limited Partnership)[6][7]	PRC 19 February 2016	RMB 1,810,000,000	**24.73%**	24.73%	Equity investment	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
AssetMark Financial Holdings, Inc.[3][6]	US 1 January 1996	USD 72,390	**70.27%**	98.58%	Asset management	**KPMG LLP US GAAP**	KPMG LLP US GAAP
Huatai Great Wall Capital Management Co., Ltd[4][6]	PRC 6 December 2013	RMB 650,000,000	**100.00%**	100.00%	Spread trading and commodity warrant trading	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP
Huatai Great Wall Investment Management Co., Ltd[5][6]	PRC 3 August 2017	RMB 550,000,000	**100.00%**	100.00%	Investment management	**KPMG PRC PRC GAAP**	KPMG PRC PRC GAAP

(1) Auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and
- KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.

(2) On 20 June 2019, the issued capital of Huatai Innovation Investment Co., Ltd., a subsidiary of the Company, was changed to RMB 3.5 billion, the paid-in capital was changed to RMB 1.7 billion.

(3) On 22 July 2019, Assetmark Financial Holdings, Inc., a subsidiary of the Company, completed the listing on New York stock exchange, and the shareholding ratio of the Company changed from 98.58% to 81.49%. After the listing, the Company disposed 6,250,000 shares of Assetmark Financial Holdings, Inc.. As at 31 December 2019, the Company held 70.27% of Assetmark Financial Holdings, Inc.

(4) On 23 April 2019, the paid-in capital of Huatai Great Wall Capital Management Co., Ltd., a subsidiary of the Company, was changed to RMB650 million.

(5) On 18 April 2019, the paid-in capital of Huatai Great Wall Investment Management Co., Ltd., a subsidiary of the Company, was changed to RMB550 million.

(6) These subsidiaries are indirectly controlled by the Company.

(7) As at 31 December 2019, the Company indirectly held less than 50% of the equity of Shenzhen Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) and Yili Suxin Investment Fund (Limited Partnership). According to the articles of partnership agreement, the Company has the power to control these funds and has the ability to use the power to affect the Company's variable return amount. Therefore, they are included in the scope of the consolidated financial statements.

(b) Partially-owned subsidiaries with material non-controlling interests

The following tables list out the information relating to Huatai Futures Co., Ltd. and AssetMark Financial Holdings, Inc., the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Huatai Futures Co., Ltd.		*AssetMark Financial Holdings, Inc*	
	2019	*2018*	***2019***	*2018*
NCI percentage	**40%**	40%	**29.73%**	1.42%
Assets	**25,103,587**	19,161,075	**8,246,392**	7,873,978
Liabilities	**(22,345,524)**	(16,495,253)	**(2,254,806)**	(3,076,525)
Net assets	**2,758,063**	2,665,822	**5,991,586**	4,797,453
Carrying amount of NCI	**1,103,225**	1,066,329	**1,785,262**	88,582
Revenue	**1,701,654**	1,210,484	**2,875,601**	2,406,320
Profit / (loss) for the year	**90,668**	205,594	**(2,897)**	247,664
Other comprehensive income	**1,573**	(432)	**-**	(33)
Total comprehensive income	**92,241**	205,162	**(2,897)**	247,631
Profit / (loss) allocated to NCI	**36,897**	80,649	**(8,962)**	3,200
Dividend paid to NCI	**-**	-	**-**	-
Cash flows from operating activities	**499,437**	(2,821,899)	**379,988**	408,044
Cash flows from investing activities	**391,898**	(290,971)	**(413,314)**	(117,221)
Cash flows from financing activities	**(55,789)**	4,055	**(15,052)**	74,506

(c) Acquisition of subsidiary

Global Financial Private Capital, Inc.

In 2019, the Company's subsidiary AssetMark Financial Holdings, Inc. acquired Global Financial Private Capital, LLC, which was renamed Global Financial Private Capital, Inc. effective on 12 July 2019. Global Financial Private Capital, Inc. is a wealth management company headquartered in the United States. On 16 April 2019, the Company closed the acquisition and paid a final purchase price of USD35.91 million (RMB240.92 million). The equity interest held by the Group is 100% after the acquisition in April 2019. The Group recognised the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

The fair values of the identifiable assets and liabilities of Global Financial Private Capital, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of acquisition
Property and equipment	2,028
Other intangible assets	95,632
Deferred tax assets	29,147
Accounts receivable	1,396
Other receivables and prepayments	2,137
Cash and bank balances	76,511
Other payables and accruals	(144,293)
Total identifiable net assets at fair value	62,558

Goodwill arising from acquisition

Consideration transferred	240,922
Less: fair value of net assets acquired	62,558
Carrying amount of goodwill	178,364

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Global Financial Private Capital, Inc. contributed RMB67.83 million to the Group's revenue and RMB22.70 million loss to the consolidated profit for the year ended 31 December 2019.

(d) Others

In March 2019, Huatai Ruixin (Shanghai) Investment Co., Ltd., a subsidiary of the Company, was liquidated and dissolved according to law. In July 2019, AssetMark Holdings LLC, a subsidiary of the Company, was liquidated and dissolved according to law.

25 Interest in associates

	As at 31 December	
	2019	2018
Share of net assets	**14,974,547**	12,527,828

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

			Proportion of ownership interest			
Name of associate	*Registered place*	*Registered capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
Bank of Jiangsu[i]	Nanjing	11,545,000	5.54%	5.54%	-	Commercial banking
China Southern Asset Management Co., Ltd. [ii]	Shenzhen	361,720	41.16%	41.16%	-	Fund management
Nanjing Huatai Rulian NO.1 Funds Mergers (Limited Partnership) [iii]	Nanjing	5,442,000	48.27%	-	48.27%	Equity investment

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

(i) In 2019, Bank of Jiangsu converted 49,981 shares convertible bonds, accounting for 0.0004% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion, and the share of Bank of Jiangsu held by the Company was changed from 5.54379% to 5.54377%. The Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it.

(ii) In 2019, the Company signed a capital increase agreement with other shareholders of China Southern Asset Management Co., Ltd., and the proportion of shares the Company held in China Southern Asset Management Co., Ltd. was changed from 45.00% to 41.16% after the capital injection. As at 31 December 2019, the Company still had a significant influence over China Southern Asset Management Co., Ltd.

(iii) The Group changed from the limited partner to the co-manager of Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership) ("NO. 1 Funds Mergers") in October 2018. The equity change completed in March 2019, the share of NO. 1 Funds Mergers held by the Group changed from 47.78% to 48.27%. As at 31 December 2019, the Group had a significant influence over NO. 1 Funds Mergers.

Summarised financial information of Bank of Jiangsu, China Southern Asset Management Co., Ltd. and NO. 1 Funds Mergers which are individually significant associates to the Group, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Bank of Jiangsu

	2019	2018
Gross amounts of the associate		
Assets	2,065,058,000	1,925,823,000
Liabilities	(1,928,083,074)	(1,801,343,709)
Net assets	136,974,926	124,479,291
Revenue	44,974,000	35,224,000
Profit for the year	16,921,980	13,238,751
Other comprehensive income	(866,500)	1,533,001
Total comprehensive income	16,055,480	14,771,752
Dividend received from the associate	217,600	115,200
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	110,027,043	102,647,000
The Group's effective interest	5.54%	5.54%
The Group's share of net assets of the associate	6,099,377	5,690,534
Carrying amount in the consolidated financial statements	6,099,377	5,690,534

China Southern Asset Management Co., Ltd.

	2019	2018
Gross amounts of the associate		
Assets	9,435,117	7,826,848
Liabilities	(2,370,765)	(2,928,860)
Net assets	7,064,352	4,897,988
Revenue	3,872,937	3,557,101
Profit for the year	896,907	839,384
Other comprehensive income	97,767	(13,548)
Total comprehensive income	994,674	825,836
Dividend received from the associate	149,226	252,636
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	6,837,404	4,765,340
The Group's effective interest	41.16%	45.00%
The Group's share of net assets of the associate	2,814,276	2,144,403
Carrying amount in the consolidated financial statements	2,814,276	2,144,403

NO. 1 Funds Mergers

	2019	2018
Gross amounts of the associate		
Assets	8,195,643	5,896,114
Liabilities	-	-
Net assets	8,195,643	5,896,114
Revenue	2,649,799	(218,938)
Profit / (loss) for the year	2,547,011	(322,369)
Other comprehensive income	-	-
Total comprehensive income	2,547,011	(322,369)
Dividend received from the associate	-	-
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	8,195,643	5,896,114
The Group's effective interest	48.27%	47.78%
The Group's share of net assets of the associate	3,955,757	2,816,960
Other adjustment	(37,418)	28,855
Carrying amount in the consolidated financial statements	3,918,339	2,845,815

Aggregate information of associates that are not individually material:

	2019	2018
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	2,142,555	1,847,076
Aggregate amounts of the Group's share of those associates' gains	556,874	135,207
Other comprehensive income	(56)	(3,576)
Total comprehensive income	556,818	131,631

26 Interest in joint ventures

	As at 31 December	
	2019	2018
Share of net assets	**664,458**	649,833

The following list contains only the particulars of material joint venture, which is unlisted corporate entity whose quoted market price is not available:

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

As at 31 December 2019, the Group held 10% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement signed in April 2018, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

Summarised financial information of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), which are individually significant joint venture to the Group, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)

	2019	**2018**
Gross amounts of the joint venture		
Assets	**6,629,266**	6,484,127
Liabilities	**-**	(352)
Net assets	**6,629,266**	6,483,775
Revenue	**295,645**	411,306
Profit for the year	**275,301**	390,943
Other comprehensive income	**-**	-
Total comprehensive income	**275,301**	390,943
Dividend received from the joint venture	**-**	-
Reconciled to the Group's interest in the joint venture:		
Net assets of the joint venture attributable to the parent company	**6,629,266**	6,483,775
The Group's effective interest	**10%**	10%
The Group's share of net assets of the joint venture	**662,927**	648,378
Carrying amount in the consolidated financial statements	**662,927**	648,378

Information of joint venture that is not individually material:

	2019	2018
Carrying amount of individually immaterial joint venture in the consolidated financial statements	1,531	1,455
Amounts of the Group's share of immaterial joint venture's gains / (loss)	76	(2,045)
Other comprehensive income	-	-
Total comprehensive income	76	(2,045)

27 Debt investment at amortised cost

(a) Analysed by nature:

Non-current

	As at 31 December	
	2019	*2018*
Debt securities	**14,434,594**	13,208,179
Loan and advances	**699,570**	651,983
Less: impairment losses	**(5,211)**	(5,284)
Total	**15,128,953**	13,854,878
Analysed as:		
Listed outside Hong Kong	**6,743,982**	7,486,705
Listed inside Hong Kong	**554,254**	564,030
Unlisted	**7,830,717**	5,804,143
Total	**15,128,953**	13,854,878

Current

	As at 31 December	
	2019	*2018*
Debt securities	**4,322,908**	2,276,968
Loan and advances	**289,899**	143,100
Less: impairment losses	**(2,002)**	(782)
Total	**4,610,805**	2,419,286
Analysed as:		
Listed outside Hong Kong	**2,538,970**	1,591,806
Listed inside Hong Kong	**42,470**	25,934
Unlisted	**2,029,365**	801,546
Total	**4,610,805**	2,419,286

As at 31 December 2019, the Group has pledged debt investment at amortised cost with a total fair value of RMB15,897 million and carrying amount of RMB15,737 million for the purpose of repurchase agreement business. The fair values of these securities have taken into account the relevant features including the restrictions.

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

	As at 31 December	
	2019	2018
At the beginning of the year	**6,066**	151
Charge for the year	**3,736**	6,978
Reversal of impairment	**(2,589)**	(1,063)
At the end of the year	**7,213**	6,066

28 Financial assets at fair value through other comprehensive income

(a) Analysed by nature:

Non-current

	As at 31 December	
	2019	2018
Equity investment		
Equity securities designated at FVOCI		
- Unlisted equity securities	**90,069**	82,294
- Other unlisted equity investment [(1)]	**10,254,673**	9,767,639
	10,344,742	9,849,933
Debt investment		
Debt securities	**731,785**	-
Loan and advances	**156,106**	248,449
Total	**11,232,633**	10,098,382
Analysed as:		
Unlisted	**10,500,848**	10,098,382
Listed inside Hong Kong	**696,635**	-
Listed outside Hong Kong	**35,150**	-
Total	**11,232,633**	10,098,382

(1) As at 31 December 2019, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The Group designated the special amount investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

Current

	As at 31 December	
	2019	2018
Debt investment		
Loan and advances	**841,886**	358,361
Debt securities	**283,456**	–
Total	**1,125,342**	358,361
Analysed as:		
Unlisted	**841,886**	358,361
Listed inside Hong Kong	**196,178**	–
Listed outside Hong Kong	**87,278**	–
Total	**1,125,342**	358,361

29 Financial assets held under resale agreements

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2019	2018
Equity securities	-	2,819,242
Less: impairment losses	-	(7,048)
Total	-	2,812,194

Current

	As at 31 December	
	2019	2018
Debt securities	13,787,673	15,769,084
Equity securities	5,736,157	25,515,232
Less: impairment losses	(1,057,550)	(539,945)
Total	18,466,280	40,744,371

(b) Analysed by market:

Non-current

	As at 31 December	
	2019	2018
Shenzhen stock exchange	-	1,712,819
Shanghai stock exchange	-	1,106,423
Less: impairment losses	-	(7,048)
Total	-	2,812,194

Current

	As at 31 December	
	2019	2018
Inter-bank market	10,117,307	10,578,868
Shenzhen stock exchange	4,734,581	22,840,766
Shanghai stock exchange	3,947,540	7,433,429
Others	724,402	431,253
Less: impairment losses	(1,057,550)	(539,945)
Total	18,466,280	40,744,371

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

	As at 31 December 2019	2018
At the beginning of the year	546,993	73,071
Charge for the year	660,363	473,922
Reversal of impairment	(149,806)	-
At the end of the year	1,057,550	546,993

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

	As at 31 December 2019	2018
Within 1 month	3,203,587	4,835,296
1 to 3 months	1,410,422	3,802,420
3 months to 1 year	1,122,148	16,877,516
Over 1 year	-	2,819,242
Less: impairment losses	(1,057,550)	(546,993)
Total	4,678,607	27,787,481

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

	As at 31 December 2019			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Amortised cost	3,201,553	400	2,534,204	5,736,157
Impairment losses	(8,002)	(4)	(1,049,544)	(1,057,550)
Carrying amount	3,193,551	396	1,484,660	4,678,607
Collateral	8,595,770	4,969	4,337,698	12,938,437

	As at 31 December 2018			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Amortised cost	24,662,325	1,905,942	1,766,207	28,334,474
Impairment losses	(61,656)	(33,593)	(451,744)	(546,993)
Carrying amount	24,600,669	1,872,349	1,314,463	27,787,481
Collateral	51,915,302	1,967,410	14,812,086	68,694,798

30 Financial assets at fair value through profit or loss

Non-current

(a) Analysed by type:

	As at 31 December	
	2019	*2018*
Equity securities	**4,219,220**	3,072,923
Debt securities	**554,937**	750,853
Funds	**185,288**	417,119
Wealth management products	**1,712,701**	914,281
Loan and advances	**294,187**	-
Total	**6,966,333**	5,155,176

(b) Analysed as:

	As at 31 December	
	2019	*2018*
Listed outside Hong Kong	**356,529**	406,000
Unlisted	**6,609,804**	4,749,176
Total	**6,966,333**	5,155,176

Current

(a) Analysed by type:

	As at 31 December	
	2019	*2018*
Equity securities	**29,781,301**	7,299,492
Debt securities	**180,958,126**	81,535,117
Funds	**28,855,524**	22,360,796
Wealth management products	**5,905,224**	5,893,751
Loan and advances	**329,164**	-
Total	**245,829,339**	117,089,156

(b) Analysed as:

	As at 31 December	
	2019	*2018*
Listed outside Hong Kong	**114,257,958**	57,972,062
Listed in Hong Kong	**7,901,751**	3,305,649
Unlisted	**123,669,630**	55,811,445
Total	**245,829,339**	117,089,156

As at 31 December 2019 and 31 December 2018, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB62 million and RMB16 million, respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 31 December 2019 and 31 December 2018, the listed equity securities held by the Group included approximately RMB790 million and RMB524 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

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

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

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

As at 31 December 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB1,476 million and RMB1,168 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB1,329 million and RMB10 million to CSF for the purpose of replacement, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB91,387 million and RMB26,203 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

31 Refundable deposits

	As at 31 December	
	2019	*2018*
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	**774,158**	366,632
- Hong Kong Securities Clearing Company Limited	**7,668**	8,275
- Hong Kong Stock Exchange	**45**	526
	781,871	375,433
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	**5,057,555**	1,991,536
- Shanghai Futures Exchange	**2,023,044**	1,295,101
- Dalian Commodity Exchange	**1,429,232**	1,307,482
- Zhengzhou Commodity Exchange	**894,701**	725,813
- Shanghai International Energy Exchange	**316,689**	127,174
- Overseas commodity exchange	**208,865**	102,835
	9,930,086	5,549,941
Deposits with other institutions		
- Shanghai Clearing House	**848,118**	107,094
- China Securities Finance Corporation Limited	**775,493**	1,682,150
- Shanghai Gold Exchange	**400**	300
- Others financial institutions	**317,572**	121,588
	1,941,583	1,911,132
Total	**12,653,540**	7,836,506

32 Deferred taxation

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

Deferred tax arising from:	*Provision for impairment losses*	*Employee benefits payable*	*Changes in fair value of financial instruments measured at FVTPL*	*Changes in fair value of derivative financial instruments*	*Changes in fair value of available-for-sale financial assets*	*Changes in fair value of financial instruments measured at FVOCI*	*Intangible assets recognised in the acquisition*	*Others*	*Total*
As at 1 January 2019	370,853	1,386,041	(284,721)	(313,601)	-	29,136	(1,224,780)	(1,547,969)	(1,585,041)
Recognised in profit or loss	177,813	262,822	(948,065)	235,549	-	-	(25,361)	(387,162)	(684,404)
Acquisition of subsidiaries	-	-	-	-	-	-	-	29,147	29,147
Recognised in reserves	-	-	-	-	-	(123,677)	-	-	(123,677)
As at 31 December 2019	548,666	1,648,863	(1,232,786)	(78,052)	-	(94,541)	(1,250,141)	(1,905,984)	(2,363,975)
As at 31 December 2017	174,630	1,547,359	(257,295)	303,757	(392,060)	-	(1,189,098)	(1,646,183)	(1,458,890)
Impact on initial application of IFRS9	(15,404)	-	(131,799)	-	392,060	(272,986)	-	25,817	(2,312)
As at 1 January 2018	159,226	1,547,359	(389,094)	303,757	-	(272,986)	(1,189,098)	(1,620,366)	(1,461,202)
Recognised in profit or loss	211,627	(161,318)	104,373	(617,358)	-	-	(35,682)	72,397	(425,961)
Recognised in reserves	-	-	-	-	-	302,122	-	-	302,122
As at 31 December 2018	370,853	1,386,041	(284,721)	(313,601)	-	29,136	(1,224,780)	(1,547,969)	(1,585,041)

(b) Reconciliation to the consolidated statement of financial position

	As at 31 December	
	2019	2018
Net deferred tax assets recognised in the consolidated statement of financial position	202,825	225,135
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,566,800)	(1,810,176)
Total	(2,363,975)	(1,585,041)

(c) Deferred tax assets not recognised

As at 31 December 2019 and 31 December 2018, in accordance with the accounting policy set out in Note 2(19)(ii), the Group has not recognised unused tax losses of RMB1,138 million and RMB1,145 million respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Most of the tax losses will not expire under current tax legislation.

33 Other non-current assets

(a) Analysed by nature:

	As at 31 December	
	2019	2018
Leasehold improvements and long-term deferred expenses	260,669	259,751

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

	As at 31 December	
	2019	2018
Balance at beginning of the year	259,751	81,047
Additions	22,712	205,686
Transfer in from property and equipment (Note 20)	51,646	10,499
Amortisation	(73,440)	(37,481)
Balance at end of the year	260,669	259,751

34 Accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2019	2018
Accounts receivable of:		
- Return swap and OTC options	2,328,096	1,465,653
- Fee and commission	864,235	763,403
- Settlement	798,260	23,851
- Redemption of open-ended fund	775,274	7,948
- Brokers, dealers and clearing house	550,212	323,014
- Subscription receivable	107,628	120,027
- Interest of interest rate swap	52,556	223,324
- Others	54,762	180,835
Less: impairment losses	(19,855)	(17,890)
Total	5,511,168	3,090,165

(b) Analysed by aging:

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

	As at 31 December	
	2019	2018
Within 1 month	5,264,183	2,676,272
1 to 3 months	57,958	335,761
Over 3 months	189,027	78,132
Total	5,511,168	3,090,165

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

	As at 31 December	
	2019	2018
At the beginning of the year	17,890	9,918
Charge for the year	14,559	8,545
Amounts written-off	(12,594)	(573)
At the end of the year	19,855	17,890

(d) Accounts receivable that is not impaired

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

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

35 Other receivables and prepayments

(a) Analysed by nature:

	As at 31 December	
	2019	2018
Other receivables[1]	468,259	387,832
Interest receivable[2]	131,942	184,677
Deductable VAT	36,874	38,111
Tax refund	29,834	472,541
Deferred expenses	14,576	25,187
Dividends receivable	4,564	210,032
Others	194,222	236,710
Total	880,271	1,555,090

(1) Other receivables:

	As at 31 December	
	2019	2018
Other receivables	1,374,639	1,102,147
Less: impairment losses	(906,380)	(714,315)
Total	468,259	387,832

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

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

	As at 31 December	
	2019	2018
At the beginning of the year	714,315	386,691
Charge for the year	210,758	343,960
Reversal of impairment	(18,693)	(16,230)
Amounts written-off	-	(106)
At the end of the year	906,380	714,315

(2) Interest receivable:

	As at 31 December	
	2019	2018
Interest receivable	**207,403**	254,823
Less: impairment losses	**(75,461)**	(70,146)
Total	**131,942**	184,677

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

	As at 31 December	
	2019	2018
At the beginning of the year	**70,146**	-
Charge for the year	**43,511**	70,146
Reversal of impairment	**(38,196)**	-
At the end of the year	**75,461**	70,146

36 Margin accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2019	*2018*
Individuals	**63,208,640**	43,445,557
Institutions	**5,910,311**	2,861,681
Less: impairment losses	**(112,671)**	(118,353)
Total	**69,006,280**	46,188,885

As at 31 December 2018, the amount of margin accounts receivable which the Group transferred to the securitisation vehicle is RMB1,078 million, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors in 2018 with one year term and was liquidated in 2019.

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

	As at 31 December	
	2019	*2018*
At the beginning of the year	**118,353**	140,217
Charge for the year	**33,329**	29,561
Reversal of impairment	**(39,011)**	(51,425)
At the end of the year	**112,671**	118,353

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

	As at 31 December	
	2019	*2018*
Fair value of collaterals:		
- Equity securities	**208,232,831**	119,268,801
- Cash	**10,757,058**	6,966,255
- Funds	**4,364,467**	3,078,365
- Debt securities	**433,164**	185,062
Total	**223,787,520**	129,498,483

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

37 Derivative financial instruments

	As at 31 December 2019		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	187,871,177	93,489	(8,447)
Currency derivatives	3,685,733	65,447	(47,146)
Equity derivatives	98,238,017	1,657,753	(1,906,397)
Credit derivatives	2,558,479	2,385	(23,297)
Others	64,841,228	136,794	(121,641)
Total	357,194,634	1,955,868	(2,106,928)
Less: settlement		(97,827)	828,529
Net position		1,858,041	(1,278,399)

	As at 31 December 2018		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	62,537,399	2,934	(29,667)
Currency derivatives	849,807	26,935	(849)
Equity derivatives	45,549,553	1,902,365	(768,911)
Credit derivatives	35,000	554	(56)
Others	3,050,979	64,594	(5,023)
Total	112,022,738	1,997,382	(804,506)
Less: settlement		(63,424)	28,404
Net position		1,933,958	(776,102)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settling with Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures trading through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the Group has maintained no open position for these contracts at 31 December 2019 and 31 December 2018.

38 Clearing settlement funds

	As at 31 December	
	2019	*2018*
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	**6,716,642**	3,021,783
- Hong Kong Securities Clearing Company Limited	**11,431**	-
Deposits with other institutions	**27,531**	1,587
Total	**6,755,604**	3,023,370

39 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

40 Cash and bank balances

(a) Analysed by nature:

	As at 31 December	
	2019	*2018*
Cash on hand	**190**	225
Bank balances	**49,864,177**	28,201,747
Less: impairment losses	**(11,179)**	(1,347)
Total	**49,853,188**	28,200,625

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

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

	As at 31 December	
	2019	*2018*
At the beginning of the year	**1,347**	3,496
Charge for the year	**11,168**	1
Reversal of impairment	**(1,336)**	(2,150)
At the end of the year	**11,179**	1,347

41 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2019	*2018*
Cash on hand	190	225
Bank balances	49,720,685	27,996,453
Clearing settlement funds	6,755,433	3,023,296
Financial assets held under resale agreements within 3 months	12,867,370	15,545,947
Bond investment within 3 months original maturity	11,122,273	-
Less: restricted bank deposits	(11,267,173)	(5,773,611)
Total	69,198,778	40,792,310

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits, risk reserve deposits and litigation frozen fund.

(b) *Reconciliation of liabilities arising from financing activities:*

The following table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Short-term debt instruments	*Long-term bonds*	*Short-term bank loans*	*Long-term bank loans*	*Lease liabilities*	*Share capital*	*Capital reserve*	*Retained profits*	*Non-controlling interests*	*Total*
At 31 December 2018	22,074,000	62,980,730	3,015,791	1,698,769	-	8,251,500	58,859,860	19,416,104	1,356,027	177,652,781
Impact on initial application of IFRS 16	-	-	-	-	707,224	-	-	-	-	707,224
At 1 January 2019	22,074,000	62,980,730	3,015,791	1,698,769	707,224	8,251,500	58,859,860	19,416,104	1,356,027	178,360,005
Changes from financing cash flows										
Proceeds from non-controlling interests	-	-	-	-	-	-	(80,411)	-	977,294	896,883
Proceeds from partially disposal of a subsidiary without losing control	-	-	-	-	-	-	511,660	-	654,228	1,165,888
Proceeds from issuance	103,166,070	30,989,005	2,708,340	-	-	825,150	10,761,511	-	-	148,450,076
Repayment of borrowings	(77,971,589)	(29,464,480)	-	(847,772)	-	-	-	-	-	(108,283,841)
Interest paid	(488,317)	(2,732,056)	(80,915)	(87,520)	-	-	-	-	-	(3,388,808)
Payment of lease liabilities	-	-	-	-	(321,399)	-	-	-	-	(321,399)
Dividend paid	-	-	-	-	-	-	-	(2,722,995)	(648)	(2,723,643)
Other borrowing costs paid	-	-	-	-	-	-	(126,036)	-	-	(126,036)
Total changes from financing cash flows	24,706,164	(1,207,531)	2,627,425	(935,292)	(321,399)	825,150	11,066,724	(2,722,995)	1,630,874	35,669,120
Other changes										
Interest expenses	750,491	2,649,316	65,074	87,520	30,144	-	-	-	-	3,582,545
New leases	-	-	-	-	546,472	-	-	-	-	546,472
Others	(1,105,459)	193,843	15,841	-	-	-	-	-	-	(895,775)
Total liability-related other changes	(354,968)	2,843,159	80,915	87,520	576,616	-	-	-	-	3,233,242
Total equity-related other changes	-	-	-	-	-	-	363,949	6,485,302	130,328	6,979,579
At 31 December 2019	46,425,196	64,616,358	5,724,131	850,997	962,441	9,076,650	70,290,533	23,178,411	3,117,229	224,241,946

	Short-term debt instruments	Long-term bonds	Short-term bank loans	Long-term bank loans	Share capital	Capital reserve	Retained profits	Non-controlling interests	Total
At 31 December 2017	26,957,118	77,319,310	(9)	-	7,162,769	45,820,627	18,977,215	1,253,974	177,491,004
Impact on initial application of IFRS 9	-	-	-	-	-	-	549,914	(151)	549,763
At 1 January 2018	26,957,118	77,319,310	(9)	-	7,162,769	45,820,627	19,527,129	1,253,823	178,040,767
Changes from financing cash flows									
Proceeds from issuance	46,200,314	8,974,000	2,999,949	1,698,769	1,088,731	13,119,211	-	-	74,080,974
Repayment of borrowings	(50,957,800)	(24,600,000)	-	-	-	-	-	-	(75,557,800)
Interest paid	(902,944)	(3,720,570)	(32,626)	(12,705)	-	-	-	-	(4,668,845)
Dividend paid	-	-	-	-	-	-	(2,475,450)	(12,715)	(2,488,165)
Other borrowing costs paid	-	-	-	-	-	(74,736)	-	-	(74,736)
Total changes from financing cash flows	(5,660,430)	(19,346,570)	2,967,323	1,686,064	1,088,731	13,044,475	(2,475,450)	(12,715)	(8,708,572)
Other changes									
Interest expenses	807,490	3,251,607	48,467	12,705	-	-	-	-	4,120,269
Others	(30,178)	1,756,383	10	-	-	-	-	-	1,726,215
Total liability-related other changes	777,312	5,007,990	48,477	12,705	-	-	-	-	5,846,484
Total equity-related other changes	-	-	-	-	-	(5,242)	2,364,425	114,919	2,474,102
At 31 December 2018	22,074,000	62,980,730	3,015,791	1,698,769	8,251,500	58,859,860	19,416,104	1,356,027	177,652,781

42 Short-term bank loans

	As at 31 December	
	2019	2018
Credit loans	5,455,353	3,015,791
Pledged loans	268,778	-
Total	5,724,131	3,015,791

As of 31 December 2019, the interest rates for short-term loans were 2.74%-6.15% (as of 31 December 2018: 3.66%-6.60%).

43 Short-term debt instruments issued

As at 31 December 2019

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
19 HUATAI CP001	RMB3,000,000	29/04/2019	29/07/2019	RMB3,000,000	3.00%
19 HUATAI CP002	RMB3,000,000	10/07/2019	09/10/2019	RMB3,000,000	2.60%
19 HUATAI CP003	RMB4,000,000	08/08/2019	06/11/2019	RMB4,000,000	2.70%
19 HUATAI CP004	RMB2,000,000	12/09/2019	11/12/2019	RMB2,000,000	2.78%
19 HUATAI CP005	RMB5,000,000	11/10/2019	09/01/2020	RMB5,000,000	2.83%
19 HUATAI CP006	RMB5,000,000	14/11/2019	12/02/2020	RMB5,000,000	3.05%
19 HUATAI CP007	RMB5,000,000	06/12/2019	05/03/2020	RMB5,000,000	3.02%
Structured notes (1)	RMB31,298,880	Note(1)	Note(1)	RMB31,298,880	Note(1)

Name	Book value as at 1 January 2019	Increase	Decrease	Book value as at 31 December 2019
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
18 HUATAI D1	4,727,918	95,693	(4,823,611)	-
FRGN	344,636	22,883	(367,519)	-
19 HUATAI CP001	-	3,022,438	(3,022,438)	-
19 HUATAI CP002	-	3,019,447	(3,019,447)	-
19 HUATAI CP003	-	4,026,630	(4,026,630)	-
19 HUATAI CP004	-	2,013,710	(2,013,710)	-
19 HUATAI CP005	-	5,031,401	-	5,031,401
19 HUATAI CP006	-	5,019,637	-	5,019,637
19 HUATAI CP007	-	5,011,043	-	5,011,043
Structured notes (1)	16,051,446	76,498,220	(61,186,551)	31,363,115
Total	21,124,000	103,761,102	(78,459,906)	46,425,196

As at 31 December 2018

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
17 HUATAI 05	RMB4,000,000	11/08/2017	11/08/2018	RMB4,000,000	4.65%
17 HUATAI C3	RMB2,000,000	14/09/2017	14/09/2018	RMB2,000,000	5.00%
17 HUATAI 07	RMB4,000,000	20/11/2017	20/11/2018	RMB4,000,000	5.20%
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
Structured notes (1)	RMB16,005,364	Note(1)	Note(1)	RMB16,005,364	Note(1)

Name	Book value as at 1 January 2018	Increase	Decrease	Book value as at 31 December 2018
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
17 HUATAI 05	4,000,000	-	(4,000,000)	-
17 HUATAI C3	2,000,000	-	(2,000,000)	-
17 HUATAI 07	4,000,000	-	(4,000,000)	-
18 HUATAI D1	-	4,727,918	-	4,727,918
FRGN	-	344,636	-	344,636
Structured notes (1)	16,656,010	40,353,236	(40,957,800)	16,051,446
Total	26,656,010	45,425,790	(50,957,800)	21,124,000

(1) In 2019, the Company has issued 4,324 tranches (2018: 3,237 tranches) of structured notes, bearing interest ranging from 2.80% to 6.58% per annum (2018: 4.34% to 6.58% per annum), repayable within 1 year. Structured notes repayable more than 1 year are classified as "Long-term bonds" (Note 52).

44 Placements from other financial institutions

	As at 31 December	
	2019	*2018*
Placements from China Securities Finance Co., Ltd.	**6,010,472**	2,028,261
Placements from banks	**5,352,126**	3,785,226
Total	**11,362,598**	5,813,487

As at 31 December 2019, the placements from banks are unsecured, bearing interest of 1.90%-3.00% per annum, with maturities within 3 days (as at 31 December 2018: bearing interest of 4.50%-5.70% per annum, with maturities within 291 days), and the placements from China Securities Finance Co., Ltd. are secured by the securities investment held by the Group, bearing interest of 3.25% per annum, with maturities within 177 days (as at 31 December 2018: bearing interest of 4.70%-5.10% per annum, with maturities within 53 days) .

45 Accounts payable to brokerage clients

	As at 31 December	
	2019	2018
Clients' deposits for brokerage trading	**78,876,364**	52,259,810
Clients' deposits for margin financing and securities lending	**10,941,556**	7,232,366
Total	**89,817,920**	59,492,176

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

46 Employee benefits payable

Non-current

	As at 31 December	
	2019	2018
Salaries, bonuses and allowance	**6,360,633**	4,946,197
Cash-settled share-based payments	**-**	99,793
Total	**6,360,633**	5,045,990

Current

	As at 31 December	
	2019	2018
Salaries, bonuses and allowance	**2,535,969**	2,846,186
Contribution to pension scheme	**633**	1,207
Other social welfare	**37,151**	21,649
Total	**2,573,753**	2,869,042

47 Other payables and accruals

Non-current

	As at 31 December	
	2019	2018
Lease liabilities	605,958	-

(1) During the year of 2019, in accordance with the accounting policy set out in Note 2(20)(i), the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, which amounted to RMB80 million.

(2) As at 31 December 2019, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

Current

	As at 31 December	
	2019	2018
Payables to interest holders of consolidated structured entities[1]	72,790,316	43,497,437
Trade payable	8,734,439	3,358,493
Settlement payables	1,350,093	669,789
Payable to open-ended funds	869,580	2,876,029
Dividend payable of pledged exchangeable bond	757,334	322,017
Other tax payable	740,239	562,300
Lease liabilities	356,483	-
Fee and commission payable	129,722	119,211
Futures risk reserve	123,904	111,877
Redemption payables	66,548	65,497
Payable for office building construction	58,404	172,822
Interest payable	52,183	229,002
Payable to the securities investor protection fund	43,482	49,895
Dividend payable	24,192	13,254
Payable to asset-based securities wealth management scheme	-	950,000
Others[2]	739,707	795,463
Total	86,836,626	53,793,086

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.

48 Contract liabilities

	As at 31 December	
	2019	2018
Advance consideration received from customers	**19,179**	7,442

49 Financial assets sold under repurchase agreements

(a) Analysed by collateral type:

	As at 31 December	
	2019	2018
Debt securities	**93,280,267**	33,097,321
Precious metal	**14,231,197**	5,819,308
Equity securities	**1,206,743**	176,592
Margin loans receivable backed repurchase	**1,000,838**	1,001,833
Total	**109,719,045**	40,095,054

As at 31 December 2019, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB120,334 million (as at 31 December 2018: RMB44,949 million).

(b) Analysed by market:

	As at 31 December	
	2019	2018
Inter-bank market	**46,157,634**	6,576,171
Shanghai stock exchange	**41,007,228**	24,721,365
Over-the-counter	**16,438,778**	8,365,889
Shenzhen stock exchange	**6,115,405**	431,629
Total	**109,719,045**	40,095,054

50 Financial liabilities at fair value through profit or loss

Non-current

	As at 31 December	
	2019	2018
Financial liabilities designated at fair value through profit or loss	**2,690,563**	2,325,405

Current

	As at 31 December	
	2019	2018
Financial liabilities held for trading	**4,586,478**	2,812,857
Financial liabilities designated at fair value through profit or loss	**103,142**	61,727
Total	**4,689,620**	2,874,584

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 31 December 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

51 Long-term bonds due within one year

As at 31 December 2019

Name	*Par value*	*Issuance date*	*Due date*	*Issue amount*	*Nominal interest rate*
	Original currency			Original currency	
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes[(1)]	RMB180,360	Note(1)	Note(1)	RMB180,360	Note(1)

Name	*Book value as at 1 January 2019*	*Increase*	*Decrease*	*Book value as at 31 December 2019*
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
HUATAI B1910	2,767,406	184,300	(2,951,706)	-
16 HUATAI C1	-	5,159,462	(5,159,462)	-
16 HUATAI G1	3,508,901	116,620	(3,625,521)	-
16 HUATAI G3	5,009,345	181,078	(5,190,423)	-
17 HUATAI 02	-	2,171,732	(93,000)	2,078,732
17 HUATAI 03	4,126,575	66,667	(4,193,242)	-
17 HUATAI 04	-	6,513,493	(315,000)	6,198,493
17 HUATAI C2	-	5,355,315	(247,500)	5,107,815
17 HUATAI 06	5,049,800	62,250	(5,112,050)	-
18 HUATAI C1	-	1,100,590	(56,500)	1,044,090
HUATAI B2006	-	105,345	-	105,345
Structured notes[(1)]	4,382,589	228,301	(4,428,832)	182,058
Total	24,844,616	21,245,153	(31,373,236)	14,716,533

As at 31 December 2018

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
15 HUATAI 03	RMB5,000,000	21/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI G1	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 01	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
Structured notes	RMB4,174,000	N/A	N/A	RMB4,174,000	5.10% - 5.50%

Name	Book value as at 1 January 2018	Increase	Decrease	Book value as at 31 December 2018
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01	3,999,226	774	(4,000,000)	-
HUATAI B1910	-	2,767,406	-	2,767,406
15 HUATAI 03	5,000,000	-	(5,000,000)	-
15 HUATAI G1	6,598,254	1,746	(6,600,000)	-
16 HUATAI C2	-	3,000,000	(3,000,000)	-
16 HUATAI G1	-	3,508,901	-	3,508,901
16 HUATAI G3	-	5,009,345	-	5,009,345
17 HUATAI 01	6,000,000	-	(6,000,000)	-
17 HUATAI 03	-	4,126,575	-	4,126,575
17 HUATAI 06	-	5,049,800	-	5,049,800
Structured notes	-	4,382,589	-	4,382,589
Total	21,597,480	27,847,136	(24,600,000)	24,844,616

(1) As at 31 December 2019, RMB182 million of structured notes would mature within one year.

52 Long-term bonds

As at 31 December 2019

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI C1[(1)]	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
Structured notes[(2)]	RMB279,300	Note(2)	Note(2)	RMB279,300	Note(2)

Name	Book value as at 1 January 2019	Increase	Decrease	Book value as at 31 December 2019
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	6,168,633	307,464	(306,000)	6,170,097
16 HUATAI C1[(1)]	5,035,712	82,500	(5,118,212)	-
16 HUATAI G2	2,506,732	94,881	(94,500)	2,507,113
16 HUATAI G4	3,005,873	119,580	(119,100)	3,006,353
17 HUATAI 02	2,078,732	-	(2,078,732)	-
17 HUATAI 04	6,198,493	-	(6,198,493)	-
17 HUATAI C2	5,107,815	-	(5,107,815)	-
18 HUATAI C1	1,041,554	-	(1,041,554)	-
18 HUATAI C2	2,891,369	147,165	(145,600)	2,892,934
18 HUATAI G1	3,008,192	117,544	(116,400)	3,009,336
18 HUATAI G2	1,003,009	41,943	(41,700)	1,003,252
19 HUATAI G1	-	7,204,147	(7,264)	7,196,883
19 HUATAI G3	-	5,132,527	(4,527)	5,128,000
19 HUATAI 02	-	5,118,534	(4,527)	5,114,007
19 HUATAI 03	-	4,027,951	(4,151)	4,023,800
19 Finance 01	-	6,074,363	(2,830)	6,071,533
HUATAI B2006	-	105,345	(105,345)	-
HUATAI B2205	-	3,497,217	-	3,497,217
Structured notes[(2)]	-	461,075	(181,775)	279,300
Total	38,046,114	32,532,236	(20,678,525)	49,899,825

As at 31 December 2018

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2023	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2021	RMB1,000,000	4.17%
Structured notes	RMB4,174,000	*N/A*	*N/A*	RMB4,174,000	5.10%-5.50%

Name	Book value as at 1 January 2018	Increase	Decrease	Book value as at 31 December 2018
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	5,992,319	176,314	-	6,168,633
HUATAI B1910	2,608,477	136,259	(2,744,736)	-
16 HUATAI C1	5,000,000	35,712	-	5,035,712
16 HUATAI C2	3,000,000	-	(3,000,000)	-
16 HUATAI G1	3,500,000	-	(3,500,000)	-
16 HUATAI G2	2,500,000	6,732	-	2,506,732
16 HUATAI G3	5,000,000	-	(5,000,000)	-
16 HUATAI G4	3,000,000	5,873	-	3,005,873
17 HUATAI 02	2,000,000	78,732	-	2,078,732
17 HUATAI 03	4,000,000	-	(4,000,000)	-
17 HUATAI 04	6,000,000	198,493	-	6,198,493
17 HUATAI C2	5,000,000	107,815	-	5,107,815
17 HUATAI 06	5,000,000	-	(5,000,000)	-
18 HUATAI C1	-	1,042,544	(990)	1,041,554
18 HUATAI C2	-	2,894,141	(2,772)	2,891,369
18 HUATAI G1	-	3,011,162	(2,970)	3,008,192
18 HUATAI G2	-	1,003,999	(990)	1,003,009
Structured notes	3,000,000	1,174,000	(4,174,000)	-
Total	55,600,796	9,871,776	(27,426,458)	38,046,114

(1) The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance. Such option has been executed and the subordinated bond is classified as "Long-term bonds due within one year" (Note 51).

(2) The Company has issued 21 tranches of long-term structured notes for the year ended 31 December 2019. As at 31 December 2019, 12 tranches of long-term structured notes due within one year is classified as "Long-term bonds due within one year" (Note 51).

53 Long-term bank loans due within one year

	As at 31 December	
	2019	*2018*
Credit bank loan	**-**	15,820

54 Long-term bank loans

	As at 31 December	
	2019	*2018*
Credit bank loans	**850,997**	1,698,769
Less: credit bank loan due within one year (Note 53)	**-**	(15,820)
Total	**850,997**	1,682,949

On 14 November 2018, the Group executed a Loan and Security Agreement with Credit Suisse for USD250 million term loan and secured a revolving line of credit that permit the Group to borrow up to USD20 million, interest on amounts borrowed under the term loan and line of credit equal to LIBOR plus 3.50%.

On 26 July 2019, the Group made USD125 million repayment of the aforementioned loan in advance.

55 Share capital, reserves and retained profits

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

			Reserves							
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	Total
As at 1 January 2019		8,251,500	58,621,923	4,489,830	9,191,569	(257,250)	18,981	14,480,535	94,797,088
Changes in equity for 2019									
Profit for the year		-	-	-	-	-	-	6,288,603	6,288,603
Other comprehensive income		-	-	-	-	460,806	-	-	460,806
Total comprehensive income		-	-	-	-	460,806	-	6,288,603	6,749,409
Issuance of A share		825,150	10,523,093	-	-	-	-	-	11,348,243
Appropriation to surplus reserve		-	-	628,861	-	-	-	(628,861)	-
Appropriation to general reserve		-	-	-	1,257,720	-	-	(1,257,720)	-
Dividends declared for the year		-	-	-	-	-	-	(2,722,995)	(2,722,995)
Other		-	84,321	-	-	-	-	-	84,321
As at 31 December 2019	63	9,076,650	69,229,337	5,118,691	10,449,289	203,556	18,981	16,159,562	110,256,066

					Reserves				
	Note	*Share capital*	*Capital reserve*	*Surplus reserve*	*General reserve*	*Fair value reserve*	*Translation reserve*	*Retained profits*	*Total*
As at 31 December 2017		7,162,769	45,577,448	3,919,488	8,050,883	1,001,871	18,981	12,951,361	78,682,801
Impact on initial application of IFRS 9		-	-	34,366	68,733	(335,770)	-	240,564	7,893
As at 1 January 2018		7,162,769	45,577,448	3,953,854	8,119,616	666,101	18,981	13,191,925	78,690,694
Changes in equity for 2018									
Profit for the year		-	-	-	-	-	-	5,359,764	5,359,764
Other comprehensive income		-	-	-	-	(911,126)	-	-	(911,126)
Total comprehensive income		-	-	-	-	(911,126)	-	5,359,764	4,448,638
Issuance of A share		1,088,731	13,044,475	-	-	-	-	-	14,133,206
Appropriation to surplus reserve		-	-	535,976	-	-	-	(535,976)	-
Appropriation to general reserve		-	-	-	1,071,953	-	-	(1,071,953)	-
Dividends declared for the year		-	-	-	-	-	-	(2,475,450)	(2,475,450)
Other		-	-	-	-	(12,225)	-	12,225	-
As at 31 December 2018	63	8,251,500	58,621,923	4,489,830	9,191,569	(257,250)	18,981	14,480,535	94,797,088

(b) Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2019		As at 31 December 2018	
	Number of shares	Nominal value	Number of shares	Nominal value
	(Thousand)		(Thousand)	
Registered, issued and fully paid:				
A shares of RMB1 each	7,357,604	7,357,604	6,532,454	6,532,454
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	9,076,650	9,076,650	8,251,500	8,251,500

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholder of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed private placement of issuance of 1,088,731,200 new A shares.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 750,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change is RMB9,076,650,000.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

(c) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(d) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(e) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(f) Fair value reserve

The fair value reserve comprises:

The cumulative net change in the fair value of equity securities designated at FVOCI; and

The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

(g) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

(h) Dividends

Pursuant to the resolution of the general meeting of the shareholders dated 26 June 2019, the Company was approved to distribute cash dividends of RMB3.00 (tax inclusive) per 10 shares to all the shareholders, with total cash dividends amounting to RMB2,723 million.

56 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2019 and 31 December 2018 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2019	2018
Contracted, but not provided for	**3,700,000**	1,770,619

The aforementioned capital commitments mainly represent the securities underwriting commitments of the Group.

(b) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018
Within 1 year (inclusive)	325,380
1-2 years (inclusive)	208,884
2-3 years (inclusive)	153,962
After 3 years	144,260
Total	832,486

57 Interests in structured entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly include asset management schemes where the Group involves as manager or investment consultant and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2019, the Group consolidates 42 structured entities (as at 31 December 2018 the Group consolidates 32 structured entities), which are mainly asset management schemes. As at 31 December 2019 and 31 December 2018, the total assets of the consolidated structured entities are RMB93,747 million and RMB56,644 million respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB18,208 million and RMB8,077 million, respectively.

(b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 57(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2019 and 31 December 2018, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB663,098 million and RMB764,744 million, respectively. As at 31 December 2019 and 31 December 2018, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB2,070 million and RMB1,139 million, respectively.

During the years ended 31 December 2019 and 31 December 2018, income derived from these unconsolidated structured entities held by the Group amounted to RMB834 million and RMB844 million, respectively.

(c) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2019 and 31 December 2018, which are listed as below:

	As at 31 December 2019		
	Financial assets at FVTPL	*Financial assets at FVOCI*	*Total*
Funds	28,119,817	-	28,119,817
Wealth management products	6,406,221	10,254,673	16,660,894
Total	34,526,038	10,254,673	44,780,711

	As at 31 December 2018		
	Financial assets at FVTPL	*Financial assets at FVOCI*	*Total*
Funds	13,210,731	-	13,210,731
Wealth management products	4,506,828	9,767,639	14,274,467
Total	17,717,559	9,767,639	27,485,198

58 Outstanding litigations

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2019 and 31 December 2018, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

59 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders and their subsidiaries is set out in Note 59(b)(i).

(ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

(iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

(iv) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 26.

(v) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders and their subsidiaries:

	As at 31 December	
	2019	2018
Balances at the end of the year:		
Financial assets at FVTPL	**244,897**	329,514
Debt investment at amortised cost	**301,725**	302,614
Accounts payable to brokerage clients	**18,708**	18,919
Other payables and accruals	**3,211**	3,211

	Year ended 31 December	
	2019	2018
Transactions during the year:		
Fee and commission income	19,164	21,583
Net investment gains	5,124	17,096
Interest income	5,679	-
Interest expenses	4,886	1,429

During the year of 2019, the Group has redeemed the bonds issued by major shareholders amounting to RMB86 million. During the year of 2018, the Group has purchased the bonds issued by major shareholders amounting to RMB451 million.

During the year of 2019 and 2018, the Group has made repurchase agreements with major shareholders and their subsidiaries for the total amount of RMB1,989 million and RMB3,716 million, respectively.

During the year of 2019 and 2018, the Group has taken placements from other financial institutions with major shareholders and their subsidiaries for the total amounts of RMB7,200 million and nil, respectively.

During the year of 2019 and 2018, investments made by major shareholders into private equity investment funds managed and controlled by the Group are nil and RMB90 million, respectively.

(ii) Transactions between the Group and associates:

	As at 31 December	
	2019	2018
Balances at the end of the year:		
Cash and bank balances	208,253	450,311
Right-of-use assets	98,835	-
Accounts receivable	127,819	105,845
Other receivables and prepayments	353	131,324
Financial assets at FVTPL	61,186	-
Accounts payable to brokerage clients	7,390	17,462
Other payables and accruals	-	555
Placements from other financial institutions	1,000,000	-
Short-term debt instruments issued	872,450	-
Lease liabilities	98,767	-

	Year ended 31 December	
	2019	2018
Transactions during the year:		
Fee and commission income	229,586	209,331
Interest income	4,995	15,604
Net investment gains	89,660	18,465
Other income and gains	10,098	9,752
Interest expenses	19,583	72

During the year of 2019, the Group has subscribed the bonds issued by associates for RMB254 million. During the year of 2018, the Group has redeemed the bonds issued by associates for RMB642 million.

During the year of 2019 and 2018, the capital injection made by the Group into the associates are RMB472 million and RMB418 million, respectively. During the year of 2019 and 2018, the divestment made by the Group from the associates are RMB196 million and RMB535 million, respectively.

During the year of 2019 and 2018, the Group has made repurchase agreements with associates for the total amount of RMB57,267 million and RMB1,378 million, respectively.

During the year of 2019 and 2018, the Group has taken placements from other financial institutions with associates for the total amount of RMB96,000 million and nil, respectively.

During the year of 2019 and 2018, the Group has received dividends from associates for the total amounts of RMB828 million and RMB417 million, respectively.

During the year of 2019 and 2018, the Group has paid rental fee to associates for the total amounts of RMB25 million and nil, respectively.

(iii) Transactions between the Group and joint ventures:

	As at 31 December	
	2019	2018
Balances at the end of the year:		
Accounts payable to brokerage clients	-	69

	Year ended 31 December	
	2019	2018
Transactions during the year:		
Fee and commission income	19,811	13,298

During the year of 2019, the capital divestment made by the Group from the joint ventures are RMB24 million. During the year of 2018, the capital injection made by the Group into the joint ventures are RMB4 million.

(iv) Transactions between the Group and other related parties:

	As at 31 December	
	2019	2018
Balances at the end of the year:		
Accounts payable to brokerage clients	4,636	1,282

	Year ended 31 December	
	2019	2018
Transactions during the year:		
Fee and commission income	84	37

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	As at 31 December	
	2019	*2018*
Short-term employee benefits		
– Fees, salaries, allowances and bonuses	**35,907**	37,027
Post-employment benefits		
– Contribution to pension scheme	**1,361**	1,422
Total	**37,268**	38,449

Total remuneration is included in "staff costs" (see Note 10).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions set out in Note 59(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and 14A.93.

60 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.

- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.

- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.

- The international business segment mainly includes the overseas business of overseas subsidiaries.

- Other segments include other operations of head office, mainly including interest income, share of profit of associates, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

(a) Business segments

For the year ended 31 December 2019

	Wealth management	*Institutional services*	*Investment management*	*International business*	*Others*	*Total*
Revenue						
- External	13,146,755	8,303,940	4,097,815	3,963,881	1,361,516	30,873,907
- Inter-segment	284	18,540	-	91,212	797,336	907,372
Other income and gains	996,721	45,179	270,178	(6,576)	314,198	1,619,700
Segment revenue and other income	14,143,760	8,367,659	4,367,993	4,048,517	2,473,050	33,400,979
Segment expenses	(10,057,458)	(5,314,444)	(1,429,079)	(3,945,267)	(2,935,054)	(23,681,302)
Segment operating profit/(loss)	4,086,302	3,053,215	2,938,914	103,250	(462,004)	9,719,677
Share of profit of associates and joint ventures	-	8,208	1,685,802	-	1,032,439	2,726,449
Profit before income tax	4,086,302	3,061,423	4,624,716	103,250	570,435	12,446,126
Interest income	6,632,992	369,196	270,021	529,359	881,125	8,682,693
Interest expenses	(2,257,545)	(2,508,729)	(90,906)	(447,032)	(1,274,240)	(6,578,452)
Depreciation and amortisation expenses	(331,768)	(64,542)	(57,740)	(265,941)	(505,551)	(1,225,542)
Net (provision for) / reversal of impairment loss on other assets	2,717	-	-	(100)	-	2,617
Net (provision for) / reversal of impairment loss on financial assets	(591,605)	(5,146)	(139,286)	(8,105)	24,593	(719,549)
Segment assets	169,792,956	180,665,359	113,510,026	36,435,362	99,691,815	600,095,518
Additions to non-current segment assets during the year	288,998	45,806	10,575	231,359	510,699	1,087,437
Segment liabilities	(166,688,469)	(178,697,367)	(80,861,035)	(25,614,722)	(22,579,217)	(474,440,810)

For the year ended 31 December 2018

	Wealth management	Institutional services	Investment management	International business	Others	Total
Revenue						
- External	12,547,315	3,047,435	3,174,470	3,108,753	1,798,956	23,676,929
- Inter-segment	-	6,312	-	1,842	2,492,005	2,500,159
Other income and gains	443,778	55,969	224,339	4,944	152,699	881,729
Segment revenue and other income	12,991,093	3,109,716	3,398,809	3,115,539	4,443,660	27,058,817
Segment expenses	(9,138,114)	(3,723,151)	(1,207,630)	(2,840,017)	(2,186,257)	(19,095,169)
Segment operating profit/(loss)	3,852,979	(613,435)	2,191,179	275,522	2,257,403	7,963,648
Share of profit/(loss) of associates and joint ventures	-	7,151	(175,216)	-	1,127,374	959,309
Profit/(loss) before income tax	3,852,979	(606,284)	2,015,963	275,522	3,384,777	8,922,957
Interest income	7,676,793	312,419	423,708	137,229	932,219	9,482,368
Interest expenses	(3,117,152)	(1,856,658)	(124,134)	(279,460)	(1,089,566)	(6,466,970)
Depreciation and amortisation expenses	(94,285)	(33,020)	(10,860)	(181,341)	(306,391)	(625,897)
Net (provision for) / reversal of impairment loss on other assets	(5,295)	-	-	-	-	(5,295)
Net (provision for) / reversal of impairment loss on financial assets	(541,220)	(301,713)	(19,129)	(9,520)	8,888	(862,694)
Segment assets	138,579,673	83,486,332	70,659,010	23,639,713	117,330,040	433,694,768
Additions to non-current segment assets during the year	232,227	43,994	24,051	143,688	284,385	728,345
Segment liabilities	(135,301,554)	(81,533,946)	(51,412,688)	(15,390,296)	(45,306,680)	(328,945,164)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	Year ended 31 December	
	2019	*2018*
Revenue		
Total revenue and other income for segments	33,400,979	27,058,817
Elimination of inter-segment revenue	(964,198)	(2,552,083)
Consolidated revenue and other income	32,436,781	24,506,734
Profit		
Total profit before income tax for segments	12,446,126	8,922,957
Elimination of inter-segment profit	(860,161)	(2,474,286)
Consolidated profit before income tax	11,585,965	6,448,671

	As at 31 December	
	2019	*2018*
Assets		
Total assets for segments	600,095,518	433,694,768
Elimination of inter-segment assets	(37,914,880)	(65,028,894)
Consolidated total assets	562,180,638	368,665,874
Liabilities		
Total liabilities for segments	(474,440,810)	(328,945,164)
Elimination of inter-segment liabilities	37,914,880	65,028,894
Consolidated total liabilities	(436,525,930)	(263,916,270)

For the year ended 31 December 2019 and 31 December 2018, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates, interest in joint ventures and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates and interest in joint ventures.

	Year ended 31 December 2019			*Year ended 31 December 2018*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Segment Revenue						
Revenue from external customers	26,910,025	3,963,881	30,873,906	20,566,334	3,110,595	23,676,929
Other income and gains	1,569,451	(6,576)	1,562,875	824,861	4,944	829,805
Total	28,479,476	3,957,305	32,436,781	21,391,195	3,115,539	24,506,734

	Year ended 31 December 2019			*Year ended 31 December 2018*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Specified non-current assets	21,466,328	7,673,870	29,140,198	18,163,311	6,970,012	25,133,323

61 Financial instruments and risk management

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, and securities-backed lending; (iii) counterparty credit risk from a counterparty's default on the derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keeps track of the credit risk of the Group's business products and its transaction counterparties, provides analyses and pre-warning reports, and adjusts its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk on regular basis. In respect of margin financing and securities lending, securities-backed lending and OTC derivative transaction, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and OTC derivative transaction and promptly communicates with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence is performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

The Group provided credit loss allowances for securities-backed lending of financial assets sold under repurchase agreements.

The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the risk factors and identified the three stages of credit loss allowances of the securities-backed lending assets. The details are as below.

Description	Stage of credit loss allowances	
Collateral to loan ratios above the force liquidation thresholds, with no past due days	12-month ECL	Stage I
Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments	Lifetime ECL-not credit impaired	Stage II
Collateral to loan ratios below the force liquidation thresholds, with no past due days		
Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments		
Collateral to loan ratios below 100%	Lifetime ECL- credit impaired	Stage III
Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments		
Borrowers in default or lawsuit		
Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring		

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage I and II, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. The credit loss rate is 0.25% and 1%-4% for assets classified under Stage I and II, respectively.

For credit impaired assets classified under Stage III, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2019	2018
Debt investment at amortised cost	**19,739,758**	16,274,164
Refundable deposits	**12,653,540**	7,836,506
Accounts receivable	**5,511,168**	3,090,165
Other receivables and prepayments	**600,201**	572,509
Margin accounts receivable	**69,006,280**	46,188,885
Financial assets at fair value through other comprehensive income	**2,013,233**	606,809
Financial assets held under resale agreements	**18,466,280**	43,556,565
Financial assets at fair value through profit or loss	**183,612,198**	83,454,431
Derivative financial assets	**1,858,041**	1,933,958
Clearing settlement funds	**6,755,604**	3,023,370
Cash held on behalf of brokerage clients	**82,959,838**	58,947,013
Bank balances	**49,852,998**	28,200,401
Total maximum credit risk exposure	**453,029,139**	293,684,776

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	As at 31 December 2019			
Impairment and loss allowance	*12-month ECL*	*Lifetime ECL-not credit impaired*	*Lifetime ECL-credit impaired*	*Total*
Bank balances	11,179	-	-	11,179
Margin accounts receivable	90,206	-	22,465	112,671
Financial assets held under resale agreements	8,002	4	1,049,544	1,057,550
Accounts receivable	-	19,855	-	19,855
Debt investment measured at amortised cost	7,213	-	-	7,213
Financial assets at fair value through other comprehensive income	4,799	-	-	4,799
Other receivables and prepayments	-	21,551	960,290	981,841
Total	121,399	41,410	2,032,299	2,195,108

	As at 31 December 2018			
Impairment and loss allowance	*12-month ECL*	*Lifetime ECL-not credit impaired*	*Lifetime ECL-credit impaired*	*Total*
Bank balances	1,347	–	–	1,347
Margin accounts receivable	83,166	15,513	19,674	118,353
Financial assets held under resale agreements	61,656	33,593	451,744	546,993
Accounts receivable	–	17,890	–	17,890
Debt investment measured at amortised cost	6,066	–	–	6,066
Financial assets at fair value through other comprehensive income	449	–	–	449
Other receivables and prepayments	–	28,061	756,401	784,462
Total	152,684	95,057	1,227,819	1,475,560

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	***Outside Mainland China***	***Total***
31 December 2019			
Debt investment at amortised cost	17,780,767	1,958,991	19,739,758
Refundable deposits	12,119,390	534,150	12,653,540
Accounts receivable	4,422,451	1,088,717	5,511,168
Other receivables and prepayments	430,286	169,915	600,201
Margin accounts receivable	68,122,908	883,372	69,006,280
Financial assets at fair value through other comprehensive income	-	2,013,233	2,013,233
Financial assets held under resale agreements	17,549,896	916,384	18,466,280
Financial assets at fair value through profit or loss	175,322,508	8,289,690	183,612,198
Derivative financial assets	1,508,264	349,777	1,858,041
Clearing settlement funds	6,744,173	11,431	6,755,604
Cash held on behalf of brokerage clients	82,033,073	926,765	82,959,838
Bank balances	45,177,318	4,675,680	49,852,998
Total maximum credit risk exposure	431,211,034	21,818,105	453,029,139

	By geographical area		
	Mainland China	*Outside Mainland China*	*Total*
31 December 2018			
Debt investment at amortised cost	14,677,952	1,596,212	16,274,164
Refundable deposits	7,704,803	131,703	7,836,506
Accounts receivable	2,319,902	770,263	3,090,165
Other receivables and prepayments	454,639	117,870	572,509
Margin accounts receivable	45,387,683	801,202	46,188,885
Financial assets at fair value through other comprehensive income	-	606,809	606,809
Financial assets held under resale agreements	43,125,313	431,252	43,556,565
Financial assets at fair value through profit or loss	79,796,456	3,657,975	83,454,431
Derivative financial assets	1,689,781	244,177	1,933,958
Clearing settlement funds	3,023,370	-	3,023,370
Cash held on behalf of brokerage clients	57,760,803	1,186,210	58,947,013
Bank balances	24,244,112	3,956,289	28,200,401
Total maximum credit risk exposure	280,184,814	13,499,962	293,684,776

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	As at 31 December	
	2019	*2018*
Rating		
- AAA	**70,000,179**	44,033,609
- From A to AA+	**30,381,234**	16,303,374
- Below A	**97,295**	110,195
Sub-total	**100,478,708**	60,447,178
Non-rated [(1)]	**100,800,646**	37,322,568
Total	**201,279,354**	97,769,746

(1) Non-rated financial assets mainly represent debts instruments issued by the Ministry of Finance of the PRC, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

				As at 31 December 2019					
Financial Liabilities	*Carrying amount*	*Overdue/ repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	5,724,131	-	268,823	5,469,214	-	-	-	-	5,738,037
Short-term debt instruments issued	46,425,196	-	11,964,511	22,734,810	13,182,721	-	-	-	47,882,042
Placements from other financial institutions	11,362,598	-	5,352,616	-	6,098,583	-	-	-	11,451,199
Accounts payable to brokerage clients	89,817,920	89,331,946	394,887	92,976	-	-	-	-	89,819,809
Other payables and accruals	86,702,244	84,116,882	1,607,208	136,552	246,449	663,470	8,471	-	86,779,032
Financial assets sold under repurchase agreements	109,719,045	-	93,025,280	6,237,375	10,794,182	-	-	-	110,056,837
Derivative financial liabilities	1,278,399	-	233,136	368,476	545,455	131,332	-	-	1,278,399
Financial liabilities at fair value through profit or loss	7,380,183	103,142	158,639	1,738,826	1,981,165	1,750,623	1,654,191	-	7,386,586
Long-term bonds	64,616,358	-	-	3,407,100	13,528,749	52,908,371	-	-	69,844,220
Long-term bank loans	850,997	-	-	16,017	46,936	227,742	713,280	-	1,003,975
Total	423,877,071	173,551,970	113,005,100	40,201,346	46,424,240	55,681,538	2,375,942	-	431,240,136

	As at 31 December 2018								
Financial Liabilities	*Carrying amount*	*Overdue/ repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	3,015,791	-	165,261	2,867,724	-	-	-	-	3,032,985
Short-term debt instruments issued	21,124,000	-	6,515,309	3,482,311	11,303,298	-	-	-	21,300,918
Placements from other financial institutions	5,813,487	-	2,253,743	1,538,145	2,092,280	-	-	-	5,884,168
Accounts payable to brokerage clients	59,492,176	59,492,176	-	-	-	-	-	-	59,492,176
Other payables and accruals	53,230,787	50,987,984	1,119,981	172,822	950,000	-	-	-	53,230,787
Financial assets sold under repurchase agreements	40,095,054	-	33,068,056	1,230,345	6,120,944	-	-	-	40,419,345
Derivative financial liabilities	776,102	-	50,956	56,894	619,985	48,267	-	-	776,102
Financial liabilities at fair value through profit or loss	5,199,989	1,438,580	1,436,991	-	-	888,070	1,437,335	-	5,200,976
Long-term bonds	62,890,730	-	-	3,154,579	23,754,207	40,974,348	-	-	67,883,134
Long-term bank loans	1,698,769	-	-	31,974	94,539	482,426	1,450,108	-	2,059,047
Total	253,336,885	111,918,740	44,610,297	12,534,794	44,935,253	42,393,111	2,887,443	-	259,279,638

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 31 December 2019						
Financial assets	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Debt investment at amortised cost	-	167,609	4,371,144	14,580,090	279,101	341,814	19,739,758
Financial assets at fair value through other comprehensive income	99,237	318,306	695,824	887,891	-	10,356,717	12,357,975
Financial assets held under resale agreements	15,938,914	1,289,855	1,114,315	-	-	123,196	18,466,280
Refundable deposits	11,765,965	-	-	-	-	887,575	12,653,540
Accounts receivable	-	-	-	-	-	5,511,168	5,511,168
Other receivables and prepayments	-	-	-	-	-	600,201	600,201
Margin accounts receivable	2,393,075	12,869,438	50,340,427	-	-	3,403,340	69,006,280
Financial assets at fair value through profit or loss	5,802,873	16,871,545	49,875,442	77,646,683	28,579,090	74,020,039	252,795,672
Derivative financial assets	2,310	-	-	-	-	1,855,731	1,858,041
Clearing settlement funds	6,755,433	-	-	-	-	171	6,755,604
Cash held on behalf of brokerage clients	82,825,943	92,436	-	-	-	41,459	82,959,838
Cash and bank balances	36,197,587	5,093,460	8,418,459	-	-	143,682	49,853,188
Total	161,781,337	36,702,649	114,815,611	93,114,664	28,858,191	97,285,093	532,557,545

	As at 31 December 2019						
Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Short-term bank loans	(268,734)	(5,449,562)	-	-	-	(5,835)	(5,724,131)
Short-term debt instruments issued	(10,963,070)	(22,374,400)	(13,023,490)	-	-	(64,236)	(46,425,196)
Placements from other financial institutions	(5,350,000)	-	(6,000,000)	-	-	(12,598)	(11,362,598)
Accounts payable to brokerage clients	(89,725,484)	(92,436)	-	-	-	-	(89,817,920)
Other payables and accruals	(42,546)	(77,353)	(236,584)	(599,052)	(6,906)	(85,739,803)	(86,702,244)
Financial assets sold under repurchase agreements	(92,917,584)	(6,146,694)	(10,468,857)	-	-	(185,910)	(109,719,045)
Derivative financial liabilities	(1,255)	-	-	-	-	(1,277,144)	(1,278,399)
Financial liabilities at fair value through profit or loss	(158,639)	(1,732,423)	(1,981,165)	(713,756)	-	(2,794,200)	(7,380,183)
Long-term bonds	-	(3,000,000)	(11,282,217)	(49,038,257)	-	(1,295,884)	(64,616,358)
Long-term bank loans	-	-	-	-	(847,161)	(3,836)	(850,997)
Total	(199,427,312)	(38,872,868)	(42,992,313)	(50,351,065)	(854,067)	(91,379,446)	(423,877,071)
Net interest rate risk exposure	(37,645,975)	(2,170,219)	71,823,298	42,763,599	28,004,124	5,905,647	108,680,474

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
	As at 31 December 2018						
Debt investment at amortised cost	299,288	159,205	1,777,739	13,530,981	199,210	307,741	16,274,164
Financial assets at fair value through other comprehensive income	-	-	358,361	248,449	-	9,849,933	10,456,743
Financial assets held under resale agreements	19,984,424	3,594,991	16,410,689	2,764,113	-	802,348	43,556,565
Refundable deposits	3,168,917	-	-	-	-	4,667,589	7,836,506
Accounts receivable	-	-	-	-	-	3,090,165	3,090,165
Other receivables and prepayments	-	-	-	-	-	572,509	572,509
Margin accounts receivable	3,360,103	8,505,794	31,384,584	-	-	2,938,404	46,188,885
Financial assets at fair value through profit or loss	3,629,269	7,412,947	29,766,437	37,086,608	3,692,291	40,656,780	122,244,332
Derivative financial assets	1,739	-	-	-	-	1,932,219	1,933,958
Clearing settlement funds	3,023,296	-	-	-	-	74	3,023,370
Cash held on behalf of brokerage clients	58,836,552	-	-	-	-	110,461	58,947,013
Cash and bank balances	22,387,334	4,021,331	1,586,441	-	-	205,519	28,200,625
Total	114,690,922	23,694,268	81,284,251	53,630,151	3,891,501	65,133,742	342,324,835

As at 31 December 2018

Financial liabilities	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Short-term bank loans	(163,877)	(2,836,073)	-	-	-	(15,841)	(3,015,791)
Short-term debt instruments issued	(6,494,544)	(3,431,230)	(11,022,776)	-	-	(175,450)	(21,124,000)
Placements from other financial institutions	(2,250,000)	(1,500,000)	(1,968,407)	-	-	(95,080)	(5,813,487)
Accounts payable to brokerage clients	(59,492,176)	-	-	-	-	-	(59,492,176)
Other payables and accruals	-	-	-	-	-	(53,230,787)	(53,230,787)
Financial assets sold under repurchase agreements	(32,878,970)	(1,161,319)	(5,990,074)	-	-	(64,691)	(40,095,054)
Derivative financial liabilities	(1,129)	-	-	-	-	(774,973)	(776,102)
Financial liabilities at fair value through profit or loss	(1,423,000)	-	-	-	-	(3,776,989)	(5,199,989)
Long-term bonds	-	(3,000,000)	(21,418,737)	(37,285,873)	-	(1,186,120)	(62,890,730)
Long-term bank loans	-	(15,820)	-	-	(1,682,949)	-	(1,698,769)
Total	(102,703,696)	(11,944,442)	(40,399,994)	(37,285,873)	(1,682,949)	(59,319,931)	(253,336,885)
Net interest rate risk exposure	11,987,226	11,749,826	40,884,257	16,344,278	2,208,552	5,813,811	88,987,950

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant and without taking into consideration of the management's activities to reduce interest rate risk, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	As at 31 December	
	2019	*2018*
Move in yield curve		
Up 100 basis points	**(2,680,917)**	(704,860)
Down 100 basis points	**2,915,920**	726,215

	Sensitivity of equity	
	As at 31 December	
	2019	*2018*
Move in yield curve		
Up 100 basis points	**(2,701,453)**	(704,860)
Down 100 basis points	**2,936,455**	726,215

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

	Sensitivity of net profit	
	As at 31 December	
Currency	***2019***	*2018*
USD	**(1,023,382)**	(437,566)
HKD	**(262,584)**	(214,459)

	Sensitivity of equity	
	As at 31 December	
Currency	***2019***	*2018*
USD	**(1,167,482)**	(465,640)
HKD	**(285,990)**	(237,053)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	As at 31 December	
	2019	2018
Increase by 10%	**3,983,649**	2,347,521
Decrease by 10%	**(3,983,649)**	(2,347,521)

	Sensitivity of equity	
	As at 31 December	
	2019	2018
Increase by 10%	**4,759,505**	3,086,266
Decrease by 10%	**(4,759,505)**	(3,086,266)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019 and 2018.

(d) Operational risk

Operational risk refers to risk of financial or other losses caused by inadequate or problematic internal procedures, staff, information technology system and external events, and the types of losses may be caused mainly include loss of assets, external compensation, impairment of carrying amount, regulatory fines and confiscation, legal costs, recovery failure and other costs.

The Group established a standard library of risk points and created risk-discovery indicators, prevented or mitigated operational risks through various measures; promoted the practical use of management tools at branches; released business continuity management methods by combining research and pilot achievements; revised and released the Measures for Assessment and Management of New Business Risk, organised relevant new business assessments; implemented the optimisation of operational risk management system, added operational risk culture publicity, economic capital measurement and other functions, revised system usage management guidelines, and specified system management practices.

(e) Capital management

The Group's objectives of capital management are:

(i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC, Hong Kong and the United States regulations.

On 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");

(vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");

(vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");

(viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");

(ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and

(x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

As at 31 December 2019 and 31 December 2018, the Company maintained net capital and the above ratios as follows:

	Year ended 31 December	
	2019	*2018*
Net Capital	**64,087,502**	59,559,868
Ratio 1	**258.14%**	281.90%
Ratio 2	**58.13%**	62.83%
Ratio 3	**26.53%**	44.32%
Ratio 4	**45.64%**	70.54%
Ratio 5	**58.07%**	30.10%
Ratio 6	**276.67%**	139.03%
Ratio 7	**18.47%**	24.57%
Ratio 8	**460.55%**	648.34%
Ratio 9	**138.96%**	140.95%
Ratio 10	**116.69%**	123.60%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the Mainland China, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2019 and 31 December 2018.

(f) Transfer of financial assets

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost, margin accounts receivable and financial assets held under resale agreements. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The Group sells margin accounts receivable to the securitisation vehicle, which in turn issue asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors.The cash flows that the securitisation vehicle collect from the transferred assets has not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognised as a financial liability.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2019

	Financial assets at fair value through profit or loss		Margin accounts receivable		Total
	Sales and repurchase agreements	Securities lending	Margin loans receivable backed repurchase	Asset-backed securities	
Carrying amount of transferred assets	5,577,866	1,475,784	1,033,886	-	8,087,536
Carrying amount of associated liabilities	(5,329,589)	-	(1,000,000)	-	(6,329,589)
Net position	248,277	1,475,784	33,886	-	1,757,947

As at 31 December 2018

	Financial assets at fair value through profit or loss		Margin accounts receivable		Total
	Sales and repurchase agreements	Securities lending	Margin loans receivable backed repurchase	Asset-backed securities	
Carrying amount of transferred assets	1,864,902	1,168,461	1,650,302	1,077,838	5,761,503
Carrying amount of associated liabilities	(1,714,862)	-	(1,000,000)	(950,000)	(3,664,862)
Net position	150,040	1,168,461	650,302	127,838	2,096,641

62 Fair value information

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Accounts receivable, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of debt investment at amortised cost, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at 31 December	
	2019	*2018*
Financial assets		
- Debt investment at amortised cost	**19,739,758**	16,274,164
Total	**19,739,758**	16,274,164
Financial liabilities		
- Short-term debt instruments issued	**(46,425,196)**	(21,124,000)
- Long-term bonds	**(64,616,358)**	(62,890,730)
Total	**(111,041,554)**	(84,014,730)

Fair value

	2019			
	Level I	*Level II*	*Level III*	*Total*
Financial assets				
- Debt investment at amortised cost	9,000,594	9,927,710	988,708	19,917,012
Total	9,000,594	9,927,710	988,708	19,917,012
Financial liabilities				
- Short-term debt instruments issued	-	15,064,165	31,363,115	46,427,280
- Long-term bonds	54,554,934	6,073,998	4,063,920	64,692,852
Total	54,554,934	21,138,163	35,427,035	111,120,132

	2018			
	Level I	*Level II*	*Level III*	*Total*
Financial assets				
- Debt investment at amortised cost	8,838,870	6,814,493	790,388	16,443,751
Total	8,838,870	6,814,493	790,388	16,443,751
Financial liabilities				
- Short-term debt instruments issued	4,726,656	-	16,396,082	21,122,738
- Long-term bonds	58,359,085	-	4,382,589	62,741,674
Total	63,085,741	-	20,778,671	83,864,412

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost less impairment in the Group's consolidated statement of financial position approximate their fair values.

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 31 December 2019			
	Level I	*Level II*	*Level III*	*Total*
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	36,690,710	143,218,519	1,603,834	181,513,063
- Equity securities	28,859,458	1,619,997	3,521,066	34,000,521
- Funds	28,321,910	718,902	-	29,040,812
- Wealth management products	-	5,566,829	2,051,096	7,617,925
- Loan and advances	-	-	623,351	623,351
Financial assets at fair value through other comprehensive income				
- Debt securities	-	1,015,241	-	1,015,241
- Equity securities	-	10,254,673	90,069	10,344,742
- Other investments	-	-	997,992	997,992
Derivative financial assets	81,849	1,000,750	775,442	1,858,041
Total	93,953,927	163,394,911	9,662,850	267,011,688
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	-	(4,586,478)	-	(4,586,478)
- Financial liabilities designated at fair value through profit or loss	-	(103,142)	(2,690,563)	(2,793,705)
Derivative financial liabilities	(105,950)	(629,477)	(542,972)	(1,278,399)
Total	(105,950)	(5,319,097)	(3,233,535)	(8,658,582)

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	49,282,012	32,465,985	537,973	82,285,970
- Equity securities	6,614,477	685,014	3,072,924	10,372,415
- Funds	22,345,570	432,345	-	22,777,915
- Wealth management products	-	5,385,666	1,422,366	6,808,032
Financial assets at fair value through other comprehensive income				
- Equity securities	-	9,767,639	82,294	9,849,933
- Other investments	-	-	606,810	606,810
Derivative financial assets	16,646	338,702	1,578,610	1,933,958
Total	78,258,705	49,075,351	7,300,977	134,635,033
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(1,436,332)	(1,376,525)	-	(2,812,857)
- Financial liabilities designated at fair value through profit or loss	-	(61,727)	(2,325,405)	(2,387,132)
Derivative financial liabilities	(13,515)	(441,034)	(321,553)	(776,102)
Total	(1,449,847)	(1,879,286)	(2,646,958)	(5,976,091)

For the year ended 31 December 2019, there was a transfer of amount RMB188 million from Level II to Level I due to its lifting of restricted stocks. There was a transfer of amount RMB93 million from Level II to Level III primarily due to the delisting of equity securities. There was a transfer of amount RMB507 million from Level III to Level II due to the listing of equity securities with lock-up period.

For the year ended 31 December 2018, there was a transfer of amount RMB126 million from Level II to Level I due to its lifting of restricted stocks. There was a transfer of amount RMB107 million from Level II to Level III due to the delisting of equity securities. There was a transfer of amount RMB529 million from Level III to Level II due to the listing of equity securities with lock-up period.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the stock exchanges and funds with quoted bid prices in an active market, which classified as financial instruments at fair value through profit or loss.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2019 and 31 December 2018, the Group's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.

(5) For unlisted equity securities, wealth management products without quoted bid price in an active market, loan and advances, gold leasing and OTC derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2019	5,033,263	689,104	1,578,610	(2,325,405)	(321,553)	4,654,019
Gains or losses for the year	501,266	68,261	419,470	(428,902)	(543,006)	17,089
Changes in fair value recognised in other comprehensive income	-	12,674	-	-	-	12,674
Purchases	3,957,499	386,092	284,939	-	623,683	5,252,213
Sales and settlements	(1,692,681)	(68,070)	(1,507,577)	63,744	(302,096)	(3,506,680)
As at 31 December 2019	7,799,347	1,088,061	775,442	(2,690,563)	(542,972)	6,429,315
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	405,998	-	477,462	(428,902)	(502,400)	(47,842)

	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2018	7,644,291	65,994	254,601	(2,345,668)	(226,485)	5,392,733
Gains or losses for the year	993,427	(449)	2,647,285	185,887	364,538	4,190,688
Changes in fair value recognised in other comprehensive income	-	38,344	-	-	-	38,344
Purchases	2,347,484	585,215	176,691	-	(213,465)	2,895,925
Sales and settlements	(5,951,939)	-	(1,499,967)	(165,624)	(246,141)	(7,863,671)
As at 31 December 2018	5,033,263	689,104	1,578,610	(2,325,405)	(321,553)	4,654,019
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	846,789	-	1,264,360	185,887	82,845	2,379,881

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets and liabilities	*Fair value hierarchy*	*Valuation technique(s) and key input(s)*	*Significant unobservable input(s)*	*Relationship of unobservable input(s) to fair value*
Wealth management products, loan and advances and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter derivatives	Level III	Black-Scholes option pricing model	Price volatility of underlying assets	The higher the price volatility,the greater the impact on the fair value
		Monte-Carlo option pricing model	Price volatility of underlying assets	The higher the price volatility,the greater the impact on the fair value

63 Share-based payment of a subsidiary

(a) Summary information about share-based payments of a subsidiary

	2019			
	As at 1 January	*Accrued for the year*	*Modification*	*As at 31 December*
Cash-settled share-based payments				
- USD equivalent to RMB	99,793	78,292	(178,085)	-
Equity-settled share-based payments				
- USD equivalent to RMB	-	172,620	178,085	350,705
Total	99,793	250,912	-	350,705

	2018			
	As at 1 January	*Accrued for the year*	*Payments made*	*As at 31 December*
Cash-settled share-based payments				
- USD equivalent to RMB	28,458	71,335	-	99,793

During the year ended 2019, the Group's subsidiary AssetMark Financial Holdings, Inc. granted share-based payments to the employees. Details are as follows:

Before the initial public offering of AssetMark Financial Holdings, Inc.

(i) Class C Common Units

AssetMark Holdings, LLC, a former subsidiary of the Group, which was dissolved in July 2019, granted the share-based compensation to all officers of its subsidiary, AssetMark Financial Holdings, Inc, as at 1 November 2016. The share-based compensation is calculated based on the fair value of Class C Common Units of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in 3 years after the grant date and are exercisable with a period of 4 to 8 years. The Class C Common Units was classified as cash-settled share-based payments by the Group.

Share-based payments for services of Class C Common Units were calculated at fair value. The method for determining the fair value of liabilities based on the shares or other equity instruments assumed by the Group was Monte Carlo simulation.

Class C Common Units activity during the year ended 31 December 2018 was as follows:

	Share quantities	*Weighted average Remaining contractual years*
Balance at 1 January 2018	8,550.13	6.87
Granted	283.37	7.47
Forfeited	(16.67)	7.58
Balance at 31 December 2018	8,816.83	5.93

As at 31 December 2018, the accumulated amount of liabilities arising from cash-settled share-based payments was USD14.54 million, equivalent to RMB99.79 million, and total expenses recognised for the year ended 31 December 2018 arising from cash-settled share-based payments amounted to RMB71.34 million.

On 17 July 2019, immediately following the pricing of AssetMark Financial Holdings, Inc. initial public offering (the "IPO"), AssetMark Holdings, LLC liquidated and dissolved, and holders of Class C Common Units of AssetMark Holdings, LLC received an aggregated number of Restricted Stock Awards equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock, which the original Class C Common Units were replaced. Total expenses recognised for the period ended 17 July 2019 arising from cash-settled share-based payments amounted to USD 11.41 million, equivalent to RMB 78.29 million.

As at 31 December 2019, the accumulated amount of liabilities arising from cash-settled share-based payments was zero due to the aforementioned modification of Class C Common Units.

After the initial public offering of AssetMark Financial Holdings, Inc.

(ii) Restricted Stock Awards (RSAs)

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

As at 31 December 2019, the outstanding unvested shares were 5,257,541 shares, and the accumulated amount of capital arising from Restricted Stock Awards was USD49.15 million, equivalent to RMB339.59 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB161.50 million.

(iii) Stock Options

In connection with the IPO, AssetMark Financial Holdings, Inc. issued options to certain officers to acquire an aggregate of 918,981 shares of the common stock, with an exercise price of USD22 per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of 18 July 2019.

As at 31 December 2019, the weighted average grant date fair value per share of options granted were USD7.73. The accumulated amount of capital arising from Stock Options was USD1.07 million, equivalent to RMB7.43 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB7.43 million.

Stock Option activity during the year ended 31 December 2019 is as follows:

	Share quantities	*Weighted average exercise price*	*Aggregate intrinsic value*	*Weighted average remaining contractual years*
		USD	*USD*	
Balance at 1 January 2019	-			
- Granted	918,981	22.00		
- Forfeited	(10,206)	22.00		
Balance at 31 December 2019	908,775	22.00	6,380,000	9.6

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

(iv) Restricted Stock Units (RSUs)

Also in connection with the IPO, AssetMark Financial Holdings, Inc. issued Restricted Stock Units to certain officers covering an aggregate of 85,737 shares of the common stock. Each of these Restricted Stock Units is scheduled to vest in substantially equal installments on each of the first three anniversaries of 18 July 2019.

As at 31 December 2019, the accumulated amount of capital arising from Restricted Stock Units was USD0.53 million, equivalent to RMB3.69 million, and total expenses recognised for the year arising from equity-settled share-based payments amounted to RMB3.69 million.

Restricted Stock Units activity during the year ended 31 December 2019 was as follows:

	Number of Restricted Stock Units	*Weighted averagegrant date fair value*
		USD
Balance at 1 January 2019	-	
Granted	115,737	22.78
Forfeited	(1,693)	22.00
Balance at 31 December 2019	114,044	22.79

64 Company-level statement of financial position

	Note	As at 31 December 2019	2018
Non-current assets			
Property and equipment		**3,091,787**	2,493,036
Investment properties		**1,363,937**	1,426,028
Other intangible assets		**646,399**	526,963
Investments in subsidiaries		**19,374,962**	18,174,962
Interest in associates		**9,434,339**	8,262,252
Debt investment at amortised cost		**13,755,153**	12,452,909
Financial assets at fair value through other comprehensive income		**10,307,367**	9,820,333
Financial assets held under resale agreements		**-**	2,452,201
Financial assets at fair value through profit or loss		**6,674,987**	1,024,322
Refundable deposits		**4,548,561**	2,669,163
Other non-current assets		**237,812**	233,830
Total non-current assets		**69,435,304**	59,535,999
Current assets			
Accounts receivable		**3,041,432**	1,609,777
Other receivables and prepayments		**330,090**	970,047
Margin accounts receivable		**68,122,908**	45,387,683
Debt investment at amortised cost		**4,025,614**	2,225,043
Financial assets held under resale agreements		**14,155,652**	32,276,961
Financial assets at fair value through profit or loss		**165,269,314**	70,389,642
Derivative financial assets		**1,851,978**	1,663,164
Clearing settlement funds		**7,419,153**	4,220,923
Cash held on behalf of brokerage clients		**71,142,684**	47,799,466
Cash and bank balances		**17,806,478**	10,652,460
Total current assets		**353,165,303**	217,195,166
Total assets		**422,600,607**	276,731,165

	Note	As at 31 December 2019	2018
Current liabilities			
Short-term debt instruments issued		47,059,476	20,927,044
Placements from other financial institutions		11,362,598	5,813,487
Accounts payable to brokerage clients		70,663,092	44,673,270
Employee benefits payable		1,120,459	1,178,952
Other payables and accruals		10,746,710	7,230,663
Current tax liabilities		46,231	-
Financial assets sold under repurchase agreements		101,900,041	34,794,769
Financial liabilities at fair value through profit or loss		852,335	1,436,005
Derivative financial liabilities		953,527	603,695
Long-term bonds due within one year		14,611,188	22,077,210
Total current liabilities		259,315,657	138,735,095
Net current assets		93,849,646	78,460,071
Total assets less current liabilities		163,284,950	137,996,070
Non-current liabilities			
Long-term bonds		46,401,284	38,046,114
Non-current employee benefits payable		5,455,462	4,572,503
Deferred tax liabilities		888,227	580,365
Other payable and accruals		283,911	-
Total non-current liabilities		53,028,884	43,198,982
Net assets		110,256,066	94,797,088

	Note	As at 31 December 2019	2018
Equity			
Share capital	55(b)	**9,076,650**	8,251,500
Reserves		**85,019,854**	72,065,053
Retained profits		**16,159,562**	14,480,535
Total equity		**110,256,066**	94,797,088

Approved and authorised for issue by the board of directors on 30 March 2020.

Zhang Wei
Chairman of the Board,Director

Chen Chuanming
Director

65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

66 Events after the reporting date

(a) Issuance of short-term bonds

On 2 January 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB6 billion, bearing interest at 2.80% per annum to qualified investors.

On 7 February 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB5 billion, bearing interest at 2.65% per annum to qualified investors.

On 12 February 2020, the Company's subsidiary Pioneer Reward Limited has publicly issued 3 years corporate bond with a nominal amount of USD400 million, bearing floating interest equals to 3-month USD LIBOR + 0.95% per annum to qualified investors. The bond is guaranteed by the Company.

On 25 February 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB3 billion, bearing interest at 2.39% per annum to qualified investors.

On 4 March 2020, the Company has publicly issued 90 days corporate bond with a nominal amount of RMB4 billion, bearing interest at 2.31% per annum to qualified investors.

On 26 March 2020, the Company has publicly issued 3-year corporate bond with a nominal amount of RMB8 billion, bearing interest at 2.99% per annum to qualified investors.

(b) Profit distribution plan after accounting periods

On 30 March 2020, based on the total ordinary shares of 9,076,650,000 of the Company, the Board proposed cash dividends of RMB3.00 (tax inclusive) per 10 ordinary shares to be distributed to all the shareholders, with total cash dividend amounting to RMB2,723 million.

The proposal is pending for the approval of the general meeting of the shareholders. The cash dividends are not recognised as a liability as at 31 December 2019.

(c) *The Assessment of the impact of the Coronavirus disease 2019*

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19《关于进一步强化金融支持防控新型冠状病毒感染肺炎疫情的通知》, which was issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Hubei Province. This may affect the quality or the yields of the brokerage business and investment assets of the Group in a degree, and the degree of the impact depends about the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention about the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

ISSUER

Pioneer Reward Limited
OMC Chambers, Wickhams Cay 1
Road Town
Tortola
British Virgin Islands

GUARANTOR

Huatai Securities Co., Ltd.
(華泰證券股份有限公司)
No. 228 Middle Jiangdong Road
Nanjing
Jiangsu Province
The People's Republic of China

TRUSTEE

Citicorp International Limited
20th Floor, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
Ground Floor
1 North Wall Quay

LEGAL ADVISERS

To the Issuer and Guarantor as to English law

Linklaters
11th Floor, Alexandra House
Chater Road
Central
Hong Kong

To the Guarantor as to PRC law

DeHeng Law Offices
12th Floor, Tower B, Focus Place No.19
Finance Street, Beijing,
P.R.China

To the Issuer as to British Virgin Islands law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Central, Hong Kong

To the Joint Lead Managers and the Trustee as to English law

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

To the Joint Lead Managers as to PRC law

Global Law Office
15 & 20F, China Central Place
Tower 1 81 Jianguo Road
Chaoyang District
Beijing 100025, PRC

INDEPENDENT AUDITORS OF THE GROUP

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